

Warpehoski, Chuck

From: Hall, Jennifer
Sent: Monday, March 20, 2017 8:40 AM
To: *City Council Members (All)
Cc: Lazarus, Howard; Crawford, Tom; Gillotti, Teresa (tgillotti@gmail.com); Lenart, Brett
Subject: AAHTF questions
Attachments: Ann Arbor Housing Trust Fund FACT SHEET.docx

Mayor and City Council,

On Thursday evening, Councilmembers asked Tom Crawford and I questions about the historical use of Ann Arbor Housing Trust Funds (AAHTF) and future use of those funds. The Housing Commission has recently received significant funding from the City general fund and AAHTF to both preserve the existing public housing as well as develop additional apartments for low-income households. In 2015, I pulled together some information about historical funding from the AAHTF, income limits and rent limits that might be able to answer some of these questions about affordable housing.

In the case of public housing, a lack of maintenance and capital funding over the past 40+ years has led to the deterioration of this community asset. 12 of the City's 18 public housing properties would have needed to be demolished in the next 10 years if we were not investing millions of dollars now to preserve what can be preserved, and demolish and build new and additional apartments where density can be increased.

Of the 5 public housing properties left, the 2 properties that make up our Swift Lane project (32 existing apartments will be redeveloped as 64 apartments) will need to be condemned and demolished in the next 2 years, with or without redevelopment funding. Once we have done a site analysis, we will know if Broadway is salvageable or will need to be demolished and sold. The remaining 2 properties (5 units) are in good condition because we have recently renovated them.

Councilmember Eaton asked a good question – how many apartments can \$5 million provide? Tom Crawford was correct in stating that it depends on the location and funding. As you will see in the attached document, every \$1 of AAHTF leveraged an average of \$25 in other funding, depending on the project. Therefore \$5 million can leverage \$70 to \$125 million in other funding to create 200 to 500+ income & rent-restricted apartments for households at 60% AMI or less. There is currently \$3,680 in the AAHTF.

The development process can take 4-6 years from concept to full occupancy but we have a good case study right now on what can be done with \$5 million. Both Avalon and the AAHC have projects in the pipeline that have funding gaps that could prevent the projects from getting built. Avalon is applying for tax credits right now to construct 70 new apartments called Hickory Way at a cost of \$17 million. They currently have a gap of between \$400,000 - \$1,150,000 that they are trying to fill to get the project built. The AAHC's Swift Lane project is 64 apartments at 2 locations at a cost of \$18 million and I believe our gap will be \$600,000 in addition to the \$450,000 in AAHTF already committed to the project for a total of \$1,050,000.

To understand what \$5 million can do, we can use these two projects as an example. Between the two projects, at most it will cost \$2.2 million in AAHTF out of \$35 million budget to construct 134 apartments, which is \$16,500/apartment in AAHTF funds. As another example, the AAHTF provided \$730,000 of the \$13.5 million budget for 46 apartments at West Arbor (previously known as North Maple Estates) which is about \$16,000/apartment. North Maple Estates was 23 apartments and West Arbor is 46 apartments, so if you just count the 23 new apartments, the AAHTF provided \$32,000/new apartment.

Whether or not the City approves the sale of the Library Lane lot, it is important to come up with a strategy to increase funding to the AAHTF in order to leverage other funds to add to our affordable housing stock. Without local funding to help leverage other funding, it will be very difficult to add new housing that is affordable to households under 60% AMI.

In order to target households from 60% AMI to 100% AMI or higher, the current strategy of including income & rent restricted apartments in market rate developments is a good strategy. Market rate developers have the ability to generate higher rental income, which enables them to secure investor and debt financing to make the projects financially feasible without public funding. Both strategies are worth pursuing.

Sincerely,

Jennifer Hall

Executive Director
Ann Arbor Housing Commission
2000 S. Industrial, Ann Arbor MI 48104
P: 734 794-6721 F: 734 996-3018
JHall@a2gov.org