AGENDA
Housing and Human Services Advisory Board (HHSAB)
March 10th, 2016
6:30 PM-8:30 PM
Location: 200 N. Main St.
Ann Arbor, MI 48104
Lower Level Conference Room

I. Convene Meeting (Thaddeus Jabzanka, Chairperson) 6:30pm
II. Public Comment 6:35pm
III. Approval of Agenda (ACTION) 6:40pm
IV. Approval of Minutes from 1/14/16 (ACTION) 6:45pm
V. Business
   a. Public Hearing for the HUD Action Plan 6:55 pm
   b. AAAHF Application 815.821 Gott & Avalon Housing 7:45 pm
VI. City Council (Council Member Update) 8:15pm
VII. Public Comment 8:25pm
VIII. Adjournment (ACTION) 8:30pm
MINUTES
Housing and Human Services Advisory Board
Thursday, January 14, 2016 6:30-8:30pm
200 N. Main Street
Ann Arbor, MI 48104
Lower Level Conference Room


Members Absent: R. Sarri, J. Steiner, N. Wright

Staff Present: Mary Casey, Brett Lenart

Public: Jennifer Hall from Ann Arbor Housing Commission

I. Convene Meeting:
   T. Jabzenka, Chair, convened the meeting at 6:38 PM.

II. Approval of Agenda:
   A. Freundl moved to approve the agenda; A. Carlisle seconded. Motion Passed (D. Blanchard, A. Carlisle, A. Erickson, A. Freundl, A. Gilroy, T. Jabzanka, W. Leaf, E. Pollack, G. Pratt; 9 Aye, 0 Nay).

III. Approval of Minutes:
   A. Freundl moved to approve the November meeting minutes; E. Pollack seconded. Motion approved as amended (D. Blanchard, A. Carlisle, A. Erickson, A. Freundl, A. Gilroy, T. Jabzanka, W. Leaf, E. Pollack, G. Pratt; 9 Aye, 0 Nay).

IV. Public Comment:
   None.

V. Action Items, Discussion Items and Updates:
   A. Introducing Zach Ackerman

   Z. Ackerman is the new council appointment to the HHSAB.

   B. Coordinated Funding Reviewers

   OCED is in the middle of a review cycle for the county’s Coordinated Funding program. There is approximately 4 million dollars available to community partners who have their applications approved. St. Joseph Mercy has recently joined as a funding partner. The process for selecting proposals is robust; the soliciting phase to learn foundational functions about the organizations has been completed. An effort was made to determine the needs of the organizations and there
was a focus on 48197 and 48197 areas of the county. The next phase is to review actual proposals from organizations who were invited to participate. Funding recommendations are come from HHSAB and then are ultimately sent to Ann Arbor City Council. E. Pollack added that it is a huge time commitment and you do have to pay attention to the small details. B. Lenart asked the board who would like to participate.


**C. Washtenaw Housing Alliance updates**

A. Carlisle reminded the group that the Point in Time count will be done the night of January 27th and on the morning before 4 am on January 28th. HUD requires the count from sunrise to sunset. They are looking for volunteers, specifically males. If you are interested, let her know. If you don’t want to go out on the streets, there are admin/support volunteer options available. They’re hoping the counts are lower than last year.

Council is considering the offer of $10 million for the library lot, 50% will go toward the affordable housing trust fund if the offer is accepted.

Platt road proposal from CAC is that mixed income housing be put on that site.

On February 10th, there will be a landlord and property manager outreach event. This informational meeting was the #1 request from the focus group this past year. A panel presentation with community leaders will be held at 8:30 am.

Members discussed.

**D. Continuum of Care updates**

B. Lenart said that most of what he was going to mention was discussed in the previous agenda item. B. Lenart asked if A. Carlisle could provide an update the group on Zero:2016. A. Carlisle said that we met our goal in November, but those numbers were based on an estimate and a multiplier factor. We have learned that our inflow number is higher than we expected. We reached our goals with that number, but we are not actually at functional zero like we thought. The holdup is the shortage of land lords with property available. We are in the process of redefining the number for chronic homelessness to get a more accurate projection.

There is a list and a lot of parallel work for families and youth. We are trying to narrow down the end goals for families in youth, but they aren’t receiving the assistance from the federal government like they have been getting on veteran homelessness.
E. Ann Arbor Housing Commission updates

J. Hall said December was very busy get the apartments renovated and people moved in before the end of the year deadline. 15 veteran apartments set aside for veterans alone. They are now in phase 3 and 4. There is a 25 unit project with 20 vacancies as people are moved around. She is hoping to fill those apartments when finished. The fourth phase will begin with demolition in the spring. After that AAHC will begin the Swift Lane Project on Maple and on Platt Road. In another year there will hopefully be a lot of units available. They are hoping to get tax credit funding next time around. The developer did not provide a ten point document, which would have gotten them the funding last year. This added a six month delay to the project. AAHC also added 43kw solar panel on Miller Manor and had a partnership with EMU for working with tenants to build projects with tenants. Miller Manor now has a moving art room on the first floor and is expanding the program.

Members discussed.

F. AAHCJPFAC Final Report (ACTION)

B. Lenart said last year city council put together an advisory committee to address the interaction between council and AACH due to the RAD Conversation. They were transitioning to a very new model of business and over the last couple of years there have been decisions regarding transferring property, funding, and bricks and mortar contributions. There is a bit of unpredictability and volatility in the process. Separate from managing the physical units, AAHC functions as a voucher provider. They are reimbursed a fraction of what it costs to administer the program, currently 81% of cost. On top of that, the employees are at a lower wage scale even at similar roles compared to Ann Arbor city employees.

This report makes a series of recommendations to address these issues over the next couple of years. HHSAB has been asked to make a recommendation to city council, as listed in the agenda attachment.

A. Gilroy asked about the 100K. Is that going to be it, or just a projection? J. Hall said it is an estimate; new things frequently come up in the middle of projects. Plus, they never know what the HUD reimbursement will be until you start and are in the middle of the project. The good thing this year is that the predevelopment costs are finally bring reimbursed for past projects, so she is feeling more comfortable with this current amount as opposed to last year’s estimates. S. Briere said that in the past council assumes the AAHC doesn’t operate on a deficit, and a few years ago there was a wakeup call that the funding was not adequate. Now the council operates differently. This budget cycle has followed the recommendation of the city manager and gave it to the AAHC. Giving the money to the AAHC directly, instead of the Affordable Housing Trust Fund was very important in addressing the pay inequities and other issues.

Members discussed the recommendation to allocate the 100k to AAHC instead of AAHF. A. Erickson is in favor this year, but does not want it to be done every year since she would prefer those funds be allocated directly to the AAHC.

Sabra will be providing the HHSAB group with a document for the next meeting.
D. Blanchard says he would rather see the recommendations centered on the needs of the AAHC instead of the funding sources.

**A. Erickson motion to approve the Joint Commission’s Recommendations to Ann Arbor City Council, W. Leaf seconded. Motion passed.** (D. Blanchard, A. Carlisle, A. Erickson, A. Freundl, A. Gilroy, T. Jabzanka, W. Leaf, E. Pollack, G. Pratt; 9 Aye, 0 Nay).

**G. Approve 2016 Workplan (ACTION)**

A. Carlisle proposes undertaking a project that is public or institutional that is available for development to create a report and propose it to city council. She has provided an attachment to this month’s agenda detailing what she believes it would entail.

S. Briere asks that we consider another item: privately owned land that is available for public acquisition. She knows it not often an opportunity, but there are some locations that are not as expensive as land in downtown. She would love to know if there is an opportunity that we are not thinking about. A. Carlisle is open to it, but unsure of the logistics.

A. Erickson said it would be a valuable use of our time to identify additional funding source for the housing trust fund.

D. Blanchard said it might be helpful to put some work with the Housing Equity Leadership Group on out workplan.

**E. Pollack motioned to approve the work plan with S. Briere’s and A. Erickson’s recommendations. Motion passed** (D. Blanchard, A. Carlisle, A. Erickson, A. Freundl, A. Gilroy, T. Jabzanka, W. Leaf, E. Pollack, G. Pratt; 9 Aye, 0 Nay).

**VI. City Council Updates:**

Revenue from the Library lot – there is no guarantee that council will agree to sell the land. It has nothing to do with affordable housing, but everything to do with the proposal. If we sell the library lot, we could have potentially 5 million in the AAHF. As you advocate for this, you need to think about the arguments you’d bring to council.

Planning commission is struggling with the premiums. The premiums are so high that it is not likely a developer would pursue them. The incentive is not enticing to developers; it needs to be more attractive to developers or we’ll never get the affordable housing units we want and need. The choices are to own the land or reduce the quality or development.

Z. Ackerman said it’s clear that there is a demand for supply at every income level in this community and the need for affordable housing will be on his mind when he makes his decisions. Accessory dwelling units and micro units are potential innovations brought to us by the private sector.
VII. **Public Comment:**

None.

VIII. **Adjournment:**

A. Erickson moved to adjourn. E. Pollack seconded. Motion passed meeting adjourned at 8:41 pm
# Washtenaw Urban County 2016-17 Planned Activities

## 2016-17 Allocations

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Allocation</th>
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<tbody>
<tr>
<td>Community Development Block Grant (CDBG)</td>
<td>$1,858,189</td>
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<tr>
<td>HOME Investment Partnership Program (HOME)</td>
<td>$926,551</td>
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<tr>
<td>Emergency Solutions Grant (ESG)</td>
<td>$166,266</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,951,006</strong></td>
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### Community Development Block Grant (CDBG)

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<thead>
<tr>
<th>Activity</th>
<th>Agency</th>
<th>Jurisdiction</th>
<th>Allocation</th>
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<tbody>
<tr>
<td>Single Family Rehabilitation</td>
<td>OCED</td>
<td>All</td>
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<td>Single Family Rehabilitation Service Delivery</td>
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<td>Public Housing RAD Conversion</td>
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<td>Community Based Development Organization (CBDO)</td>
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<td>Demolition</td>
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<td>ADA Curb Cuts</td>
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<td>Main Street Sidewalk Improvements</td>
<td>Northfield Township</td>
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<td>Homebuyer Rehabilitation Program - TBD</td>
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<td>Non-Motorized Bike Trails</td>
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<td>Bud &amp; Blossom Park</td>
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<td>Bus Shelters</td>
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### HOME Investment Partnership Program (HOME)

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<th>Allocation</th>
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<tr>
<td>HOME</td>
<td>Avalon Housing or Habitat for Humanity</td>
<td>All</td>
<td>TBD</td>
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<td>CHDO Reserve (15%)</td>
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<td>CHDO Operating (5%)</td>
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<td>HOME Administration</td>
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<td>TBD</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$926,551</strong></td>
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### Emergency Solutions Grant (ESG)

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<th>Activity</th>
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<th>Jurisdiction</th>
<th>Allocation</th>
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<tbody>
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<td>ESG Administration</td>
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Ann Arbor Housing Trust Fund Project Application

815, 821 Gott Street

1. Funding Request
Avalon Housing, Inc would like to request a total of $50,000 in Ann Arbor Housing Trust Funding for the acquisition and rehab at 815 and 821 Gott Street. We are requesting this either as grant funding or as fully deferred loan at 0% interest. Avalon is planning to combine AAHTF funds with an application for local HOME Funds, Federal Home Loan Bank Affordable Housing Program funds along with private debt. A more detailed development proforma is included later in this application.

2. Project Narrative
   a. Project Location
      815 and 821 Gott Street are two adjacent three-unit buildings located on the west side of Ann Arbor. The neighborhood is characterized primarily by an early 1900's single-family home stock with a few newer duplexes; many of the single family structures have been subdivided into apartments. There is a mix of rental and home ownership. There are 2 bus routes serving the neighborhood.
   b. New/Existing Structures
      The project site includes two adjacent lots of .2 acre each with existing structures. Both structures were built in 1901.
   c. Number of units
      There are three units in each building. 815 includes one efficiency, one one-bedroom and one two-bedroom unit. 821 has three one-bedroom units.
   d. Description of population to be served
      We are targeting special needs or homeless households for at least two (2) of these units.
   e. Household Income Targeting
      We anticipate at least two (2) of the units will be reserved for households at or under 30% of AMI, with the remaining four (4) units reserved for households at or under 50% AMI.
   f. Length of time units will remain for income restricted
      We recently applied for HOME funds through the Urban County. We also plan to apply for Affordable Housing Program funds through the Federal Home Loan Bank. Both of these include long-term income restrictions for households being served, ranging from
15-30 years. We expect this will be the long term income restriction for our Gott Street properties.

g. Ensuring units will be occupied by low-income persons
With our other intended funding for these units, we are committing to house persons with very and extremely low incomes initially and throughout the 15-30 year compliance period. We will be required to conduct initial income certifications demonstrating this for all new move-ins and at annual recertification. This information is reported back to the City of Ann Arbor, Washtenaw County and the Federal Home Loan Bank.

h. Housing Choice Vouchers
Avalon has always and continues to accept households with Housing Choice vouchers and will do so at these properties.

i. Project Schedule
Our project schedule is as follows:

**Funding application to Washtenaw Urban County** January 2016
**Funding application to AAHTF** February 2016
**Funding application to FHLB** April 2016 (est)
**All funding approved** August 2016
**Closing on Permanent Financing** December 2016
**Lease-up start** July 2017
**Fully occupied and services operational** August 2017

j. Permitting status
We have not yet pulled any permits for this project.

k. Description of Supportive Services
Avalon Housing provides extensive supportive services that are available to all tenants. Definitions of permanent supportive housing vary among funders. Avalon considers 100% of our units to be permanent supportive housing, as we offer supportive services to all our tenants, combined with our enhanced property management. A significant subset of the population in Avalon’s overall housing stock is homeless or has a special need.

Avalon’s “Enhanced Property Management” approach blends traditional landlord activities with a variety of outreach, engagement and community-building work designed to prevent eviction. In order to minimize role confusion and the potential misconception that tenants are living in a “residential program”, Avalon has staff in a separate services program within Avalon. Supportive services are individualized, flexible and vary based on tenant need, as well as ongoing and not time-limited. A primary principle of this model is that service participation is voluntary and is not a condition of tenancy, unless negotiated as an alternative to eviction. Participants may participate in services intensely at some points and not at all at other points. This model of service
provision requires particular focus on engagement which begins through outreach during the application and lease-up period and continues throughout tenancy. As a result of the housing history and health status of most Avalon tenants—as well as Avalon’s outreach to at-risk populations and tenancy criteria associated with some funding—most tenants derive an ongoing benefit from services and services help to stabilize housing.

1. Housing Needs Assessment
With the publication of the Housing Affordability and Economic Equity Analysis in January 2015 and its subsequent review and adoption by the County and other local governments, a clear guide was established for addressing housing market and economic inequity in Washtenaw County. Avalon’s work to date—260 units of housing affordable to our community’s lowest income and most disadvantaged residents, all in the City of Ann Arbor—is entirely consistent with the goals found in that report. In particular, this project addresses the following goals found in the assessment:

- The addition of 6 units of affordable non-student rental housing in Ann Arbor contributes towards the annual goal of 140 of these units and the 2035 goal of 2,797 of these units.
- These units are well located in relation to public transportation and are close to job centers—thus providing affordable housing in a location that is convenient for residents and less likely to contribute to increased commuting pressure.

3. Organization Description
   a. Organizational history
Avalon Housing was created in 1992 to develop and manage permanent affordable housing with support services for people with very low incomes and disabilities. The organization grew out of the local emergency shelter program in an effort to develop long-term solutions to homelessness. As of February 2016, Avalon owns and manages 260 units of permanent supportive housing at twenty properties, all of which are located within Ann Arbor. In addition, Avalon provides services to approximately 200 households residing outside of Avalon.

Avalon’s mission begins with the belief that housing is a basic human right. We develop and manage Permanent Supportive Housing (PSH) for people who are homeless and who have a mental or physical disability. We provide supportive services for adults and children living in PSH, with the goals of helping them maintain housing stability, increase self-sufficiency, and build community. The goal of Avalon Housing is to help people with histories of homelessness and housing instability to achieve independence, self-sufficiency and community connections and to enhance their quality of life.
b. Other projects
A list of Avalon’s properties is attached, including the financing for each property.
Avalon has developed and managed each of these and ensures we continue to meet on-
going compliance requirements.
c. History of Management
Avalon has been managing and maintaining a scattered-site stock of supportive housing
since 1992, and currently manages 260 units at twenty properties. All of the properties
Avalon currently manages are owned by Avalon directly or through a subsidiary.
Avalon’s property management stock includes: duplexes; former houses now serving as
multi-family rental properties; to more traditional apartment projects ranging from 14-
39 units. Avalon’s enhanced management model is the key to our ongoing success in
housing persons who have been homeless. A more detailed Standard Operating
Procedures manual is also used by Avalon staff for day to day property management
concerns ranging from landlord/tenant laws to regulatory requirements to maintenance
work orders. Avalon property management and maintenance staff have attended
national trainings on property and asset management, regulatory compliance, facilities
management and lead paint requirements. Avalon’s Asset Manager oversees the
property management and maintenance teams, which include seven FTEs. Avalon’s
Facilities Manager supervises the 4-FTE maintenance staff. Avalon maintains a 24-hour
on-call management pager that is answered by its services team; a property
management staff and a maintenance staff person are also on call at all times.
d. Relevant Performance/Capacity
Over its 23 year history, Avalon has developed affordable housing units in Ann Arbor
primarily through acquisition and rehab. This includes thirteen scattered site properties
in the City of similar size to this proposal. We have previously used the funding sources
proposed here, including local HOME funds and Federal Home Loan Bank Affordable
Housing Program funds. We have closed on projects, overseen their successful rehab,
followed by on-going management and support services provision. Over the past few
years, Avalon has also undertaken a concentrated effort to reinvest in its older
properties by obtaining funding to restructure them financially to ensure they continue
successfully for the next many years, as well as reinvesting in the physical needs of the
properties, emphasizing key building systems such as structural, heating/cooling,
electric as well as energy efficient upgrades. We have significant experience in
evaluating and prioritizing the needs of older buildings and addressing those in the
rehab process.
e. The request financial information is attached to this submission, unless separately
provided to the County Office of Community and Economic Development as part of our
February 28 HOME and CHDO submissions. Additional copies can be provided upon request.

i. Most recent audit (2014) included with 2016 CHDO/HOME submission
ii. Most recent 2 years of 990s. (2013, 2014) included with 2016 and 2015 CHDO/HOME submission
iii. Current and prior year Board-approved agency budgets (2015, 2016) included with 2016 and 2015 CHDO/HOME submissions
iv. Current and prior year end operating statements, included with 2016 CHDO/HOME submission
v. Current reserve policy—attached.

4. Project Proforma and Budget

This project is requesting $50,000 in AAHTF funds, which amounts to $8333 per unit. Our total project costs is anticipated to be $1,005,515 or approximately $167,000 per unit. We are leveraging Washtenaw Urban County HOME funds, Federal Home Loan Bank Affordable Housing Program funds, and a permanent loan. Attached is the development proforma identifying sources and uses, including the status of funding submissions.
Attachments:

- List of Avalon-operated properties with project financing
- Current reserve policy
- Development proforma
Property List

Properties owned by Avalon or its subsidiaries as of January 2015


   Financing: $229,143 total cost
   - $100,000 City of Ann Arbor Housing Trust Fund
   - $26,193 Michigan Housing Trust Fund
   - $90,000 Tax credit syndication. Limited Partners National City, Key, Comerica, Bank One

2. **532 N. Main St.**, 1900 brick house. Acquired 1992. 1 one-bedroom apartment & 6 sleeping rooms.

   Financing: $184,800 total cost
   - $102,500 City of Ann Arbor HOME Funds & Housing Trust Funds
   - $25,000 Federal Home Loan Bank Affordable Housing Program
   - $57,300 Great Lakes National Bank


   Financing: $570,000 total cost
   - $405,000 City of Ann Arbor HOME Funds & CDBG Funds
   - $90,000 Federal Home Loan Bank Affordable Housing Program
   - $75,000 Washtenaw County


   Financing: $524,250 total cost
   - $334,250 City of Ann Arbor HOME Funds
   - $95,000 Federal Home Loan Bank Affordable Housing Program
   - $50,000 Michigan Housing Trust Fund
   - $45,000 Washtenaw County

Financing: $908,158 total cost
$550,000 City of Ann Arbor HOME Funds & CDBG Funds
$180,000 Federal Home Loan Bank Affordable Housing Program
$ 70,000 Adrian Dominican Sisters
$ 58,158 First of America/CCI
$ 50,000 Washtenaw County


Financing: $221,011 total cost
$125,000 City of Ann Arbor HOME Funds
$ 40,000 Federal Home Loan Bank Affordable Housing Program
$ 40,000 Washtenaw County
$ 16,011 Michigan Housing Trust Fund


Financing: $221,175 total cost
$110,000 Michigan State Housing Development Authority
$ 43,175 City of Ann Arbor HOME Funds
$ 40,000 Washtenaw County
$ 28,000 Federal Home Loan Bank Affordable Housing Program


Financing: $363,025
$153,925 City of Ann Arbor HOME Funds
$110,500 Michigan State Housing Development Authority
$ 40,000 Washtenaw County
$ 38,500 Federal Home Loan Bank Affordable Housing Program
$ 20,100 Local Initiatives Support Corporation

Financing: $285,000 total cost  
$124,000 Michigan State Housing Development Authority  
$124,000 City of Ann Arbor HOME Funds  
$ 25,000 Washtenaw County  
$ 12,000 Federal Home Loan Bank Affordable Housing Program


Financing: $4,615,975 total cost  
$2,061,815 Tax credit syndication: National Equity Fund, limited  
$1,400,000 MSHDA HOME Funds  
$ 730,000 City of Ann Arbor HOME Funds & Housing Trust Funds  
$ 178,660 General Partner Equity  
$ 175,500 Federal Home Loan Bank Affordable Housing Program  
$ 70,000 Washtenaw County


Financing: $369,213 total cost  
$136,105 Ann Arbor Downtown Development Authority  
$100,000 MSHDA  
$ 74,508 HUD-Supportive Housing Program  
$ 33,600 City of Ann Arbor Housing Trust Funds  
$ 25,000 Federal Home Loan Bank Affordable Housing Program


Financing: $466,582 total cost  
$270,000 Corporation for Supportive Housing (bridge loan)  
$242,582 City of Ann Arbor HOME Funds & CDBG Funds  
$160,000 MSHDA  
$40,000 Washtenaw County  
$24,000 Federal Home Loan Bank Affordable Housing Program

Financing: $316,075 total cost  
$150,000 City of Ann Arbor HOME Funds  
$ 60,000 MSHDA  
$ 25,000 Washtenaw County  
$ 81,075 Local Initiatives Support Corporation


Financing: $5,484,128 total cost  
$2,600,144 Tax credit syndication: Great Lakes Capital Fund, limited partner  
$1,450,000 MSHDA HOME Funds  
$1,000,000 City of Ann Arbor HOME Funds  
$ 200,000 Religious Action for Affordable Housing  
$ 135,000 Federal Home Loan Bank Affordable Housing Program  
$ 80,984 General Partner Equity


Financing: $1,078,950 total cost  
$525,000 City of Ann Arbor HOME Funds  
$300,000 MSHDA HOME Funds  
$153,950 Downtown Development Authority  
$ 75,000 LISC  
$ 25,000 Private Investment


Financing: $1,000,000 total cost  
$500,000 MSHDA  
$415,000 City of Ann Arbor HOME Funds  
$ 60,000 Downtown Development Authority  
$ 25,000 Washtenaw County

Financing: $780,000  
$360,000 MSHDA  
$355,000 City of Ann Arbor HOME Funds  
$ 40,000 Federal Home Loan Bank  
$ 25,000 Washtenaw County


Financing: $3,025,468 total cost  
$1,042,303 Tax credit syndication: Great Lakes Capital Fund, limited partner  
$ 500,000 MSHDA Homeless Initiatives Funding  
$ 845,000 City of Ann Arbor HOME Funds  
$ 233,056 Nonprofit loan: Capital Fund Services  
$ 200,000 Federal Home Loan Bank Affordable Housing Program  
$ 189,100 MSHDA Housing & Community Development Fund  
$ 16,000 Deferred developer fee


Financing: $3,723,964 total cost  
$1,456,120 MSHDA NSP  
$ 598,889 Washtenaw County HOME Funds  
$ 567,166 City of Ann Arbor HOME Funds  
$ 410,263 City of Ann Arbor NSP  
$ 263,425 Ann Arbor DDA  
$ 230,000 Federal Home Loan Bank  
$ 103,598 Washtenaw County CDBG  
$ 94,503 Deferred Developer Fee

20. **Pauline Apartments**  
2013 wood frame buildings. 6 1-bedroom units, 14 2-bedroom units, and 12 3-bedrooms, plus a Community Center.

Financing: $10,847,544 total cost  
$6,934,800 Tax Credit Syndication: NEF, limited partner  
$2,318,324 MSHDA HOME Funds  
$ 750,000 Federal Home Loan Bank  
$ 500,000 Washtenaw Urban County CDBG  
$ 344,320 Deferred Developer Fee  
$ 100 General Partner Capital Contribution
AVALON HOUSING inc.

Operating Reserves Policy

Purpose

The purpose of the Operating Reserves policy for Avalon Housing is to ensure the stability of the mission, programs, employment and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Avalon Housing for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with other governance and financial policies of Avalon Housing and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Definitions and Goals

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve is equal to one third of total annual operating costs for Avalon Housing, which for fall 2011 is $630,000. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program and other ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes pass-through programs, one-time or unusual, capital expenses.

The amount of the Operating Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in the regular financial reports.

Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The fund will be funded and available in cash or cash equivalent funds.
Funding of Reserves

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants or special appeals.

Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds

   The Executive Director and staff will identify the need for access to Operating Reserve funds and confirm that the use is consistent with the purpose of the Operating Reserves as described in this policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using Operating Reserves, and the evaluation of the time period that the funds will be required and replenished.

2. Authority to use Operating Reserves

   The Executive Director will submit a request to use Operating Reserves to the Finance Committee of the Board of Directors. Any requested draw of Operating Reserves in a single amount of $50,000 or more, or a series of draws that totals $100,000 or more within a 12 month period requires approval from the full Board of Directors. All requests will include a staff analysis and determination for the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Finance Committee / Board of Directors will approve or modify the request and authorize transfer from the fund.

3. Reporting and monitoring

   The Executive Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Finance Committee / Board of Directors of progress to restore the fund to the target minimum amount.

Review of Policy

This policy will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the Finance Committee to the Board of Directors.
### PROJECT PROFORMA - 815, 821 Gott proforma

<table>
<thead>
<tr>
<th>TOTAL NUMBER OF UNITS</th>
<th>6</th>
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<tbody>
<tr>
<td>Efficiency</td>
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<tr>
<td>One-bedroom</td>
<td>4</td>
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<tr>
<td>Two-bedroom</td>
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#### DEVELOPMENT BUDGET

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>PER UNIT</th>
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<tbody>
<tr>
<td><strong>Acquisition</strong></td>
<td>$500,000</td>
<td>$83,333</td>
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<tr>
<td>Acquisition</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$500,000</td>
<td>$83,333</td>
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#### II. Rehab Costs

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>PER UNIT</th>
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<tbody>
<tr>
<td>Rehab cost (estimated)</td>
<td>$183,832</td>
<td>$30,639</td>
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<tr>
<td>Rehab contingency</td>
<td>$18,383</td>
<td>$3,064</td>
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<tr>
<td><strong>TOTAL CONSTRUCTION COSTS:</strong></td>
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<td>$33,703</td>
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#### III. Soft Costs

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<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>PER UNIT</th>
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<tbody>
<tr>
<td>Survey/Engineering</td>
<td>$2,500</td>
<td>$417</td>
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<tr>
<td>Appraisal</td>
<td>$3,000</td>
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<tr>
<td>Environmental</td>
<td>$12,000</td>
<td>$2,000</td>
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<tr>
<td>Architectural/spec fees</td>
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<tr>
<td>Capital Needs Assessment</td>
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<td>Market study</td>
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<td>Developer Fee (15%)</td>
<td>$131,000</td>
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<tr>
<td>Acqu Bridge loan origination fee</td>
<td>$8,250</td>
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<tr>
<td>Acqu Bridge loan interest</td>
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<td>Construction loan origination fee</td>
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<tr>
<td>Cost Certification</td>
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<tr>
<td>Legal fees</td>
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<tr>
<td>Perm loan origination fees</td>
<td>$1,900</td>
<td>$317</td>
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<tr>
<td>Title insurance, Recording fees, UCC fees</td>
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<td>$1,000</td>
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<td>Permits and fees</td>
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<td>$0</td>
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<td>Taxes at closing</td>
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<td>Construction period taxes</td>
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<tr>
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<tr>
<td>Construction period interest</td>
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<td>$1,667</td>
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<td>Construction period utilities</td>
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<td>Relocation</td>
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<td>Operating Assurance Reserve</td>
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<td>Operating Deficit Reserve</td>
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<tr>
<td>Replacement Reserve</td>
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<td>Project contingency</td>
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<tr>
<td><strong>TOTAL SOFT COSTS:</strong></td>
<td>$203,300</td>
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<tr>
<td><strong>TOTAL DEVELOPMENT COSTS (I+II+III)</strong></td>
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<td>$167,586</td>
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#### SOURCES OF FINANCING

<table>
<thead>
<tr>
<th>Source Description</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>Washtenaw Urban County HOME or CDBG, pendir</td>
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<tr>
<td>FHLMC, app due April 2016</td>
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<tr>
<td>Ann Arbor Housing Trust Fund, applying Feb 2016</td>
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<tr>
<td>Hard debt, applying March 2016</td>
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<tr>
<td>Deferred Developer fee</td>
<td>$0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$1,005,515</td>
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</tbody>
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Source: Less uses