

WORKING SESSION - JULY 21, 1994

The working session of the Ann Arbor City Council was called to order at 9:10 p.m. by Mayor Ingrid B. Sheldon.

ROLL CALL OF COUNCIL

Present: Councilmembers Tobi Hanna-Davies, Patricia Vereen-Dixon, Jane Lumm, Ulrich Stoll, Peter Nicolas, Julie Creal, Christopher Kolb, David Stead, Mayor Ingrid Sheldon, 9

Absent: Councilmembers Peter Fink, Haldon Smith, 2

Administrative Staff Present: Assistant City Administrator Robert T. Bauman, City Attorney Elizabeth Schwartz.

WORKING SESSION

YMCA PROJECT FINANCING ALTERNATIVES

This is a joint working session with the City Council, Housing Policy Board, Ann Arbor YMCA Representatives, Economic Development Corporation Counsel, and Community Development staff.

Mayor Sheldon introduced the subject of the working session this date. The primary focus of the working session is to discuss alternative financing options of the YMCA project provided by staff and Councilmembers.

Six alternative methods of financing were offered for discussion by the Community Development staff. 3 additional alternatives were offered by other interested parties including some Councilmembers.

Of the six alternatives offered by the Community Development staff, two were primarily discussed. The first alternative to be discussed was Alternative 2 - Direct City loan to YMCA. This approach would provide that the City enter into an agreement with the YMCA to provide housing services to very low income individuals through SRO housing which would be considered a public purpose use. The agreement would be in the amount of \$1,494,387 over a period of 17.5 years at 1% interest. The annual principal and interest amount would be \$93,119. The YMCA would need to increase contributions or other income in order to balance its budget but no additional annual City assistance would be required. The \$1.4 million could be designated either from General Fund fund balance or packaged as a revenue bond. An additional component of this alternative would be for the YMCA to establish a Residence Advisory Committee comprised of members of the YMCA Board, the Housing Policy Board, YMCA residents, and other appropriate members.

A consensus of what would be affordable rent for the targeted population of persons with low fixed income or minimum wage earnings was \$200-\$250 per month per room. The Ann Arbor Y currently charges \$325 per month per room. Other facilities offer more conveniences for this amount. Therefore, the feasibility of establishing common areas for cooking and eating was addressed. Although the Y currently maintains a 90% occupancy rate, the rental rates could be forced down as more units come onto the market.

Other concerns raised by Councilmembers were: availability of money from the YMCA annual revenues for debt service as suggested in Alternative 2 and the possibility of reimbursement from the Y upon loan satisfaction; Availability of other community financial support from Community Reinvestment Act investment, the U of M, the City Pension Board, or local businesses.

Other options considered under this alternative were the amount of Reserve Fund money that could be responsibly allocated to the loan, and the City's options should a better solution becomes apparent after the EDC bonds are sold.

Council discussed Alternative 3 - Offer discounted loan amount to Great Lakes and Direct Loan to YMCA If the YMCA were unable to make payments on the loan and Great Lakes foreclosed and asked the City for the loan balance under the terms of the original guaranty, the City could offer a discounted amount to have the loan written off. the City would enter into an agreement with the YMCA to provide housing services and be structured as a loan with terms based on the residence cash flow.

Discussion occurred on the possibility of more research into a direct loan to the Y, where there may be some return over a long period of time, the possibility of lowering the principal to a more manageable 1 million dollars or less and targeting some rooms as affordable while renting all the other rooms at the market rate, with the subsidy depending upon debt service.

Items filed with the City Clerk: Memorandum from Community Development Director Eileen Ryan, Subject: *Joint Working Session with the Housing Policy Board, Y Representatives and invited Housing Experts regarding Financing of the YMCA Project - July 21, 1994; and Alternative Financing Options Regarding YMCA.*

There being no further business, the Mayor declared the meeting adjourned at 11:00 p.m.

Linda J. Wise
Acting Clerk of the Council
Recording Secretary