



TO: Mayor and Council

FROM: Milton Dohoney Jr., Interim City Administrator
Marti Praschan, Financial Services Area Administrator & CFO
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SUBJECT: FY23 Budget: Ann Arbor Housing Commission (AAHC)

DATE: April 1, 2022

Question #2: Will we be setting aside the “up to 20%” of the Affordable Housing Millage which is allowed for supportive services as an annual amount that will/can accrue over the years of the millage, or does that annual amount need to be expensed on an annual basis? (Councilmember Ramlawi)

Response: 20% services funding is cumulative over the 20-year millage. Projects have 1x capital expenditures at the beginning of the project and might have additional, but infrequent future capital expenditures. However, tenant services are annual and ongoing.

As an example, for new construction projects, the capital funds need to be committed prior to construction and will not be drawn down until all the various construction finances are secured and there is a closing on the construction finances for the project. The lag time between the city approving the capital funds and expending the capital funds could be 1-3+ years depending on the project.

The same new construction project will get additional points for a competitive application, if it is a Low Income Housing Tax Credit project, if the first year of services funding is also committed prior to application for LIHTC funding. The 1st year of tenant services funding might take 2-4+ years before the first year of services funding is drawn down, because that will not occur until the project is constructed and people are moving in. Then the 2nd, 3rd, 4th, etc. years of tenant services funding will need to be approved through the annual City Council budget process.

Consequently, over the lifetime of the 20-year millage there will be a higher percentage of funds used for capital projects at the beginning of the millage and a higher percentage

of funds used for tenant services toward the end of the millage. The best way to maximize the funding available for capital projects as soon as possible and to ensure long-term funding for tenant services is to track the services project funding cumulatively over the 20-year millage. The total cumulative tenant services funding would never exceed 20% of the total cumulative millage funds.