

**City of Ypsilanti  
Special Joint Meeting  
City Council and Ypsilanti Housing Commission  
October 21, 2004  
7:00 P.M.**

**CALL TO ORDER**

Mayor Farmer called the special meeting to order at 7:00 p.m. in the Council Chambers located at One South Huron Street, Ypsilanti, Michigan, for the purpose for considering the following:

A. Ypsilanti Housing Commission's approach to improving the Parkview Apartments for the purpose of enhancing their service to its residents/tenant population, the Gateway Community and the City Of Ypsilanti. Prior to October 20, 2004 at 7:00 p.m. a formal call had been presented by a representative of the City Clerk's office to each Council Member or a member of his or her household advising of said Special Council Meeting scheduled for October 21, 2004 in the Council Chambers at 7:00 p.m.

Present:

Mayor Farmer  
Mayor Pro-Tem Swanson  
Council Member LaRue (arrived a few minutes late)  
Council Member Nickels  
Council Member Richardson  
Council Member Gawlas  
Council Member Schulze

Absent: 0

Move to excuse absence of Council Member LaRue supported and carried.

Ayes: 7      Nays: 0      Absent: 0      Vote: Carried

**INVOCATION**

Mayor Farmer asked all to stand for a moment of silence.

## **PLEDGE OF ALLEGIANCE**

"I pledge allegiance to the flag, of the United States of America, and to the republic for which it stands, one nation, under God, indivisible, with liberty and justice for all."

## **Ypsilanti Housing Commission Called to order October 21, 2004. Roll call:**

Present: President Schreiber, Commissioner Jones, Commissioner Mullins,  
Commissioner Jamison,  
Absent: Commissioner Strong (arrived late)

## **APPROVAL OF THE AGENDA OF THE YPSILANTI HOUSING COMMISSION**

No changes were called for and there was a consensus on the agenda.

## **AUDIENCE PARTICIPATION**

Krista Nordberg, Attorney at Legal Aid Society. She has been working with the tenant's association for a little over a year. The Parkview Tenants' Association wants the City of Ypsilanti and the Housing Commission to know that they would like both to be aware of the hopes and expectations for Parkview. They would like Parkview to maintain rents that are affordable in the community and within the means of low to moderate income tenants. They would like no displacements of tenants and desire to stay during any renovation process. They would like to see the new owners managing the apartments to have a plan for repairs and renovations where Parkview can become a desirable place to live. They would like to be included in any committee or process to prepare the proposals to be submitted for HUD consideration. The tenants would like a mechanism to consult and work with the eventual selected developer. And they would like to learn from the mistake of the Parkview project as it currently exists, aware of the fact that the Parkview tenants are entirely disenfranchised as they have no forum to raise their concerns. They have a Board of Directors that has been utterly unresponsive and any governing managing body that is put into place include an active and relevant tenant representation.

Lee Toosen spoke regarding Grace Maull's expulsion from the Election Committee and the comments made by the City Clerk. He expressed his concern for the morale of the City being affected by administration officials. He also made comments regarding the suspension of Pat Mills and Anitra Berry.

Robert Hunter addressed issues and his concerns over the past history of mismanagement by the Ypsilanti Housing Commission, and how they could be supported in the future actions regarding Parkview. Mr. Hunter feels that the Council needs to do an investigation and have reasons to support the decision to move this to

the Housing Commission. He is concerned about the urgency in turning over the project without more information.

## **PRESENTATION**

Paul Schreiber made a presentation regarding the foreclosure of Parkview Apartments and the foreclosure by HUD. The Housing Commission and the City Of Ypsilanti have been given the first right of refusal for the purchase of Parkview. If the City is interested, they have until October 29, 2004 to make their intentions known.

Walter Norris, Executive Director, made a brief presentation to Council indicating his interest toward a joint effort between the City Of Ypsilanti and the Ypsilanti Housing Commission. Working within a short timeframe, he said he had met with the President of the Resident Council at Parkview, also with his Ward councilperson and with Legal Aid. They have a strong interest in working within a partnership with all those entities and with the City Of Ypsilanti.

Ben Etheridge, Chesapeake Community Advisors, Real Estate Developer Counselors, hired by the Housing Commission, came along with Mr. Norris and was available to respond to questions.

Mayor Farmer shared concerns over HUD looking into this property for a matter of months and the fact the City was told there would have to be a 'needs assessment', but is not willing to share it with us. Yet, it is now necessary for the City and the Housing Commission to make a decision within a matter of a couple of weeks. Questions raised by her would be: 1) What is the vision of how this property would fit into the goal of improving public housing, and 2) has the Chesapeake Company had an opportunity to do any kind of needs assessment for the property in question.

Mr. Norris responded to these comments and gave an overall picture of how he felt Parkview could better fit into the community and how the Housing Commission would benefit from the partnership. He asked Ben Etheridge to review the financial backing through private investment in concert with the Housing Commission to reinvigorate Parkview and to keep it low income and affordable housing.

Ben Etheridge made his presentation and gave a background on the work his company does. He discussed a number of options for funding and types of tax credits that they would attempt to receive and how he felt they would fit the property. He then opened himself up to questions from the Council and Commission members.

Council Member LaRue inquired as to the meaning of Right of First Refusal. Clarification was given by Mr. Etheridge.

Mayor Farmer asked for a picture of what the relationship would look like between all parties. Chesapeake proposes their role would include acting as development consultant to the Housing Commission, put all financing together, build the

development team, assemble the architect, construction, contractor, hire professional property management, oversee the rehab and construction, oversee the rent-up of it to ensure everything is in compliance, and would get the property to where it will be running based on its projections. The Commission would then be the owner of the property when it is stabilized and running.

Mr. Koryzno inquired as to HUD's requirement of being an equity investor. Mr. Etheridge explained that if the property were to be sold, HUD would participate in any of the profits of that property because they give up their ability to make a profit up front. He also discussed what ownership would look like. If the property were financed with tax credits, we would be committing to affordability in an ownership period for 30 years. The City would get back everything it put into the property first, and then would split any additional profits with HUD based on their formula that burns off over time. Under the tax credit program, properties are not designed to be flipped over, they are designed to be built so they can last and remain affordable for a 30 year period.

If sold, the owner gets back what they put in it first. For example, if the Commission, raising money through the sale of tax credits put \$3M into it, and 30 years out the property sold for \$5M, the Commission would get back their \$3M and then, based on the formula, HUD and the Commission would split the profits.

Mr. Etheridge answered the question of who the owner would be with the following explanation: The ultimate owner of the property, if tax credits are used, is a Limited Partnership. The General Partner of that Limited Partnership is the ultimate manager/owner and has the say of how the property is run. You own a very small piece because you are bringing in an investor limited partner which is usually made up of corporations that want to buy your tax credits. They give us equity to do the rehab up front and the tax credits flow to those corporations over a ten year period. So they actually become your owner in a limited partner role and their role is to get the tax credits from the property. The General Partner, which is a very small piece usually 1% or less, is the managing entity. His suggestion is that the best way to set that up is if the Commission or the City would set up an LLC (Limited Liability Corporation) that would be the entity that would be the managing partner of that Limited Partnership. Ultimately you would bring investors into that Limited Partnership.

Mayor Farmer inquired as to how they planned on meeting the financial obligations within such a limited time frame, with earnest money of \$5,000 submitted, letter of credit in the amount of \$264,039, the closing to be on a fast track, estimated cost of repairs over \$1M. Chesapeake would work with their investors to meet the obligations after the \$5,000 deposit is met (this amount is a risk amount as it is non-refundable). The letters of credit that need to go up are to secure the repairs. They can be put up in four separate letters of credit as long as they total the \$264,039. If Chesapeake is selected to do this, they would work with their proposed investors to help with the letters of credit. The reason they would do this is that the MSHDA credits they would be going after that are due in March are competitive and they may or may not be able

to get them, but their back-up plan would be to go to 4% credits so they would still use the same investors. The likelihood of them getting paid is very high.

Mayor Farmer pointed out that the contract is to be executed in triplicate no later than November 12, 2004 and we wouldn't know if we would be the recipient of MSHDA credits until March, 2005. Mr. Etheridge indicated that this is correct and that in order to put those letters out, the City and the Commission would have to be very comfortable with what the backup plan is. He also said that Chesapeake has been working on that back-up plan and they also would want to be very sure they would not have to rely on the competitive credits that will be awarded in March. He felt that if they are successful in getting the credits, they would be able to bring so much more equity to the table. Ultimately, he says there is exposure putting those letters of credit out, and that they will have thought through that exposure and be prepared to do that by the time this goes to closing if they are selected to do that.

Mayor Farmer asked for questions from the Council.

Council Member Gawlas brought up the area of actual ownership from the City's standpoint. Who would be accountable when issues arise about the development three, five, eight years down the road? Would the City be able to go someplace to get those concerns addressed with the confidence they would be resolved? Mr. Etheridge stated that the Commission invited Chesapeake to help them do the development the right way, not take over the development. Chesapeake is interested in doing that and would build considerable reserves into the development to ensure security, but the entity accountable would actually be the Commission. As the General Partner, they have a limited ownership position, but they have 100% responsibility for managing the partnership and 100% control of the property. The investor limited partner is there only to get the financial benefits. If the General Partner does not do their job, the investor limited partners can replace them because of their financial exposure over ten years.

In response to Council Member Gawlas' questions, Mr. Etheridge stated that if the General Partner did not live up to their responsibility (i.e.: not having the reserves to address maintenance or infrastructure issues down the road), it would be within the rights of the limited partners to replace that General Partner with someone who could live up to the responsibilities. The City could put pressure on the General Partner, but would have no legal rights to make them do it.

Mr. Norris pointed out that reserves are set aside and built up from the initial phase forward. So if there are any maintenance needs, you have the resources to address them. The other point is that the Housing Commission's involvement involves all of you. The Board Members are appointed by the Mayor and approved by Council and Council has direct involvement and input in the relationship and it is ongoing. This puts the City and the Council in an excellent position to raise any issues that occur.

In discussing the right of the investor limited partners to replace the General Partner, reassurance of a locally responsive and locally accountable entity was explained by Mr. Etheridge as he pointed out that the whole process of tax credits is based on the ability to generate revenue to produce affordable housing units. MSHDA and the other entities that extend the tax credits have standards that are stringent and have proven successful in ensuring a high degree of success in these programs since 1986. Chesapeake has a great track record in achieving successful developments through this program. This is a National program and all of the states are using this approach.

Council Member LaRue pointed out that no matter how this matter gets settled, the Michigan State Housing Development Authority needs to be an integral part of the process and that the State has made a commitment to Ypsilanti and appears to be supportive in whatever way they can.

Council Member Schulze brought up Bullet Point #4 in the letter from HUD regarding that 10% of the units is set aside for chronically homeless persons. Does Parkridge have to carry 10% of the units with no revenue? Mr. Etheridge said it appears that it would need project based Section 8 to go with it. They are exploring other options and sources. (Project Based assistance means the voucher stays with the project. If someone moves out, the unit is still subsidized. If it is a tenant based voucher and the tenant moves out, they take the voucher with them.) The tax credit is designed for low and moderate income families, so you must supplement these units some way.

Parkview Housing President, Barbara Patterson voiced her concern over whether Parkview would remain non-profit or change to a for-profit entity. Krista Nordberg expanded on this by asking what happens when the tax credits end in 15 years and what assurance do the residents have at that point for low income housing.

Mr. Etheridge said HUD has provided a twenty year restriction on this property remaining affordable and also HUD has an equity position in the property for thirty years.

If nothing is done and the property goes to auction, HUD takes bids and it is up to their discretion. They may include a provision that they remain affordable.

Mayor Farmer talked about the importance of providing a safe and affordable community and the concern of the Council to know who is going to own the property, who is going to be responsible and accountable, how we find those people at the end of the day, and what resources will they have to make changes that might be needed.

Council Member Richardson reinforced the importance of keeping the residents and their concerns and needs as a focus in discussions and decisions.

Council Member LaRue asked for clarification of the vision the Housing Commission has for Parkridge and what would distinguish them as the preferred management entity for the development.

Mr. Norris stated that the Housing Commission, being an Ypsilanti entity is a big plus, and that they have brought capable and professional individuals to their staff. Their commitment is to bring the property status up to being new. What will distinguish them from most of the competitors is that they are a non-profit entity. They are interested in production and a product that will serve the citizens of this community. Also, the Housing Commission is an entity that the City can have direct input into on an ongoing basis.

Council Member Schulze reminded everyone that non-profits also have to make money to pay salaries and expenses, and that after the allowable profit ceiling is achieved, the dollars are invested back into the community. She also shared that she is comfortable with the experience that Chesapeake has. However, the Housing Commission does not have the direct experience needed and the advisory role that Chesapeake might provide would be critical.

President Schreiber reminded everyone that although the Housing Commission may not have had direct experience in this type of management role as a whole, the staff itself does have individual experience, and this type of project has also been done by other Housing Commissions across the country.

Mr. Norris stated they have a Board meeting scheduled for October 28, 2004 at 6:30 p.m. and will continue discussing the actions needed to be taken by the 29<sup>th</sup>. Even with this tight schedule, he assured everyone that their ability to discuss concerns and work out issues will continue. He encouraged discussion prior to that meeting.

Commissioner's Comments:

Commissioner Mullins expressed her gratitude to the Mayor and the City Council for meeting in a joint session along with her support of this venture and joint partnership with the Council.

Commissioner Jones also thanked everyone and shared her hope that working together would continue.

Commissioner Jamison said she was happy to be part of the meeting and appreciated the Mayor and Council members for inviting them. She also said she supported the idea of the City and the Commission working together and the project as a whole.

Commissioner Strong thanked everyone and is hopeful for moving forward in partnership. She asked for everyone to give the project serious consideration and ensured the Commission would do everything possible to make it successful.

President Schreiber expressed his belief that the Housing Commissioners and the staff really valued the community that they work in and the community that the residents live in and they are committed to making Parkview something that the City

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Of Ypsilanti can be proud of. He extended his thanks to the Mayor, Council, Ben Etheridge, Mr. Jones who is the President of the Resident's Council and the residents of Parkview who were present.

Meeting was adjourned.