

# EAST BAY FLATS

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**Making a Deal: The Story Behind the Project**



**Traverse City  
Housing Commission**  
*a Public Housing Authority*

# TCHC HISTORY & BACKGROUND

- Created by City Ordinance on **October 3, 1966** under the authority of Michigan Public Act 18 of 1933. PA 18 has some advantages...
- Over the years, TCHC has maintained a relationship with the U.S. Department of Housing and Urban Development to deliver three programs:
  - Public Housing – 136 total units located in Traverse City
  - Rental Assistance – up to 208 Housing Choice Vouchers are available for a six (6) County Area
  - Family Self-Sufficiency (FSS) Program – up to 30 families can be served
- In 2015, a new **Strategic Plan** was crafted – including a new **Mission & Vision**
- Our recent efforts are centered around positioning TCHC to be successful in a new environment and diversifying our revenue streams for long-term stability.

# NEW STRATEGIC DIRECTION (2016-2020)

## Our Vision

Our vision is to play a leadership role in expanding the range of housing options in the region including rentals and home ownership. Our TCHC housing inventory will be larger and will set a competitive standard for quality and affordability in a fiscally responsible way. ***We will be viewed as a champion of affordable housing.*** We will have strong partnerships in the private, public, and nonprofit housing sectors, and our products and services will be recognized as successful models. The community will understand our role, value our work, and see the results of our efforts through an expanded housing inventory and program delivery system.



# NEW STRATEGIC DIRECTION (2016-2020)

## Our Mission

Because we know that housing is a cornerstone of a stable life, and that the lack of truly affordable housing in our region is at critical levels, the Traverse City Housing Commission exists to provide, quality affordable housing options that enhance our residents' opportunities for self-sufficiency and economic independence. We accomplish this mission by creating housing, partnering to create housing, or through the successful management of existing housing.

***“Create, or cause to create, as much affordable housing as possible!”***



# NEW STRATEGIC GOALS

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1. Expand affordable housing inventory and range of options.
2. Create opportunities for residents to improve quality of life and achieve individual successes.
3. Foster an environment of innovation and excellence.
4. Increase community engagement and understanding of our work.



**“I think everyone has a vested interest in having housing that meets their needs physically, geographically and financially.”** – K.C., new resident\*

*\* Quote and Photo from Record Eagle article on East Bay Flats, February 18, 2018.*

# NEW HOUSING!

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IDEAL WORKFORCE HOUSING • LEASING DECEMBER 2018



# NEW HOUSING: EAST BAY FLATS

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*From our Vision Statement: We will have strong partnerships in the private, public, and nonprofit housing sectors, and our products and services will be recognized as successful models.*

## 1. How it started... **RELATIONSHIPS!**

- Socks Construction LLC, a for-profit builder in the region
- Michigan Community Capital (MCC), a nonprofit investment vehicle
- Chemical Bank, one of several banks interested from the beginning
- U.S Dept. of HUD's Youth Homelessness Demonstration Program (YHDP)

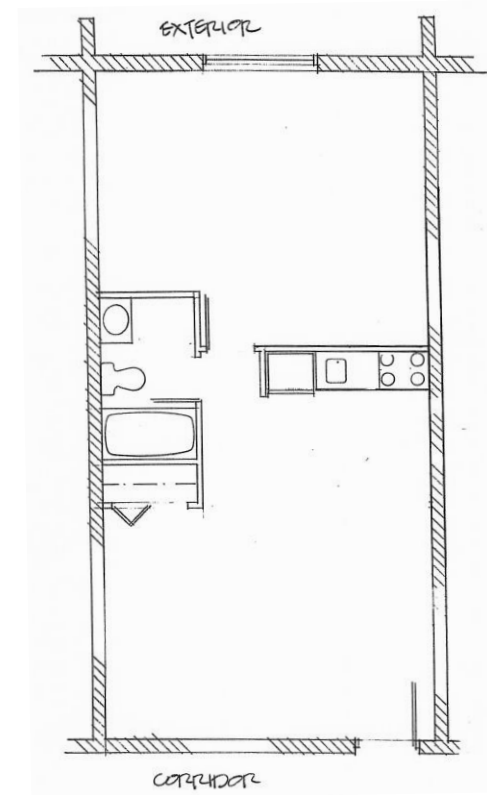
## 2. Building was never on the market... **TIMING & SPEED** was key. We were able to 'cobble' together a *Sources & Uses* that made some sense.

## 3. The **NEED** for affordable & workforce housing was well documented.

# NEW HOUSING: EAST BAY FLATS

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1. TCWFH LLC formed by TCHC, Socks Construction, and MCC to purchase one of the Country Inn & Suites buildings for approx. \$4.6 million in May of 2018.
2. 67 total units located on Munson Avenue: 53 one-bedroom (675 sq. ft.) units plus 14 efficiency (335 sq. ft.) units.
3. Michigan Community Capital invested over \$1 million as patient equity position which reduced the overall commercial debt load considerably.
4. No Federal Funding (HUD or MSHDA) secured in the development budget for this project.
5. Targeting the “workforce” housing market – those earning around \$17.50 per hour or 80% of Median Family Income.





# NEW HOUSING: EAST BAY FLATS

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6. Rents will range from **\$990 per month** for a one-bedroom unit to **\$575 per month** for the subsidized studio units.
7. It should be noted that **ALL UTILITIES ARE INCLUDED** in the rent payment – this includes: Electric, Gas, Sewer, Water, and Waste/Trash (this means the actual “rent” portion of the total tenant payment will be equal to something like **\$860 per month**, assuming a \$130 per month HUD Certified Utility Allowance).
8. Received a “Service Fee” in lieu of taxes payment plan from the City of Traverse City per Public Act 18 [10.0% of Shelter Rents which is Gross Rent Less Utilities]. This is one of the key reasons cash flow supported a commercial loan. In some areas, property taxes can kill affordability!
9. Chemical Bank Loan: \$4,625,000 7-year CREM with 25-year amortization, priced at 5.40%
10. We believe that these units, with hardwood floors, granite counter tops, and secured entry, will be highly desirable. We have a **waiting list** and received several inquiries with very little marketing efforts to date!

# NEW HOUSING: EAST BAY FLATS

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## **What We Learned:**

1. Unplanned Construction Issues: Sprinkler System, Bathroom Conversions, etc.
2. During rehab, it is better to invest more “up front” to make “unit flips” cost-effective later.
3. Neighborhood was not happy about this project. Despite being a ‘by-right’ use of the property, we still attempted to alleviate their fears and concerns.
4. No one can explain how property taxes are calculated to me.

## **Support from other Partners was Important!**

Organizations also involved in the planning of this project include: The Northwest Continuum of Care, Northwest Michigan Community Action Agency, Rotary Charities, and Goodwill Industries of Northern Michigan.

***Also want to thank our Commissioners & Staff, many are here today!***

# THANK YOU!

## For more information:

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