



**City of Ann Arbor/Ann Arbor Housing Commission
RFP 836 – Proposal for Affordable Housing Co-Developer**

Responses Submitted to AAHC Questions

1) What states have you done LIHTC projects in?

Response: Norstar has completed LIHTC projects in Florida, Michigan, New York, and Texas. Norstar is currently working on a LIHTC application in Alabama on behalf of the Montgomery Housing Authority.

2) Do you have any other properties or clients that will be converting units under the RAD program? Please include the city, state and likely sources of financing for each property.

Response: Norstar owns three (3) properties in New York that are in the process of conversion under the RAD Program. Two (2) of the properties (Waterfront Apartments in Buffalo, and Applewalk Apartments in Niagara Falls) were Section 236 projects originally financed under a State Program (Mitchell Lama) nearly 40 years ago which fell into disrepair prior to Norstar's purchase a few years ago.

Norstar is working through the RAD component that allows Rent Supplement subsidies upon contract expiration to convert to project-based vouchers. Both of the properties have expiring Rent Sup contracts. Norstar received initial HUD approval of the RAD conversion for Applewalk Apartments in December of 2012.

The second part of the Norstar plan for these properties is the redevelopment under a program being developed by the NYS Homes and Community Renewal (housing agency for NY). In 2013, the State plans to unveil a program that leverages existing State housing funds, LIHTC equity, and the ability to raise private debt on the properties with the new project-based vouchers.

The third (3) Norstar property seeking conversion under the RAD program was redeveloped by Norstar within the last three (3) years. In this instance, Norstar is seeking conversion under RAD to ensure the long-term operating subsidy in the form of the RAD vouchers for the residents covered in the original Rent Supp contract.

3) Do you have any other properties or clients that will be applying for 9% LIHTC under MSHDA's QAP in August 2013? Please indicate the city the property is located in and the category you believe the application will come under?

Response: No, it is unlikely any applications will be submitted in August of 2013. The final phase of Gardenview Estates in Detroit will be submitted in February of 2013. It will be submitted in the Open category.



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- 4) **If you answered yes to either question 2 or 3, how will you ensure that your work for the AAHC will be a high priority, high quality and how will you handle the potential conflict of applying for funds for 1 or more competing projects?**

Response: In the event that Norstar was fortunate to be selected as the co-developer for AAHC, we would work to ensure that both applications were funded. Under the 2013 QAP, the maximum award per project is \$1,500,000 and the maximum award per Principal is \$3,000,000.

The Gardenview Estates Phase IV project is relatively small including only 34 units and would seek approximately \$825,000 in 9% Low Income Housing Tax Credits from MSDHA. The request would be just over half of the per project maximum limit and less than 28% of the maximum award per Principal.

Additionally, Gardenview Estates Phase IV is a new construction project which would compete in the Open Category and the AAHC project is proposed to compete in the Permanent Supportive Services Category; therefore, the projects would not be seeking LIHTC from the same categories and therefore would not competing directly with each other.

Lastly, Norstar has had three instances in the last 3 years where MSDHA has awarded 2 LIHTC or other funding awards to Norstar projects in one funding cycle. In 2010, MSHDA awarded 1602 funds to Gardenview Estates Phases IIA (\$6.5 million) and IIB (\$6.5 million); in 2011, 9% LIHTC awards were made to Phases IIIA (\$1.02 million) and IIIB (\$940,000); and, in 2012, MSHDA provided Neighborhood Stabilization Program (NSP) funds to Phases IIIC (\$10.1 million) and IIID (\$10.1 million).

The key to ensuring success in the MSHDA funding round is to assemble a clean, precise application which reflects a well-conceived project that has documented community and local government support. Ultimately, we must structure the project and application in a manner to score well against the 2013-14 scoring criteria.

- 5) **Rochelle Lento, Dykema Gossett, has provided pro bono services to the AAHC to create the appropriate legal structure to enter into a LIHTC deal. If your organization is selected, the AAHC will require Rochelle Lento and Dykema Gossett as the attorney for the partnership. Will that be acceptable?**

Response: When first coming to Michigan after being selected by the Detroit Housing Commission as the Master Developer of Gardenview Estates, Norstar attempted to hire Rochelle Lento as our counsel. We had received feedback that she was one of the most qualified attorneys in the industry. Unfortunately, Rochelle was counsel to DHC which prevented us from retaining her.





In all of our mixed finance transactions with public housing authority partners, we structure a scenario where Norstar and our authority partner each retain their own counsel. Norstar's counsel will negotiate the various agreements with the lender and the investor. Since, in most of these transactions, Norstar is providing the guarantees and assuming most of associated risks, we are very cautious to ensure that our interests are represented with the investor and lender. To ensure that our public housing authority partner's interests are protected, both counsels are involved in all partnership matters. The costs associated with both attorneys will be project costs included in the development budget.

Norstar would propose that Rochelle Lento be retained as legal counsel to the Commission for this project, especially since she has been representing the Commission to date. Norstar would propose to retain Loomis, Ewert, Parsley, Davis & Gotting, P.C., as its counsel. We have used them on all eight (8) LIHTC transactions involving MSDHA to date over the last five years, so we have a high level of confidence in them.

6) Have you won a 9% LIHTC award from MSHDA under the permanent supportive housing category? Please describe your role or involvement in the project?

Response: Of the five (5) 9% LIHTC awards and the three (3) 4% LIHTC/Direct Loan awards, Norstar has not applied nor received an award under the permanent supportive housing category. Norstar's projects in Detroit have been targeted to families and seniors ranging from public housing to market units. Though Norstar has no supportive housing experience in Michigan, it does have experience in other markets.

Eastman Commons – Special Needs in Rochester, New York – Acting as the developer for this 80-unit supportive housing project targeted to formerly homeless individuals, Norstar worked with Common Ground Community, the non-profit partner, to secure a variety of services for the



residents ranging from counseling, economic empowerment and self-sufficiency training, coordination of transportation, and various health and wellness services. Through a Memorandum of Understanding with Common Ground, PathStone, Inc. (a Rochester-area non-profit) is the primary provider who coordinates services offered to residents.

7) The AAHC's staff are union city employees and it would be extremely difficult to hire a private property management firm to manage the properties which are all currently managed by





AAHC staff. Would you be willing to provide consultation to the AAHC staff to ensure LIHTC compliance for the first couple years, instead of managing the property?

Response: Norstar is willing to develop a management plan and structure for the redeveloped properties which best meet the needs of the AAHC. A couple of issues that AAHC and Norstar will have to consider when developing the structure is: 1.) the experience of the management entity from a competitive LIHTC scoring perspective, and, 2.) the potential requirements that may be placed upon the project by the future LIHTC investor.

Norstar has successfully work through this issue previously with other housing authority clients, and is committed to developing the best scenario for AAHC.

8) Has your company or any of your principals ever been involved in a lawsuit (non-employee) related to a development project? Please summarize the situation and status.

Response: Norstar has not been involved in any lawsuit related to a development project besides occasional subcontractor disputes and subcontractor worker injuries, which are fully covered by insurance.

