

Feasibility Analysis of Affordable Housing on Underutilized City-Owned Property



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City Council Resolution

Goal 1: The City will preferentially maintain ownership of the property (i.e. land lease)

Goal 2: Potential developers will offer a mix of unit types and rental levels

Goal 3: Developers will optimize the number of affordable units for those who make up to 60% of the Area Median Income (AMI)

Goal 4: Developers and their successors in ownership will accept Housing Choice Vouchers

Goal 5: Developers will provide adequate and appropriate space to accommodate the operations of the Ann Arbor Housing Commission

Goal 6: Developers will explore options with the City to provide dedicated space for other public uses and/or non-profit space

WHAT IS AFFORDABLE HOUSING?

Housing that costs 30% or less of a household's gross annual income

If housing costs exceed 30%, it is considered a **cost burden**.

(rent and utilities or mortgage, taxes & utilities)

2019 Ann Arbor Area Median Income

Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$21,270	\$24,300	\$27,300	\$30,360	\$32,790
50%	\$35,450	\$40,500	\$45,550	\$50,600	\$54,650
60%	\$42,540	\$48,600	\$54,660	\$60,720	\$65,580
80%	\$56,720	\$64,800	\$72,880	\$80,960	\$87,440
100%	\$70,900	\$81,000	\$91,100	\$101,200	\$102,200
120%	\$85,080	\$97,200	\$109,320	\$121,440	\$131,160

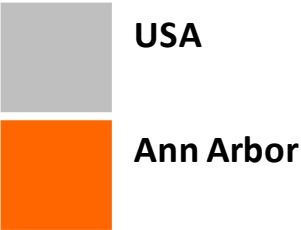
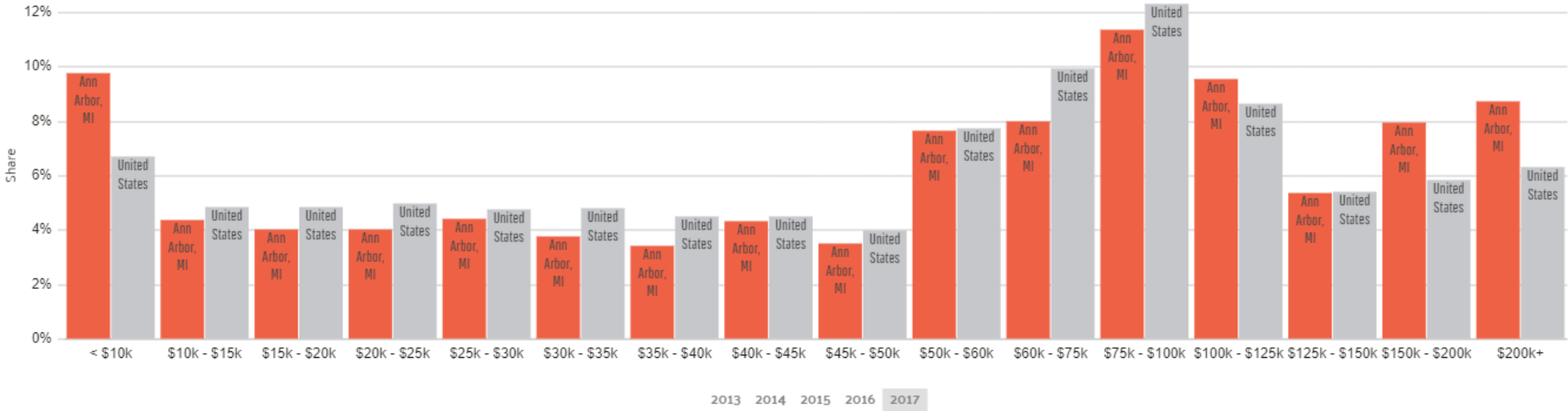
Ann Arbor Primary Metropolitan Statistical Area includes all of Washtenaw County – Median Family Income = \$101,200; State of MI = \$71,600

HUD places the Area Median Income into the 100% AMI 4 person household slot, and all other incomes are a formula based off that number

Affordable Monthly Housing Costs Based on 30% of Income

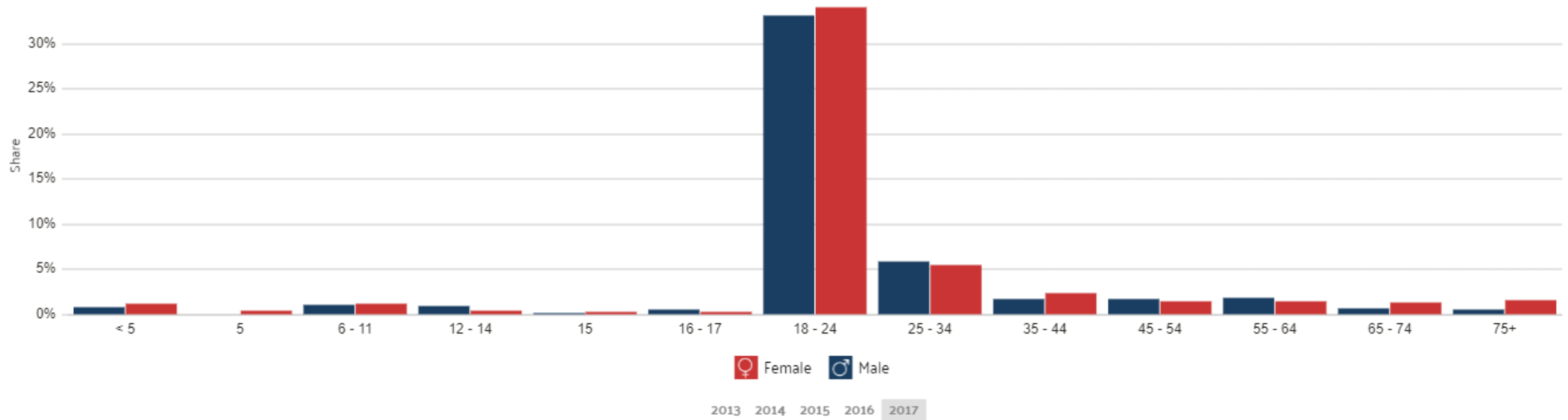
Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$531	\$607	\$683	\$759	\$819
50%	\$866	\$1,012	\$1,138	\$1,265	\$1,366
60%	\$1,063	\$1,215	\$1,366	\$1,518	\$1,639
80%	\$1,418	\$1,620	\$1,822	\$2,024	\$2,186
100%	\$1,772	\$2,025	\$2,277	\$2,530	\$2,732
120%	\$2,127	\$2,430	\$2,733	\$3,036	\$3,279

Ann Arbor 2017 Household Income Compared to USA



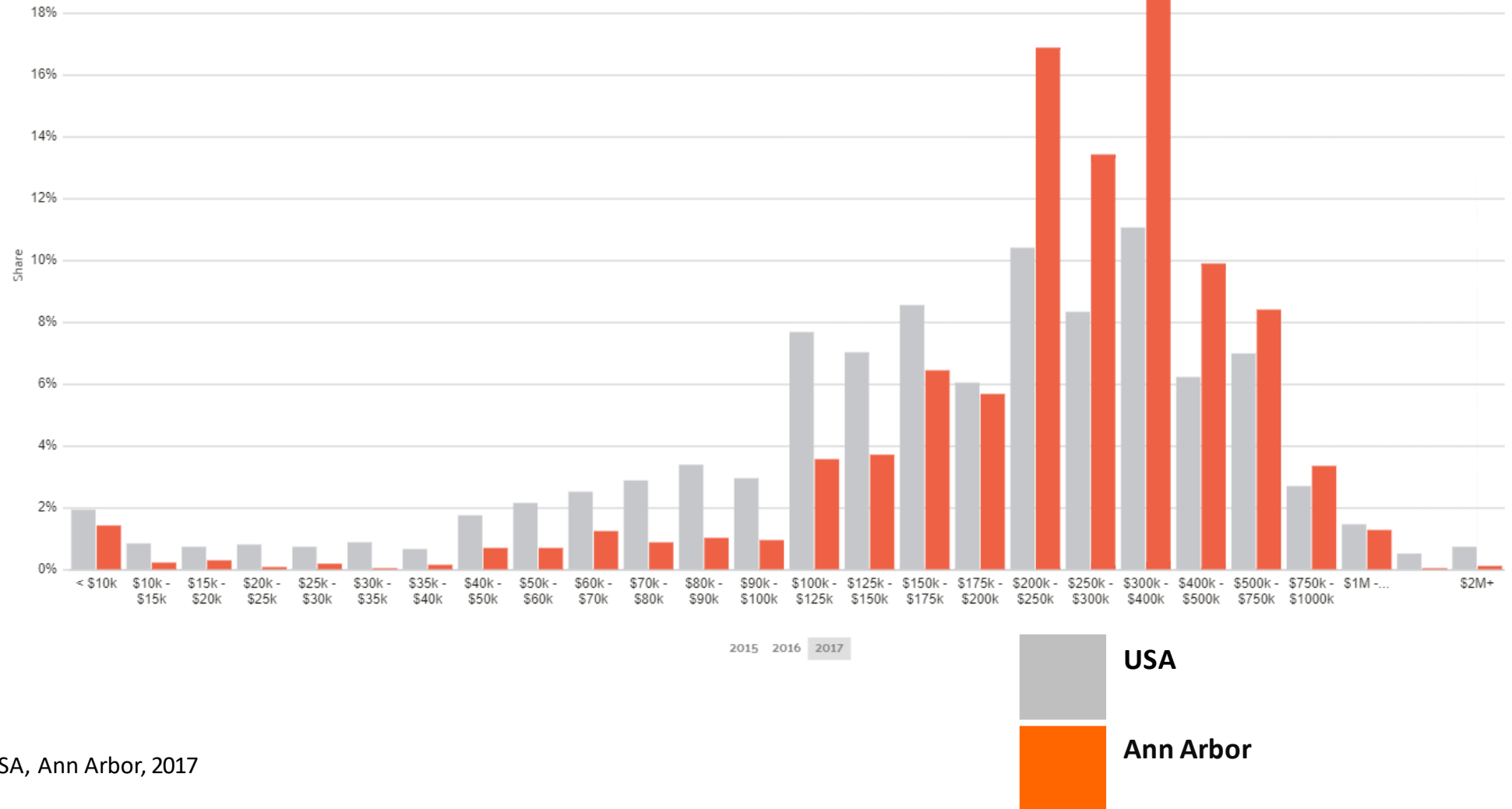
Source: DATA USA, Ann Arbor, 2017

Ann Arbor 2017 Poverty by Age and Gender



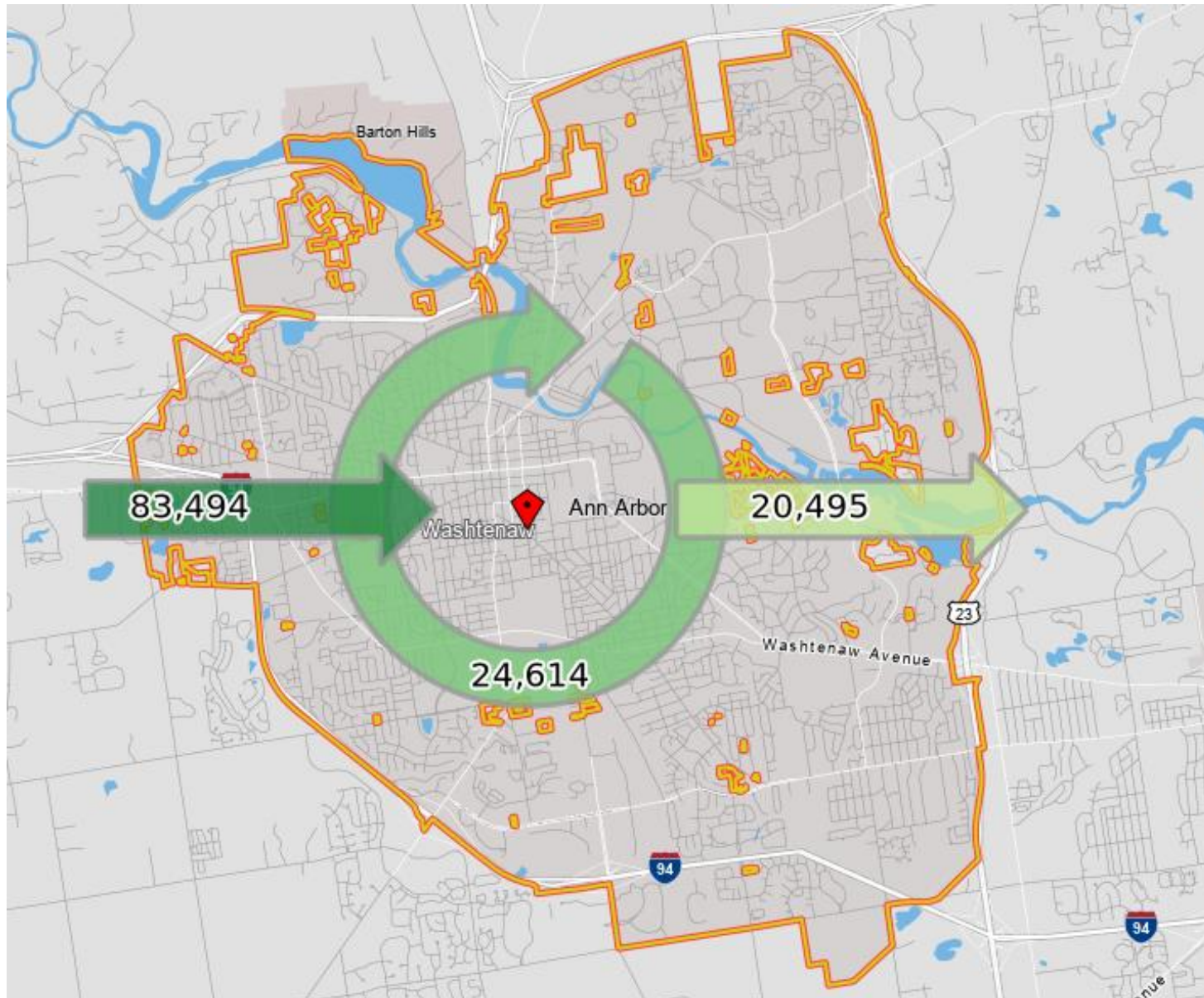
Ann Arbor 2017

Property Values Compared to USA



Source: DATA USA, Ann Arbor, 2017

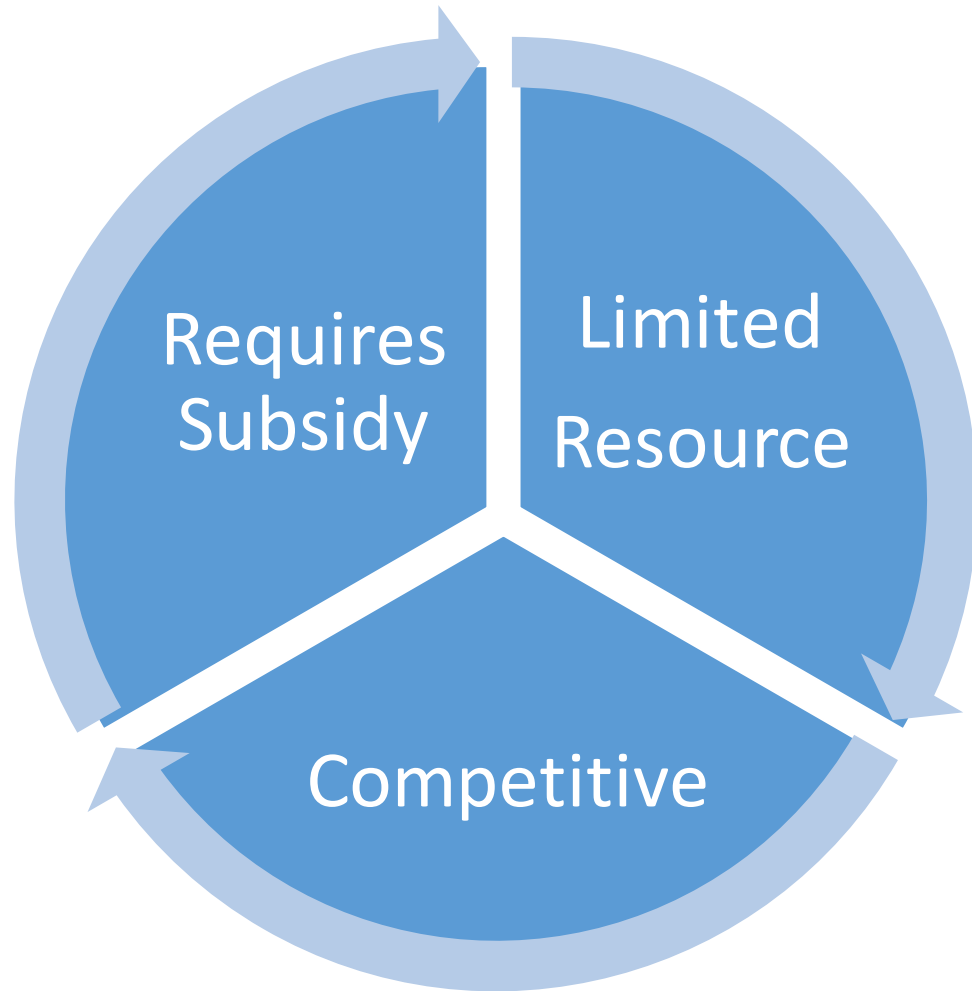
Ann Arbor – 2017 Commuting Patterns



On the Map 2017

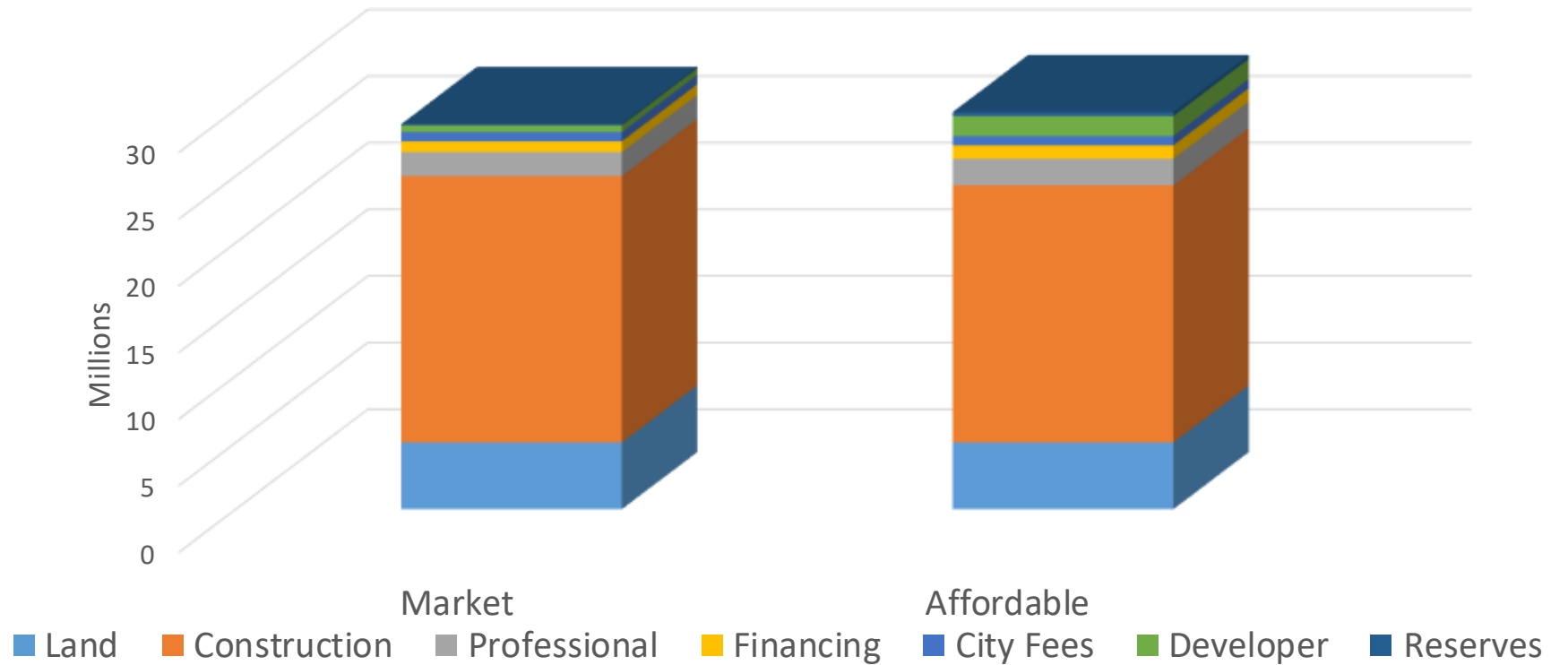
- 83,494 commute in for jobs
- 24,614 live and work in Ann Arbor
- 20,495 commute out for jobs

If there is such a huge demand for affordable housing, why isn't the private sector building it?



Housing Development Cost

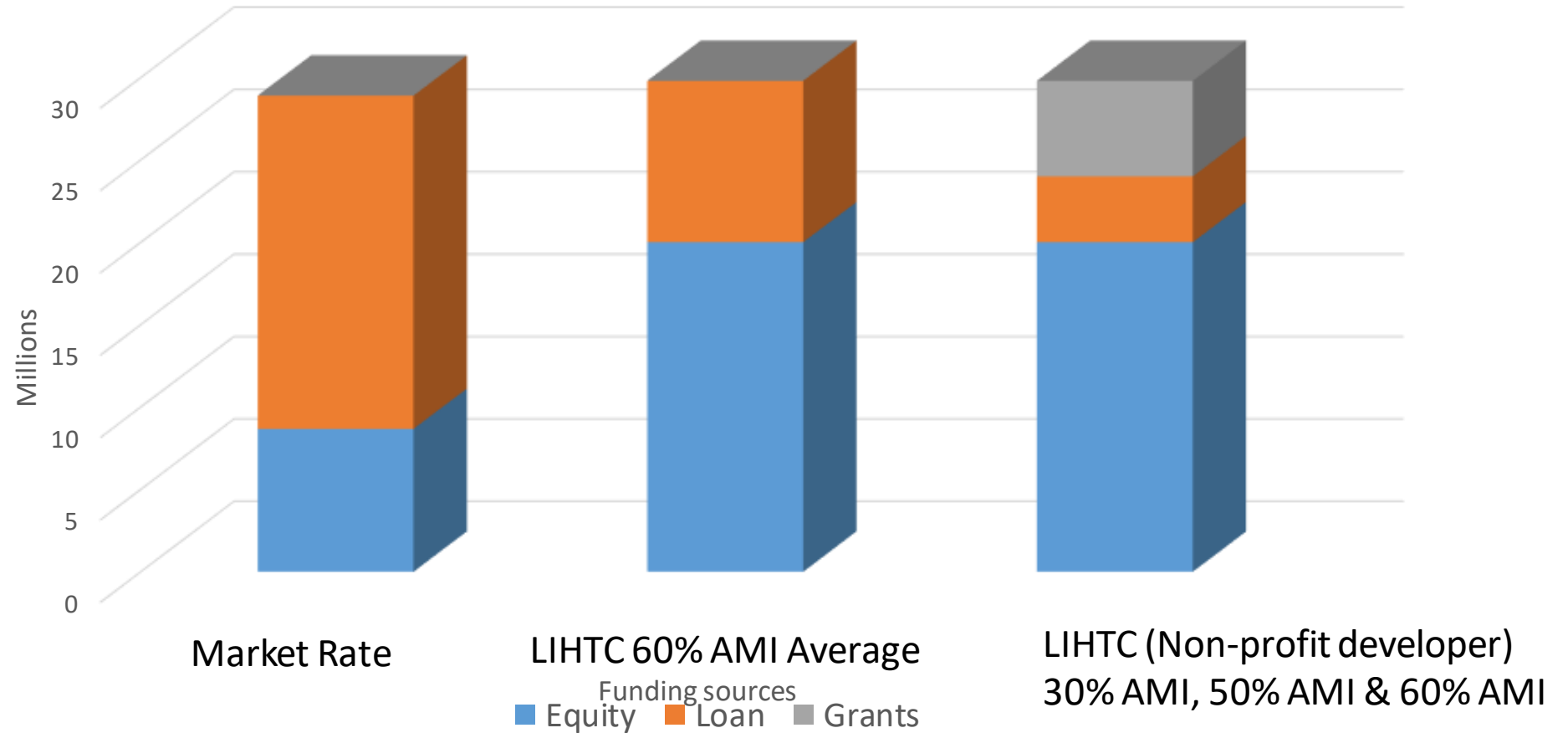
Example of Market Rate vs Low-Income Tax Credit Project



	Land	Constructio	Profession	Financing	City Fees	Develope	Reserves	Total
Market	5	20	1.8	0.8	0.7	0.5	0.1	28.9
Affordable	5	19.3	2	1	0.7	1.5	0.3	29.8

Typical Housing Development Financing Market Rate vs. LIHTC Affordable Housing

The biggest difference between market-rate development and affordable housing development is how it is financed



Operating Revenue & Expense Market Rate vs. Affordable

How rent revenue is expensed



ROI = Return on Investment

Land Use Restriction



- City Adopted Planning Documents or Council Resolutions
 - Greenways & Treeline Trail
- Zoning
 - Density & Height
 - Parking & Open Space
- Deeds or Covenants
 - FEMA (Federal Emergency Management Agency)
 - MDEQ (Michigan Dept. of Environmental Quality)
 - * Park Property

Plans

Zoning

Legal

* Park property requires ballot approval to convert to another use



Environmental Conditions

- Floodway/Floodplain
- Noise
 - * Railroad within 300 feet of building
- Underground Storage Tanks
- Existing Buildings
 - Asbestos Containing Materials
 - Lead-based Paint
- Brownfield Eligibility

Local

State

Federal

* Cannot use federal or MSHDA funds to build affordable housing within 300 feet of railroads

Financial Modeling

- Building Characteristics
 - Mixed Use
 - Amenities
- Tenant Characteristics
 - Income Targets
 - Number of Bedrooms & Unit Square Footage
- Construction Costs
- Financing Costs
 - Loan Terms
- Operating Cost Assumptions

Equity

Debt

Grants

Financial Resources

- * **Low Income Housing Tax Credits (LIHTC)**
- Federal Housing and Urban Development (HUD)
- Michigan State Housing Development Authority (MSHDA)
- Ann Arbor Housing Fund (AAHF)
- DDA Affordable Housing Fund
- Brownfield Funding
- Housing Revenue Bonds
- Loans from Financial Institutions
- Millage
- Philanthropic Entities

Local

State

Federal

* LIHTC is by far the single largest source of funding for affordable housing in the United States for new developments



Other Considerations

- **Ownership Structure**
 - Homeowner, Rental, Cooperative
 - For-profit, Non-profit
 - Single Owner, Condo with Multiple Legal Entities
- **Market Demand**
- **City Disposition Process**
 - Lease, Sell

SUMMARY of RECOMMENDATIONS



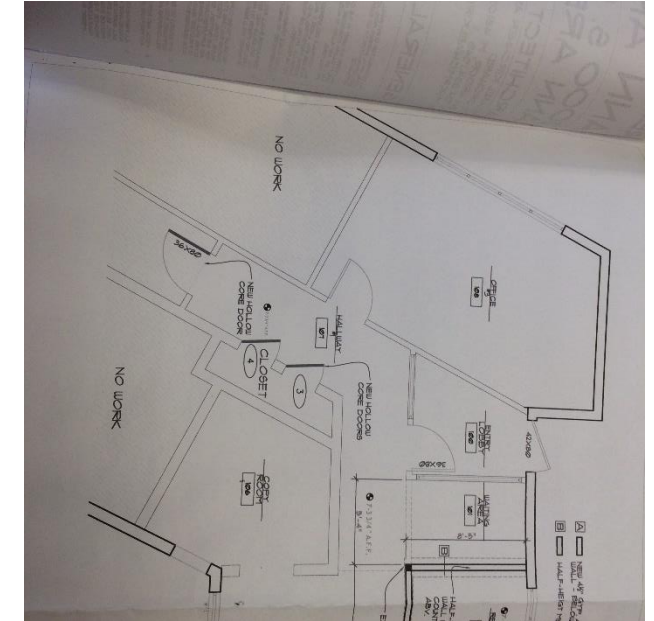
Develop
Start Right Now

Catherine/Fourth lot
404-406 N Ashley



Develop
With Community Engagement

S. Ashley (Kline's) parking lot
Platt & Springbrook
721 N Main
415 W Washington
350 S. Fifth (former Y)



Develop
After Further Study

2000 S. Industrial
1510 E Stadium

DO NOT DEVELOP AS HOUSING:
1320 Baldwin (Senior Center)
1st/William Parking Lot