Feasibility Analysis of Affordable Housing on Underutilized City-Owned Property

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

Goal 2: Potential developers will offer a mixes 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
01 Why are we doing this feasibility analysis?
- Market rate housing development compared to affordable housing

02 How was the feasibility analysis done?
- Land use restrictions
- Environmental constraints
- Financial Modeling
- Other site specific constraints

03 What are the recommendations?
- Develop right now
- Develop after community engagement process
- Develop after further study
- Not developable
If there is such a huge demand for affordable housing, why isn’t the private sector building it?

- Requires Subsidy
- Limited Resource
- Competitive

- Market Driven
- Site Specific
- High Risk
Operating Revenue & Expense
Market Rate vs. Affordable

How rent revenue is expensed

ROI = Return on Investment
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
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

* 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

* Cannot use federal or MSHDA funds to build affordable housing within 300 feet of railroads
* LIHTC is by far the single largest source of funding for affordable housing in the United States for new developments

**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

**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
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
Catherine/Fourth Lot

- No Negative Site Issues
- LIHTC Eligible
  - High Scoring
  - Perfect Size to Max Out Funding
    - 60 - 85 units
- HUD and MSHDA Funding Eligible
- DDA Funding Eligible
- Minimal Local Resources Needed

Recommend AAHC as Developer with Land Lease: Can Begin Design and Site Plan Approval Process Immediately
404 - 406 N Ashley

- No Negative Site Issues
- LIHTC Eligible
  - High Scoring
  - Perfect Size to Max Out Funding
    - 60 - 85 units
- HUD and MSHDA Funding Eligible
- DDA Funding Eligible
- Minimal Local Resources Needed
- UM Dental Clinic Lease Expires 6/2021
  - Work with UM to Relocate

Recommend AAHC as Developer with Ground Lease: Can Begin Design and Site Plan Approval Process Immediately.
S. Ashley Lot (Klines)

- No Negative Site Issues
- LIHTC Eligible
  - High Scoring
- LIHTC Quickly Maxes Out Funding
  - 400-600+ units
- HUD and MSHDA Funding Eligible
- DDA Funding Eligible
- Significant Impact On Downtown
  - Pair w/ Parking Deck 216 W William

Recommend Community Engagement: Height, Density, Parking, Income Target, Uses, Developer, Sell or Lease
721 N Main

- Floodway/Floodplain
  - FEMA Deed Restriction
  - Greenway, Treeline Trail Eligible Use
- NOT LIHTC Eligible
  - Adjacent to Railroad
- NOT HUD or MSHDA Funding Eligible
- DDA Funding Eligible
- High Local Subsidy Per Unit
- Northwest corner developable
  - 25-35 units

Recommend Community Engagement: Greenway, Treeline Trail, Public Space, Income Target, Developer, Sell or Lease or Hold
Platt & Springbrook

- No Site Issues
- LIHTC Eligible
  - Scores Poorly Based on Location
  - Too Small for Stand-Alone LIHTC
    - 12-14 Units
- HUD & MSHDA Funding Eligible
- Expensive Infrastructure Per Unit
  - Road
  - Water and Sewer
- High Local Subsidy Per Unit

Recommend Community Engagement: Developer, Density, Owner or Rental
1510 E Stadium

- No Site Issues
- LIHTC Eligible
  - Scores Poorly Based on Location
  - Too Small for Stand-Alone LIHTC
    - 8-12 Units
- HUD & MSHDA Funding Eligible
- Demolition of Fire Station
  - Or Potential AAHC Office/Maintenance
    - Temporary or Permanent
- High Local Subsidy Per Unit

Recommend Further Study: Hire Architect to Design and Cost Estimate to Renovate & ADA Addition as Office/Maintenance Space
Recommend AAHC Develop after Further Study: High Site Potential if Able to Finance with AAHC Revenue Bonds & Local Subsidy
1st/W William Lot

- Entire Site in Floodway/Floodplain
- NOT LIHTC Eligible
  - Adjacent to Railroad
- NOT HUD & MSHDA Funding Eligible
- DDA Eligible
- Council Resolution re Greenway

Do Not Recommend Development as Affordable Housing
1320 Baldwin Senior Center

- MDEQ Development Restriction
- Park Property
  - Requires Ballot Approval to Change Use
  - Loss of Senior Center if Develop

Do Not Recommend Development as Affordable Housing
<table>
<thead>
<tr>
<th>350 S. 5&lt;sup&gt;th&lt;/sup&gt; (old Y)</th>
<th>415 W Washington</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ No Negative Site Issues</td>
<td>✓ Floodway/Floodplain</td>
</tr>
<tr>
<td>✓ LIHTC Eligible</td>
<td>✓ FEMA Deed Restriction</td>
</tr>
<tr>
<td>✓ High Scoring</td>
<td>✓ Greenway, Treeline Trail Eligible Use</td>
</tr>
<tr>
<td>✓ LIHTC Quickly Maxes Out Funding</td>
<td>✓ NOT LIHTC Eligible</td>
</tr>
<tr>
<td>✓ Large Number of Units</td>
<td>✓ Adjacent to Railroad</td>
</tr>
<tr>
<td>✓ HUD and MSHDA Funding Eligible</td>
<td>✓ NOT HUD or MSHDA Funding Eligible</td>
</tr>
<tr>
<td>✓ DDA Funding Eligible</td>
<td>✓ DDA Funding Eligible</td>
</tr>
<tr>
<td>✓ Significant Impact On Downtown</td>
<td>✓ High Local Subsidy Per Unit</td>
</tr>
<tr>
<td>✓ AAATA Partner</td>
<td>✓ Eastern Portion Developable</td>
</tr>
<tr>
<td></td>
<td>✓ Moderate Number of Units</td>
</tr>
</tbody>
</table>

**Community Engagement Underway**
SUMMARY of RECOMMENDATIONS

Develop
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DO NOT DEVELOP AS HOUSING:
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Extra Slides Follow
Background Information
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

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

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

<table>
<thead>
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<th>Area Median Income</th>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>$531</td>
<td>$607</td>
<td>$683</td>
<td>$759</td>
<td>$819</td>
</tr>
<tr>
<td>50%</td>
<td>$866</td>
<td>$1,012</td>
<td>$1,138</td>
<td>$1,265</td>
<td>$1,366</td>
</tr>
<tr>
<td>60%</td>
<td>$1,063</td>
<td>$1,215</td>
<td><strong>$1,366</strong></td>
<td>$1,518</td>
<td>$1,639</td>
</tr>
<tr>
<td>80%</td>
<td><strong>$1,418</strong></td>
<td>$1,620</td>
<td>$1,822</td>
<td>$2,024</td>
<td>$2,186</td>
</tr>
<tr>
<td>100%</td>
<td>$1,772</td>
<td>$2,025</td>
<td>$2,277</td>
<td><strong>$2,530</strong></td>
<td>$2,732</td>
</tr>
<tr>
<td>120%</td>
<td>$2,127</td>
<td>$2,430</td>
<td>$2,733</td>
<td>$3,036</td>
<td>$3,279</td>
</tr>
</tbody>
</table>
Ann Arbor 2017 Household Income Compared to USA

Source: DATA USA, Ann Arbor, 2017
Ann Arbor 2017
Poverty by Age and Gender

Source: DATA USA, Ann Arbor, 2017
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
Housing Development Cost

Example of Market Rate vs Low-Income Tax Credit Project

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Construction</th>
<th>Professional</th>
<th>Financing</th>
<th>City Fees</th>
<th>Developer</th>
<th>Reserves</th>
<th>Total</th>
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<tbody>
<tr>
<td>Market</td>
<td>5</td>
<td>20</td>
<td>1.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.5</td>
<td>0.1</td>
<td>28.9</td>
</tr>
<tr>
<td>Affordable</td>
<td>5</td>
<td>19.3</td>
<td>2</td>
<td>1</td>
<td>0.7</td>
<td>1.5</td>
<td>0.3</td>
<td>29.8</td>
</tr>
</tbody>
</table>
The biggest difference between market-rate development and affordable housing development is how it is financed.