

Ann Arbor Premiums Prioritization Summary & Recommendations Report

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ENP & Associates



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Introduction

In 2013, Ann Arbor City Council passed resolution R-13-078 directing the Planning Commission to address “whether the D1 residential FAR premiums effectively encourage a diverse downtown population” as well as the zoning on three specific parcels. In the summer and fall of that year, ENP & Associates conducted a series of public forums to solicit input on the effectiveness of the Downtown zoning and the specific questions outlined by City Council. The resulting report gave recommendations on potential zoning for the three parcels but also for changes to the residential FAR premiums including requiring the approval of the Design Review Board for a project to be eligible for premiums, allowing premiums for only certain types of residential units (such as 1-2 bedroom units), requiring affordable housing provisions as mandatory for residential premiums, and inclusion of other types of premiums.

In 2015, the Planning and Development Services, per the instructions of the Planning Commission, hired ENP & Associates to revisit residential premiums with the public. The goal of the community engagement process was to consult with the public about what zoning text amendments should be made to align the downtown premiums with community goals. The Planning Commission asked for three focal points for premiums to be explored with the public:

- Quality design,
- Energy efficiency, and
- Housing affordability.

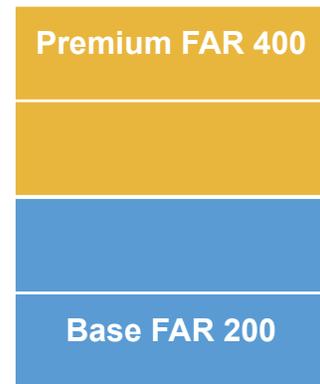
This report shares the conversations with citizens, appointed boards and commissions and citizen groups, while recommending zoning amendment options to update the residential premiums to meet the community goals of Ann Arbor expressed by the public and in adopted city plans.

What is a premium?

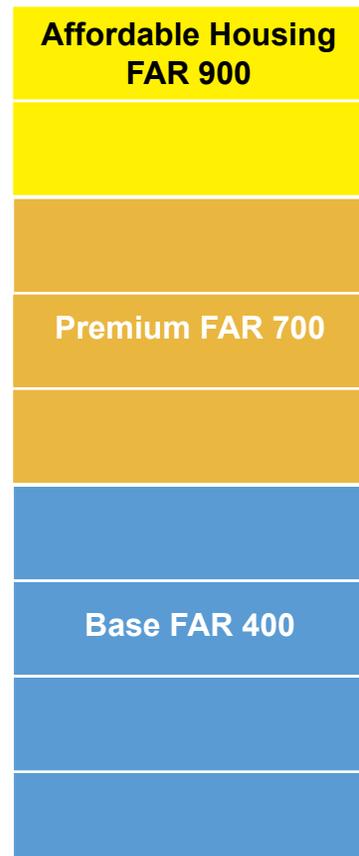
A downtown premium is an incentive of additional building floor area, measured in floor to area ratio (FAR), for a new building if the building has certain uses or features the market generally does not provide but the community wants. The premium is by right, meaning if the developer provides the attribute, the additional floor area must be approved as part of the project. Ann Arbor’s

The graphic below shows the base floor area in blue and premium floor area in yellow, which is available when certain use or features are provided.

D2: Downtown Interface District



D1: Downtown Core District



The graphic below shows how base and premium FAR was used in two buildings under construction in downtown.

The Foundry

413 E. Huron

Zoning District: D1

Overlay District: E Huron 1

Premiums Used: Residential

Maximum FAR allowed: 700.0

Total FAR for building: 663.5



618 S. Main

618 S. Main

Zoning District: D2

Overlay District: First Street

Premiums Used: Residential

Maximum FAR allowed: 400

Total FAR for building: 308



Downtown Zoning Premiums are available to any building in the downtown zoning districts that is not in an historic district or floodplain (see map in Appendix).

The table below summarizes the incentives offered by premiums and how they have been used since the last round of zoning amendments dealing with premiums in 2009.

Premium	FAR Incentive	Used since 2009
Residential Units	0.75 square feet for every 1 square foot of residential use	All buildings with premiums
Green Building	2 points under LEED Energy & Atmosphere Credit to qualify Increase of allowed FAR by 50% for LEED Silver, 150% for LEED Gold & 250% for LEED Platinum	All buildings with premiums 1 building for LEED Silver
Historic Preservation	Up to 50% increase in FAR for preservation of a historic resource	1 building for the preserved Greyhound Bus Facade
Affordable Housing	3,000 square feet for each affordable housing unit with increased cap of up to 900 FAR	None
Pedestrian Amenity	10 square feet of building space for 1 square foot of pedestrian amenity	None
Public Parking	1 square foot of building for 1 square foot of parking, up to 200% of lot area	None

The graphics to the left show how much floor area was premium FAR versus base FAR in two buildings currently under construction.

Public Engagement Process

In March and April of 2015, ENP & Associates or Planning and Development Services staff attended eight meetings of appointed

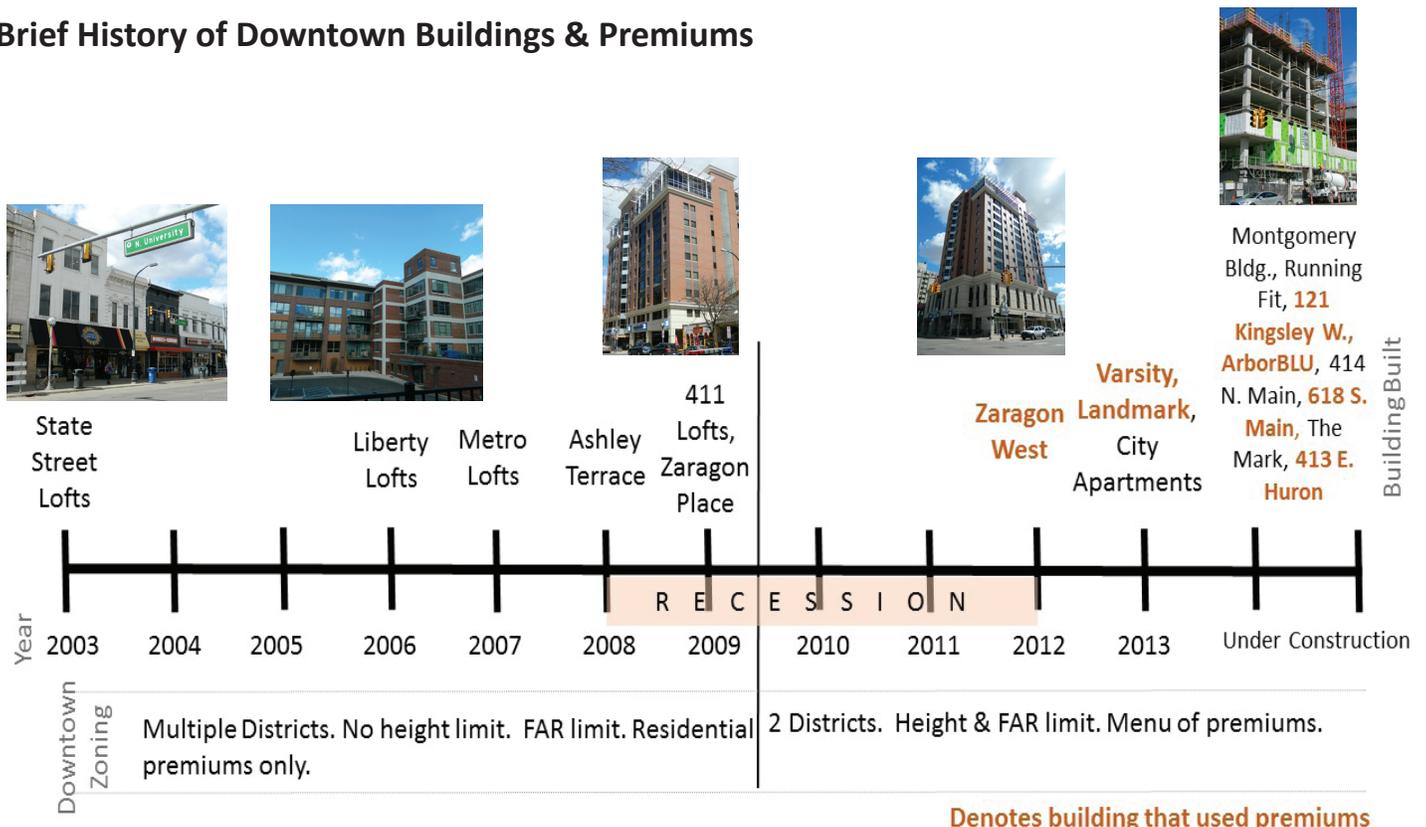
boards and commissions and citizen groups, asking for their input on how to change downtown premiums to align with community goals. Interviews were held with developers, architects, representatives of the Washtenaw County Office of Community and Economic Development and the Ann Arbor/Ypsilanti Regional Chamber of Commerce (A2Y). In addition, five community coffees or happy hours were held across downtown at a variety of times and a public survey on Ann Arbor Open City Hall was completed by 43 individuals. To conclude the public engagement process, a community meeting was held in the middle of April, where 18 individuals attended. Overall, an estimated 40-50 individuals were reached, outside of the board and commission meetings. Results of all interactions are included in the Premium Prioritization Public Input Results, as well as summarized in the following chapters of this report.

Research

To prepare for the public engagement process, ENP & Associates and Planning and Development Services staff researched zoning premium examples in six communities from across the United States, and delved deeper into three case study municipalities – Denver, Colorado; Iowa City, Iowa and Arlington County, Virginia. The six communities were chosen because they were similar to Ann Arbor in size or character and offered premiums. Five communities offered a menu of three for more options for premiums, and one, Arlington County, has an incentive premium program with a limited menu dealing only with green building. In interviews with staff for the case study municipalities, we found that, over the years, changes had been made to the premiums or additional programs or regulations added to achieve community goals. The case studies can be found in the appendix of this report.

ENP and Planning and Development Service staff also researched which premiums had been used since 2009. The results of that historical research is summarized in the time line below but also threaded throughout this report.

Brief History of Downtown Buildings & Premiums



Report Structure

This report is organized into the following chapters:

- this introduction;
- policy context;
- policy choices
- recommendations
- public engagement summary
- appendix

Policy Context

Premiums are one of several tools used by the City of Ann Arbor to implement its vision for the downtown. This section lays out relevant goals and intent of other planning and zoning tools for Downtown Ann Arbor, as well as the Sustainability Framework for the City overall. When crafting public policy changes, such as zoning ordinance amendments, these adopted policies should be incorporated into the decision-making process to assure that changes to a specific policy fits with the overall policy structure for the area and the City.

Downtown Plan

In May 2009, the City of Ann Arbor adopted a Downtown Plan to guide the development and growth of the downtown area. The plan had the following goals that specifically connect with changes to downtown premiums:

Goal: Protect the livability of residentially zoned neighborhoods adjacent to downtown.

The neighborhoods which edge downtown are an important factor in making it an attractive, vital center of community life. Near-downtown residents help to establish a market for retail, service, and entertainment functions, as well as extending the cycle of downtown activity into weekend and evening hours.

Definite land use boundaries, marking the outer limit of expansion for downtown oriented commercial development, should be respected in order to reduce pressures for inappropriate encroachment into neighborhoods.

Goal: Encourage dense land use and development patterns which draw people downtown and foster an active street life, contribute to its function as an urban residential neighborhood and support a sustainable transportation system.

A diverse and concentrated mix of land uses and activities is critical in drawing people downtown to create a lively atmosphere and a profitable business setting. If these uses are linked together by streets and open spaces which accommodate and encourage pedestrian movement, the activity generated by one use will provide support for others and downtown's street life will act as a magnet which draws more people.

An intensive pattern of development, and a concentration of pedestrian activity generators, is especially important within downtown's Core area to build the market needed to support a healthy retail sector. In turn, a strong retail component will serve as the "glue" that binds downtown together by creating the continuity of street level activity and interest which encourages people to move through the area on foot and by bike.

Goal: Encourage a diversity of new downtown housing opportunities and the expansion of the downtown resident population to strengthen downtown's role as an urban neighborhood. Continue to seek a range of age groups and income levels in the downtown.

Even a modest increase in housing and residents can enhance downtown's image as a safe, lively, people-oriented place, with the result that its appeal as a setting for a broad range of activities is increased. Downtown can be desirable for housing if (1) a distinctive "product" is provided for a

variety of income levels and (2) downtown's amenity as a residential environment is enhanced.

Goal: Encourage articulation in the massing of larger new buildings to fit sensitively into the existing development context. Encourage design approaches which minimize the extent to which high-rise buildings create negative impacts in terms of scale, shading, and blocking views.

The most fundamental recommendations for the design of new downtown buildings are to:

1. Complement the scale and character of the existing development context;
2. Reinforce the clarity of the overall urban form; and
3. Add to the area's identity as a special place. Harmony should be encouraged in overall visual relationships, while still fostering design excellence and the diversity which adds richness and interest to the cityscape.

Downtown Zoning

In 2009, concurrent with the Downtown Plan, the Ann Arbor Discovering Downtown (A2D2) task force worked with the community, the planning staff, and the Planning Commission to update the City's zoning code to implement the Downtown Plan. The result was the creation of two mixed use zoning districts for downtown Ann Arbor: D1: Downtown Core and D2: Downtown Interface base zoning districts. Character Overlay Districts were also included in the ordinance, providing additional regulations in different areas to reflect the diversity of street patterns, densities, massing and designs in downtown. Downtown Design Guidelines were then created in 2011 to supplement the zoning regulations.

The D1 and D2 zones were a shift from the previous patchwork of zoning districts that covered the downtown. Three other significant changes were made with the adoption of the districts for the context of this report:

- Premiums, at that time offered at a 1 to 1 ratio for residential uses, was decreased to 0.75 to 1.0;
- The menu of options linked to premiums was expanded (see table on page 6 for details); and
- Height limits by character overlay districts were established, varying from 60 feet to 180 feet. Previously, no height limits existed the downtown areas outside of the historic district.

The Downtown Districts are designed to support the downtown as the city's traditional center, serving both the region and local residents as a place to live and work, with civic, cultural, educational, shopping, and entertainment opportunities. They are intended to allow a mixture of land uses, dense urban development, pedestrian orientation, unique residential opportunities, and a compatible and attractive mix of historic and contemporary building design, while being accessible by a variety of modes of transportation. The intent of the districts, which any zoning changes to the premiums should be compatible with, are:

D1 Downtown Core Intent:

This district is intended to contain the downtown's greatest concentration of development and serves as a focus for intensive pedestrian use. This district is appropriate for high-density mixed residential, office and commercial development.

D2 Downtown Interface Intent:

This district is intended to be an area of transition between the Core and surrounding residential neighborhoods. This district is appropriate for medium density residential and mixed-use development.

Master Plan

The City's Master Plan (November, 2009) also lists several issues with regard to the interface between the downtown and the central area which provide guidance for changes to the downtown premiums. They are:

“In various locations, houses are overshadowed by larger commercial, residential or institutional buildings that are out of scale with existing surrounding development. In addition to being aesthetically displeasing, out-of-scale construction alters the quality of living conditions in adjacent structures. Often it is not so much the use that impacts negatively on the neighborhoods, but the massing of the new buildings.”

“New downtown development will be encouraged; but at the same time, existing assets and valued downtown characteristics will be conserved and strengthened. This balance between conservation and change will be fostered by emphasizing the use of incentives and guidelines.”

In 2013, the Ann Arbor City Council adopted the Sustainability Framework as an element of the Master Plan. Any zoning ordinance amendments for downtown premiums should further implement the following relevant aspects of the framework:

Climate and Energy

Sustainable Energy: Improve access to and increase use of renewable energy by all members of our community

Energy Conservation: Reduce energy consumption and eliminate net greenhouse gas emissions in our community

Sustainable Building: Reduce new and existing buildings' energy use, carbon impact and construction waste, while respecting community context

Community

Diverse Housing: Provide high quality, safe, efficient, and affordable housing choices to meet the current and future needs of our community, particularly for homeless and low-income households

Safe Community: Minimize risk to public health and property from man-made and natural hazards

Land Use and Access

Transportation Options: Establish a physical and cultural environment that supports and encourages safe, comfortable and efficient ways for pedestrians, bicyclists, and transit users to travel throughout the city and region

Sustainable Systems: Plan for and manage constructed and natural infrastructure systems to meet the current and future needs of our community

Integrated Land Use: Encourage a compact pattern of diverse development that maintains our unique sense of place, preserves our natural systems, and strengthens our neighborhoods, corridors, and downtown

Resource Management

Responsible Resource Use: Produce zero waste and optimize the use and reuse of resources in our community

Affordable Housing Goals

In February 2015, the Ann Arbor City Council adopted a new set of affordable housing goals committing the city to working with other partners to create nearly 2,800 new affordably priced rental units in the city by 2035.

Premiums as a Policy Tool

Premiums are incentives, or carrots, for certain uses or features in buildings that the community wants but the market generally does not provide and municipal regulations do not, or cannot, require. Their impact is dependent on the extent to which they are used. For wide reaching change, premiums should be one of several policy tools to achieve a goal, not the only one.

Premiums can have substantial impact. The population increase in downtown Ann Arbor and the changing skyline are largely thanks to the use of residential premiums. That policy choice in 2009 matched and perhaps influenced the market shift to residential housing along with the willingness of financial institutions to lend for student housing. The challenge in 2015 is to create a policy change that creates an attractive opportunity for builders and their financial backers and also delivers progress towards community goals.

What Cities Cannot Require in Michigan

In many cases, participants in the public engagement process wanted the items incentivized by premiums to be required for all new development in the downtown or the City overall. In some cases, like storm water, the City of Ann Arbor has adopted stricter, mandatory rules to mitigate the impact of development. However, the legal context of the State of Michigan prevents municipalities from enacting mandatory regulations in the following instances:

Energy Efficiency Standards	The State of Michigan Building Code, which cannot be altered by a municipality, governs energy efficiency standards.
Affordable Housing	The constitution of the State of Michigan has been interpreted to not allow impact fees (money paid to a municipality to offset the impact on infrastructure of the development) or inclusionary zoning (requirement for a certain percentage of affordable housing to be built as part of any development). Rent control, used in other states and cities in the U.S., is not legal due to Michigan Public Act 226 of 1988, Leasing of Private Residential Property. That law bars a local unit of government from enacting, maintaining or enforcing an ordinance or resolution that would have the effect of controlling the amount of rent charged for leasing private residential property.

While requirements are not possible, voluntary options, like premiums, can ask for these items. Housing affordability and energy efficiency are well-suited items to be incentivized with premiums since the city cannot require them across the board.

Policy Choices

The assumption of this report is that the premiums will be changed, in some way. This chapter provides information on fundamental policy choices for appointed and elected officials, which should be made before drafting zoning ordinance amendments.

Should premiums be kept?

The public engagement process did not surface an across the board opinion about whether premiums should continue. Some felt the premiums should be eliminated, some felt they should be kept, ranging from grudgingly to enthusiastically. Near downtown neighborhood groups stated strongly that premiums should not be given if the project would have a negative affect on adjacent neighborhoods or historic districts. The City’s adopted policies plan for downtown to have a greater density, in part to reduce the carbon footprint of the City overall. The following table examines potential solutions:

Option	Pros	Cons
Eliminate premiums and base FAR remains unchanged	<p>Guarantees protection of near downtown neighborhood from impact of taller buildings</p> <p>Maintains low to mid-rise character of downtown desired by a portion of the public</p>	<p>Lessens ability of City to meet sustainability and carbon reduction goals</p> <p>Larger buildings, desired by a portion of the public, will not be built at the same rate or density</p> <p>Requires plans and policies to be amended</p> <p>Misses potential opportunity to incentivize community needs and goals which the City cannot require</p>
Eliminate premiums and raise base FAR	<p>Removes uncertainty as to the size of potential buildings</p> <p>Implements plans and policies calling for a dense downtown</p> <p>Encourages taller buildings, seen as a positive by a portion of the public</p>	<p>Misses potential opportunity to incentivize community needs and goals which the City cannot require</p> <p>Allows non-discretionary approval process for taller buildings, which some near downtown neighborhoods and members of the public do not want</p>

Should premiums be kept options continued

Option	Pros	Cons
Maintain premiums	<p>Incentivizes community needs and goals which the City cannot require</p> <p>Implements plans and policies calling for a dense downtown</p> <p>Encourages taller buildings, but to a lesser extent than raising the base FAR</p>	<p>Allows non-discretionary approval process for taller buildings, which some near downtown neighborhoods and members of the public do not want</p>
Eliminate premiums for properties abutting residential zoning district	<p>Guarantees protection of near downtown neighborhoods from impact of adjacent taller buildings</p>	<p>Decreases development potential of certain parcels</p> <p>Decreases overall density potential and carbon neutrality potential of downtown</p>

The following sub-sections assume premiums are continued, but with changes.

Should premiums be a long menu or a short list?

Five of the six municipalities researched offered a long menu of premium options, like Ann Arbor. However, Arlington County in Virginia offered premiums for green buildings only. During the community engagement process, residents expressed frustration that premiums that fit with their values, like affordable housing, were not used. Meanwhile, real estate professionals advised the City to pick two or three priorities and then use premiums to pursue those. The table following discusses each option:

Option	Pro	Cons
Long Menu	<p>Rewards the diversity of community goals</p>	<p>Remains the applicant's choice and a premium type may not be used.</p>
Short List	<p>Increases likelihood all premiums offered being used and implementation of the associated community goals</p>	<p>Misses potential opportunity for implementation of a broader group of community goals</p>

How should the residential premium be changed?

According to the 2014 Ann Arbor Downtown Market Scan Dashboard, the number of households in the downtown is expected to grow by over 800 dwelling units by 2019. With that market demand and previous history, the residential premium will likely be used most frequently and perhaps continue to be the only premium utilized. Elected and appointed officials and the public have stated that the housing being delivered under the current scenario is not diverse enough. During our meeting with them, the Energy Commission stated that if developers are able to achieve buildings they want by just using the residential premium, it should be adjusted in order to gain the energy benefits desired.

The affordable housing premium was not used, despite offering more FAR, and was seen as the least

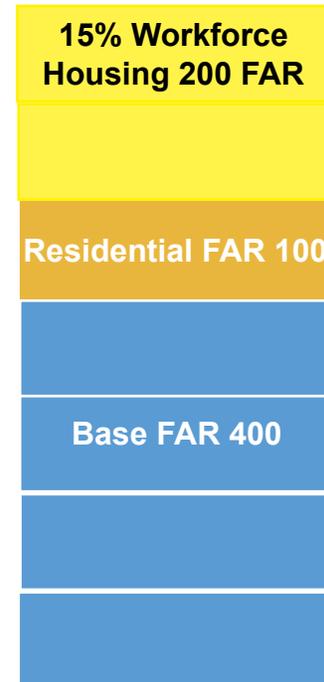
likely to be selected in the future by real estate professionals interviewed. Unless linked to a more attractive premium, like the residential premium, we predict the affordable housing premium will remain unused.

However, the City has adopted an affordable housing goal of creating 2,800 new affordably priced rental units with partners by 2035. So, in order to change the housing mix and population in the downtown, the residential premium must be changed. The table below shows options with pros and cons.

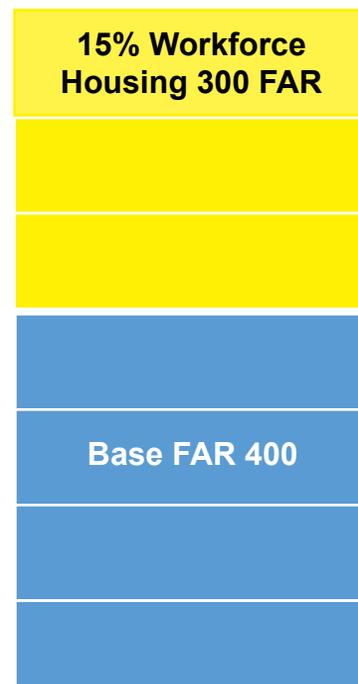
Option	Pros	Cons
Allow premiums only for 1-3 bedroom residential units	Rewards dwelling unit type adaptable to households of all sorts, unlike 4 or 5-bedroom units usually for student rental	<p>Owners might alter or combine units to create 4-bedroom or larger units after construction</p> <p>Applicants change bedroom numbers by unit between City Council approval and building opening</p> <p>Difficult to monitor and track over lifetime of building</p>
Allow a residential premium up to 100 FAR, with 200 FAR in D1 and 100 FAR in D2 available if 15% of the additional units are dedicated workforce housing (20-80% Area Median Income) See Option A to the right.	<p>Incentivizes dense downtown</p> <p>Creates affordable housing</p> <p>Reduces travel for workers</p>	<p>Requires partners to administrate and manage affordable units</p> <p>Less attractive to developers</p>
Require 15 % of residential units to be workforce housing (20-80% Area Median Income), as with the PUD. See Option B to the left.	<p>Creates affordable housing</p> <p>Reduces travel for workers</p>	<p>Requires partners to administrate and manage affordable units.</p> <p>Less attractive to developers</p>

The graphics below show two scenarios in the D1 zoning district incorporating workforce housing into the residential premium.

Option A



Option B



Residential Premium Options continued

Option	Pros	Cons
Allow in-lieu fee for workforce housing if required as component of the residential premium	<p>Offers more attractive option to developers than building & managing affordable housing</p> <p>Gives flexibility when workforce housing may not be appropriate in a location</p>	<p>Requires careful calibration of fees so the amount of money collected can create or enhance affordable housing but remain attractive to developers.</p> <p>Requires legal advice on the legality and, if allowed, how mechanisms need to be structured.</p>

Should the height restrictions be changed?

During the process, architects and developers pointed out how the current regulations, with height restrictions, have led to boxy buildings and, in their opinion, limited the ability to fully utilize the FAR available under premiums. If the height was not restricted, they suggested towers would be possible. Both the Mayor’s Downtown Taskforce and the Energy Commission suggested the height restriction be eliminated, as means to increase the density, and therefore the sustainability of the Downtown and the City. Meanwhile, near downtown neighborhood and city residents expressed apprehension about buildings shading and looming over residential and historic areas. The table below lays out options regarding height changes.

Option	Pro	Con
Use diagonals, the longest horizontal dimension of a building or tower, as measured from corner to corner of a story	Allows taller, skinnier buildings with less shadow impact	<p>Allows building that are higher than the current caps</p> <p>Allows designs that may still be seen as unattractive</p>
Allow buildings to violate height restrictions if shadow impact lessened on adjacent properties, perhaps depending on the PDD process	Provides flexibility to allow buildings with lesser impact on adjacent properties	Less attractive to developers because a discretionary decision is the most effective method of administration

Should design be incentivized with premiums?

Currently, design is influenced by an advisory meeting with the Design Review Board to evaluate compliance with the design guidelines and by the approval process overall. While dissatisfaction has been expressed in the public engagement process with the design of buildings that used premiums, most participants agreed that design is difficult to regulate.

From a technical perspective, design requirements should be consistent across the board. Premiums are voluntary and therefore a piecemeal way to regulate design. Many Michigan communities - Grand Rapids, Birmingham and Ypsilanti - have design requirements that all development in their downtown

must meet, usually dealing with windows, entrances and spacing at the street level. In our research, some communities continue to offer premiums for high-quality building materials. Options dealing with design and premiums include:

Option	Pros	Cons
Require design compliance as prerequisite for premiums	Guarantee high quality design for larger buildings with most visual impact	Difficult to evaluate and enforce DRB is uncomfortable as regulatory body
Incentivize high-quality building materials with premiums	Possibility for more stone, brick or locally sourced materials	Premium may not be selected Premium may be used over other premiums, like workforce housing, that implement community goals
Amend zoning to require design rules at ground floor level	Create consistent street level experience throughout downtown	Stifles design creativity May increase cost and therefore attractiveness of building downtown

Should the prerequisite be changed dealing with energy efficiency?

The current premiums have three prerequisites for a proposal to use premiums: the property must be located outside of an historic district, located outside of the floodplain, and receive 2 points under LEED Energy & Atmosphere Credit. With the exception of an inquiry if property could qualify for premiums if only a small portion of the property was in the floodplain, the public engagement process did not surface any concerns with properties being outside of the floodplain and historic districts as a prerequisite. From a technical and policy point of view, the exclusion of those areas continues to makes sense. The 2-4 story height is part of the character of the historic districts, which the City wants to preserve. Development in the floodplain needs to be limited in order to protect and preserve natural resources, a core value running through the City’s policies and plans.

The prerequisite of 2 points under LEED Energy & Atmosphere Credit was incorporated in 2009 because the Michigan Uniform Energy Code at the time did not incorporate energy efficiency standards in line with the goals of the City. In 2010, the state adopted an updated code, with stricter energy efficiency standards. Changes to the code continue at the state level. While the City would likely adopt stricter codes than the State of Michigan if able, the policy landscape has changed enough that the original motivation for the prerequisite of 2 points under LEED Energy & Atmosphere Credit no longer exists.

Meanwhile, due to changes in state regulations and technology, many participants in the public engagement process familiar with energy efficiency felt that the 2-point prerequisite was too low of a bar. From a technical point of view, any prerequisite for premiums should either prevent taller buildings from being placed in inappropriate areas, like the floodplain or a historic district, or mitigate the impact of that larger building, such as require a higher degree of energy efficiency to offset the increased energy load of the building. Options are detailed on the following page:

Option	Pros	Cons
Keep prerequisite of 2 points under LEED Energy & Atmosphere Credit	Maintains consistent prerequisites	Limits the ability to mitigate impact on energy use of larger building Sets the bar too low for a portion of the public
Remove prerequisite for energy efficiency while keeping incentive of FAR for green building	Simplifies paperwork and process	Limits ability to mitigate impact of energy use of larger building, if menu of premiums includes choices other than green building
Change prerequisite for energy efficiency to be in line with impact of larger building	Links prerequisite to an impact, increased energy use, that the City cannot require mandatory rules to mitigate	Further research would be needed during drafting amendments to decide appropriate standards

Should LEED continue to be the standard used for energy efficiency?

From elected officials to residents to developers, participants in the public engagement process found the expense, timing and paperwork with LEED to be problematic. The table below lays out options:

Option	Pro	Cons
Continue to use LEED	Provides respected, third party verification with which developers are familiar FAR premium would likely need to be increased	Flaws of LEED - expense, uncertainty, and possible penalty - remain
Use other standard, such as AIA 2030 or 30% greater efficiency than state energy code	Provides verification that is less time-consuming and less expensive than LEED	Requires staff training or review consultant for verification
Incentivize “above the drywall” energy efficiencies, such as geothermal heat, green roofs, white roofs, solar or wind energy generation	Provision of these types of energy technologies or efficiency may be more likely provided uncoupled from LEED certification	Premium needs to be proportional to expense, which varies by item

Should the FAR available be changed to create a larger carrot?

In many cases, especially LEED certification and affordable housing, real estate professionals stated that the incentives were not large enough to make up for the costs. The table on the following page shows some ways the FAR incentive could be made larger.

Option	Pro	Cons
Decrease the base FAR, while increasing the premium FAR by the same amount	Increases the incentive Decreases base FAR, which will appeal to a portion of the public	Depends more so on premiums being used to create dense downtown envisioned by City plans and policies
Remove parking requirement for premium FAR	Opens up more floor space for more lucrative uses	Creates possible parking problems if spaces in the downtown are not available Counts parking provided above ground towards the allowed FAR, as with other buildings in the downtown.

The following chapter gives recommendations for premiums and other possible changes.

Recommendations

Recommended Short List Premium Package

These items cannot be required by Michigan municipalities for all development but are needed to meet community goals of housing affordability and carbon neutrality. Since large-plate office and other building types with residential are forecast for the downtown, the premiums should include a non-residential option.

- Energy efficiency prerequisite linked to mitigating increase energy load impact
- 15% of units are workforce housing as part of the residential premium
- 200-400 premium FAR available, depending on zoning district, for carbon-neutral or near carbon-neutral buildings

Recommendations are based on the feedback from the public engagement process, our research, the policy context and best practices. They are divided into recommendations for premiums, including a short list and long menu package, and other changes.

Premiums

Premium	Recommendation
Residential Units	Change so provision of a percentage of workforce housing is required, either overall or after 100 premium FAR.
Affordable Housing	Eliminate as stand-alone premium and require a percentage of residential units to be workforce housing under the residential premium.
Green Building	<p>Change energy efficiency prerequisite to an action that directly mitigates the increased energy use of a larger building.</p> <p>If opt for a short list, maintain incentive for LEED Gold or Platinum Certification, or another analogous standard, with increased FAR incentive.</p> <p>If opt for long menu, incentivize green building and energy efficiency components individually that are above the drywall and can be evaluated by current staff, such as green roofs, reflective roofs, geothermal heat, solar and wind energy.</p>
Historic Preservation	<p>If opt for a short list, eliminate and use DDA, brownfield and other grants seek to preserve historic resources.</p> <p>If opt for a long menu, identify historic resources to be preserved, change standards to be stricter, and offer FAR commensurate with the resources needed to preserve historic character well.</p>
Design	If opt for a long menu, incentivize high quality building materials, such as masonry, locally sourced, and sustainable.
Pedestrian Amenity	Eliminate
Public Parking	Eliminate

We also recommend the following changes:

- Change height restrictions to diagonals, with sensitivity to where D1/D2 zoning abuts other zoning districts for the Historic Districts
- Eliminate parking requirement for premium FAR uses
- If opt for a long menu, develop a point system like used in the PUD option in Minneapolis, Minnesota

Other Changes

We also have recommendations of other changes dealing with building in the downtown from the input received in the public engagement process:

- Require two meetings for applicants with the Design Review Board with the first at an earlier stage to influence site placement, context and massing and the second after City Council approval to provide input on materials and elements.
- Adopt design requirements at the street or pedestrian level, as many Michigan and U.S. cities have done in the past five years. These requirements should be clear, able to be evaluated and enforced by staff, and developed with input from the Design Review Board, the Historic District Commission and the Energy Commission. Below are possible requirements:
 - Ground floor height, from floor to ceiling, is a minimum of 12 feet and a maximum of 14 feet, to guarantee first floor spaces are adaptable for multiple uses over time.
 - 60% of the first floor façade is transparent windows or glazing
 - Maximum distance of 2 ½ to 4 feet from bottom of window to street grade, to guarantee visibility of all pedestrians, no matter their height.
 - Maximum spacing, 2 to 3 feet, between windows and door to guarantee visibility of pedestrians, throughout the length of the building façade.
 - Primary building entrance faces a primary street, when the building has frontage on a primary street
 - Articulation (how changes in materials, bays, and doors) requirements added to each downtown character overlay zoning district

The general feedback and case study research that was used in making these recommendations is detailed in the next chapter.

Long Menu Premium Package

These items can not necessarily be required but not all directly correlate to a quantifiable community goal.

- Energy efficiency prerequisite linked to mitigating increase energy load impact
- Up to 100 premium FAR for residential use without workforce housing provision
- 100-200 premium FAR, depending on zoning district, available for provision of 15% workforce housing of residential units
- Premium FAR scaled to the cost of “above the drywall” green building and energy efficiency components, such as green roofs, reflective roofs, geothermal heat, solar and wind energy
- Premium FAR to preserve historic resources identified as targets with stricter standards
- Premium FAR for high quality building materials, such as masonry, locally sourced, and sustainable
- Use a point scale system to determine amount of premium FAR

Public Engagement Summary

The first section of this chapter details ideas and themes about premiums overall from the public engagement process. Subsequent sections delve more deeply into feedback on quality design, energy efficiency and housing affordability with recommendations.

General Feedback

A number of themes and tension emerged from the meetings, interviews and the survey results.

No Premiums vs. Bigger Buildings

Throughout the public engagement process, some individuals expressed that premiums should be eliminated. Often, that individual also wanted downtown buildings to be limited to mid-rise scale (4-8 stories). These individuals were usually associated with near downtown neighborhood groups, with strong opinions and networks. Through the same mechanisms – meetings and the survey – other individuals were enthusiastic about taller buildings in Ann Arbor. Those participants usually associated the density as integral to sustainability. They usually presented themselves as interested individuals, not associated with a particular group.

Since a scientific survey was not part of the process, we cannot assess whether either side represents the majority opinion. However, we are confident in saying that both sentiments – halting or curbing larger buildings versus encouraging them – will emerge in the debate about changes to the premiums.

Approval Process - By-right vs. Discretionary

In discussions with real estate professionals (architects, developers, real estate services), they stated that while the approval process had improved from 2009, it was still long and uncertain. The current approval process takes 3 months to a year. Cleveland's process was seen as shorter and Dallas is guaranteed 90 days. When dealing with national developers or financing sources, these individuals stressed that Ann Arbor is competing for development on a regional and national scale.

To that end, real estate professionals stressed that their funding sources (banks and real estate investment trusts) saw any discretion given to City Council as a potential block and a disincentive for investment. These groups see a short process, with as few meetings as possible and by-right or non-discretionary standards as the most attractive.

Even debating changes to the premiums caused stress for those real estate professionals interviewed. One developer suggested that current designs brought forth should be “grandfathered in” based on the date they are submitted because changing ordinances mid-stream that then require changes will halt design of potential projects until the zoning amendment to the premiums are adopted. As amendments are developed, we feel confident that the development community will continue to ask for a shorter approval process, with less meetings and by-right regulations.

On the other hand, members of the public, especially those representing near-downtown neighborhoods, wanted additional floor area to only be awarded through a discretionary process, like the PUD or PDD. They expressed a desire to have more input and influence over the premium process. In fact, the general rule they wanted for awarding of premiums - no negative impact on adjacent residential and historic districts - is best implemented through a discretionary process since “negative” is subjective and varies from case to case.

Citizens and Developers Have Different Priorities

When survey and meeting participants were asked to prioritize which type of premium should be pursued, energy efficiency and housing affordability were the top priorities, followed by design. However, when real estate professionals were asked which premium would most likely be taken, most said design would have the most appeal. They saw housing affordability and energy efficiency as difficult to finance. As amendments are developed, decision-makers should be aware of a disconnect between the top priorities of the public engaged in this process and the appeal of incentives to developers.

Design

The City of Ann Arbor strives to, “foster excellence in the design of the built environment” in the downtown, so that “new development fits into the existing fabric of the city”, adds vibrancy to downtown, and “stands the test of time by remaining functional and ageless over a period of many years.” Downtown design guidelines were created in 2011 to provide a unified clarity and focus on what is important to consider in the design of downtown projects. However, guidelines are advisory. During the public engagement process, we asked whether to provide further incentives such as increased FAR for certain design elements, or to require certain base design elements as a qualification for premiums.

While many members of the public expressed frustration with the quality of design for buildings using premiums, they found defining “quality design” equally problematic. Also, a sentiment that quality design should be required of all new buildings was an undercurrent of frustration throughout. The following ideas surfaced as part of the discussion.

Good Design Can’t Be Regulated (at least not easily)

In every interaction, a participant mentioned that “good design” is a subjective decision and therefore difficult to regulate. Both the Design Review Board (DRB) and those who have appeared before them noted times where members of the DRB have disagreed with each other about the quality of design or if a proposal met a guideline. Given this context, mandatory design rules for premiums will likely be difficult to draft and pass.

Except For High-Quality Building Materials

Various sources suggested providing premiums for high-quality building materials (interviews with the Chamber of Commerce, an architect and the Historic Review Board). Historic preservation groups felt incentives are needed for the use the higher quality, more expensive materials and design touches that add to the lifespan of a building and its ability to house multiple uses over time. The only aspect of building design seen as generally feasible for premiums was materials, such as stone, brick or certain types of windows.

Better Design Guidelines Needed

Some participants suggested the design guidelines could be strengthened. One architect felt better guidelines were needed for building tops, while another felt pedestrian level guidelines needed to be improved. The Mayor’s Downtown Task Force felt the guidelines needed to be updated so that big, boxy buildings are not encouraged, or perhaps, not allowed.

Improved Design Review Board Process

Many of those interviewed or who attended meetings felt the DRB should be a regulatory body, rather than the current advisory role. If that was pursued, downtown representatives cautioned that a mandatory Design Review Board needed equitable representation of design disciplines, developers and community constituencies. Many of the neighborhood residents and groups expressed frustration at their ability to influence design, especially when they are the most affected.

Design Recommendations

Amendments

- Change height restrictions to diagonals, with sensitivity to where D1/D2 zoning abuts other zoning districts for the Historic Districts
- If opt for long menu, include premiums incentivizing higher quality building materials. The palette of materials should be developed in coordination with the Design Review Board, the Historic District Commission and Energy Commission

Other Changes

- Add second meeting with Design Review Board
- Adopt design requirement for street level in downtown including:
 1. Ground floor height minimum of 12 feet and a maximum of 14 feet
 2. 60% of the first floor façade is transparent windows or glazing
 3. Maximum distance of 2 ½ to 4 feet from bottom of window to street grade height
 4. Maximum spacing, 2 to 3 feet, between windows and doors
 5. Primary building entrance faces a primary street, when the building has frontage on a primary street
 6. Articulation requirements for each downtown character overlay zoning district

An architect suggested veto power of a design if a super majority of the DRB disliked the design. The DRB did not want to pursue “design veto” as an option and other real estate professional felt that an option like this would add more instability into the approval process.

The DRB felt that if they became a regulatory body, design creativity would not be incentivized and the quality of design could fall. Developers seek the path of least resistance and the result with mandatory design is cloned building, as seen in Seattle. The DRB and developers think the current process, with the DRB acting in an advisory role, is effective.

The DRB suggested that they could have greater impact if they met with developers twice: at a preliminary state to discuss site placement, context and massing; and then after Planning Commission and City Council approvals to discuss materials and elements. The Board also suggested that a DRB member attend the Planning Commission and City Council meetings as a resource on design for each application. They also discussed whether a DRB member should be involved in pre-construction meetings.

Increased Role for the Historic District Commission

The Historic District Commission (HDC) was seen as a trusted body by near downtown residents and historic preservation groups. Some suggested that the HDC also have an advisory role on design, especially when properties border a historic district or building and have a part in reviewing and approving design guidelines. Others asked when and how the Historic District’s design regulations should be applied to the downtown overall.

Better Standards for Historic Preservation

The HDC and the Ann Arbor Preservation Association were disappointed with the execution of the premium for historic preservation with the Greyhound Bus Station facade. Both groups felt the integrity of the historic resource was not maintained, though a portion of the facade was. They recommended linking the historic preservation credit to state or national historic preservation standards.

Bigger Building Envelope

Real estate professionals, the DRB and members of the Mayor’s Downtown Task Force all mentioned how the current regulations with both FAR and height restrictions create a squat building envelope. A DRB member said that sometimes a design meets the zoning requirements when it is problematic from a design standpoint. He and others suggested using diagonals to limit height rather than a height limit. Some near downtown residents were in favor of removing height limits if the resulting design

would result in less shadow or impact on adjacent neighborhoods.

Design for Pedestrians, Not Cars

Multiple groups – staff from OECD, the Mayor’s Downtown Taskforce and residents in meetings – stated that the street level needed to be designed for pedestrians, not automobile parking. Many participants felt that public parking should not be offered as a premium.

Research on Design

We looked at Iowa City, Iowa as an example of premiums used to encourage quality design as well as Minneapolis, Minnesota. In Iowa City, additional FAR is given by discretion, not by right, for buildings that “demonstrate excellence in building and site design, use high quality building materials, and are designed in a manner that contributes to the quality and character of the neighborhood.” Staff has the ability to award up to two additional floors of height, and the City Council can approve additional floors. We spoke with staff in Minneapolis, and found that premiums for design were rarely used now.

Both cities now require design components for all new buildings in their downtown area. Iowa City is exploring a form-based zoning code to require design elements by building type throughout their community.

Energy Efficiency

Premiums rewarding energy efficiency and green building could further achieve goals of the Ann Arbor Climate Action Plan and the Sustainability Framework in the City Master Plan. Currently, a qualification for premiums is two points under the LEED Energy and Atmosphere Credit. Buildings can qualify for additional floor area if they receive LEED Silver, Gold or Platinum Certification. Only a single development has applied for LEED Certification FAR premiums: ArborBLU for LEED Silver. During the public engagement process, we asked whether LEED was the best method of certification for energy efficiency premiums, and what other methods could be used.

While many participants felt premiums for energy efficiency were appropriate, they were frustrated with LEED as the method of certification. The sections below summarize the ideas generated:

Require Higher Bar for Energy Efficiency Overall and as a Prerequisite

Members of the Ann Arbor Preservation Commission as well as other meeting attendees felt it was better to require all buildings to be energy-efficient across the board. Due to state laws, energy efficiency measures cannot be stricter than the state building code. The prerequisite for premiums dealing with energy efficiency can be changed however. Suggestions for that prerequisite ranged from LEED certification, to 30% better than the requirements of the state building code to zero waste construction.

LEED is a disincentive

Real estate professionals, residents and various board and commission members cited the time, money and uncertainty inherent in the LEED certification process as problematic. Since LEED certification is awarded after a building is completed, both the development community and city officials expressed hesitation about what could be done if the building did not receive the certification. Currently, the City would impose a substantial fine. When asked if an escrow deposit like in Arlington County was preferable, real estate professionals said it would not make a difference, the cost and uncertainty of the certification process itself was the issue. However, the Design Review Board and other architects who participated stated that LEED, while problematic, is the best mechanism currently for evaluation of green building systems since much of the energy savings are internal to the building and need to be evaluated during construction. Other systems suggested included AIA 2030 and the standard used by University

Energy Efficiency Recommendations

Amendments

- Energy efficiency prerequisite directly mitigates the increased energy use of a larger building
- If opt for a short list, maintain incentive for LEED Gold or Platinum LEED Certification, or another analogous standard, with increased FAR incentive
- If opt for long menu, incentivize green building and energy efficiency components individually that are above the drywall and can be evaluated by current staff, such as green roofs, reflective roofs, geo-thermal heat, solar and wind energy.

of Michigan for its new buildings of 30% better energy efficiency than the state building code requirements (ASHRAE).

Banks do not see energy efficiency as paying for itself

Real estate professional reported that for banks and national builders, who want to sell the building in 3-5 years, energy efficiency investments do not pay for themselves within that time frame. Over a ten-year timeframe, those same improvements will likely pay for themselves.

Metering and reporting of energy use levels desired but causes anxiety

The Environmental Commission and others suggested that metering and reporting of energy use levels for 10 years be required for premium qualification. Real estate professionals pushed back on this idea, citing difficulty for developers to finance building, especially if there is a penalty. Also, they were anxious about how the data would be used.

Incentivize energy efficiency features separately from LEED Certification

Throughout the public engagement process, participants felt that incentivizing energy efficiency features - green roofs, reflective roofs, better landscaping, geo-thermal heat, solar and wind energy, etc. – separate from LEED certification was worthwhile. Based on comments from real estate professionals, the standards and definitions would need to be clear. Some asked if outdoor roof green space for residents' use, like a terrace or patio would qualify as the same green roof that a storm water control structure usually occupying the entire rooftop would. Others asked what percentage of the roof would need to be “green,” and whether reflective roofs qualify.

While many felt this was a better route to incentivize energy efficiency, different real estate professional cautioned expectations. One developer said it was unlikely that developers will use wind and solar in Ann Arbor's climate. Others cautioned that the more rules to complicate the premiums, the less their appeal. In addition, a developer pointed out that the FAR premium for each individual feature would need to be commensurate with the cost of each feature.

Zero Waster Construction Not Easy

The Sustainability and Energy Commissions wanted zero waste construction to be a prerequisite for premiums. Developers stated that they could not easily meet zero waste construction, but they could probably reach a high percentage if needed.

Density as Energy Efficiency

Both the Mayor's Downtown Taskforce and the Energy

Commission felt that density, more people living in the downtown, should be encouraged, as it will lead to less waste and energy consumption. Both bodies suggested the height restriction be eliminated. An architect who attended one of the public meetings stated that people living close to where they work is far more energy efficient than any green building technology.

Research on Energy Efficiency

We examined both the energy efficiency premiums offered in a longer menu of premiums in the downtown of Minneapolis and Arlington County, Virginia's – Green Building Density Incentive Program (pilot program in October 1999, last updated November 15, 2014.) An interview with a planning staff member from Minneapolis, revealed that the by-right was rarely used, with developers opting for PUDs generally. The FAR incentives were linked to a point menu, which made the process more transparent. Also, staff said their recommendations were approved 90% of the time by City Council.

Since 2001, Arlington County has approved between 1 and 10 LEED certified buildings a year. It updated and expanded the program in 2003 to consider requests for all types of buildings and at all four levels of LEED certification. In that year, Arlington County also established a Green Building Fund. Developers who did not commit to LEED certification contributed to the fund. If that project reached LEED certification, the developer's contribution to the fund would be refunded. The program was adjusted in 2012 and 2014. The most recent update to the green building program adopted LEED Version 4. Projects may still request bonus density in exchange for LEED Silver certification or higher. Commercial office buildings earning bonus density must also agree to earn Energy Star building certification within four years of occupancy. An additional 0.025 FAR is available for achieving one of eight Arlington priority credits (credit will be given for up to two priority credits). Projects designed and constructed to achieve at least LEED Gold certification plus two Arlington priority credits plus Net Zero Energy Building certification through the International Living Futures Institute may apply for bonus density above 0.55 FAR. Affordable housing projects receiving tax credits from the Virginia Housing Development Authority (VHDA) are allowed to earn bonus density using the Earthcraft green building rating system at the Gold or Platinum certification level. Each project is evaluated on a case-by-case basis, so it is not a simple formula, like the Ann Arbor downtown premiums.

Housing Affordability

In 2009, the City of Ann Arbor established premiums offering 900% FAR to encourage affordable housing units in downtown structures. Since that time, not a single project utilized the affordable housing premium. Many cities throughout the country have used premiums to incentivize affordable housing with varying degrees of success, but most found that inclusionary zoning, interpreted as not enabled by the Michigan Constitution, was needed.

Most participants agreed that housing affordability should be incentivized by premiums. Generally, they welcomed targeting workforce housing – 40 to 80% area median income or \$25,000 to \$50,000 annual income – for the downtown, although some members of the public felt that the upper range was too high.

Affordable Housing Needs to be Better

Generally, members of the public perceived the residential building in downtown after 2009 as not affordable. One meeting attendee mentioned that social motivations have changed. She cited how Ashley Mews was designed for 9 penthouses, two of which were combined into a single unit used as a vacation home for football game weekends.

Call it Workforce Housing

Appointed officials, real estate professionals and members of the public generally agreed that affordable

Housing Affordability Recommendations

Amendments

- For short menu, 15% of units are workforce housing as part of the residential premium
- Up to 100 premium FAR for residential use without workforce housing provision, with 100-200 premium FAR, depending on zoning district, available for provision of 10% workforce housing of residential units

Other Changes

- Foster partnerships to market, manage and document workforce housing
- Ask for City Attorney to give legal opinion on legality of in-lieu fees

housing had a social stigma that was politically insurmountable. Per the Planning Commission's suggestion, we asked for reactions to the units being targeted to workforce, people who are working in or near downtown Ann Arbor. Most felt the renaming and targeting of a specific range within those needing affordable housing was appropriate. The Mayor's Downtown Taskforce discussed at length what type of household would qualify as workforce, with a concern that a family may not find living in a multi-story downtown building meets their needs. The Housing and Human Service Advisory Board (HHSAB) suggested defining workforce affordability as up to 60% Area Median Income (AMI) based on Washtenaw County's AMI.

Link Workforce Units to Residential Premium

Based on the lack of use of the affordable housing premium, the organizations advocating for affordable housing (Washtenaw OECD and the HHSAB) thought it was unrealistic to expect an affordable housing premium to be used. Instead, they suggested requiring a certain percentage of the units for floor area for the residential premium to be dedicated workforce housing units, to leverage the residential growth in downtown. Suggested percentages ranged from 5% to 25%. Real estate services professionals advised housing affordability be integrated into all projects in order to gain traction.

Units must be Affordable for their Lifetime

In the survey and meetings with residents of Baker Commons, Washtenaw County OECD staff and the Health and Human Services Advisory Board, participants expressed the need for units to be affordable for their lifetime, not the first round of residents. The covenants or long-term affordability agreements placed on those units become critical to guaranteeing units for workforce, especially in a university town. Washtenaw County OECD offered assistance based on their experience.

Partners Needed to Market, Manage and Document

Both organizations advocating for affordable housing and real estate professionals recognized that developers do not traditionally have experience marketing, managing and documenting affordable housing, especially when University of Michigan students can qualify for units based on income. OECD staff said the rules for developers must be clear, and distinguish who can qualify how. Assistance or partnerships to provide qualified residents for workforce units, assist in management of those units and with paperwork would help ease the anxiety on both the part of the developers and those advocating for housing affordability.

Affordable Units must look like market rate units

OECD staff stated that affordable units need to be same finish and

distributed throughout to get a true mix of income. Some members of the public expressed concern that there might be “poor doors” as in New York City, where affordable units have a different entrance to the building. During a focus group at Baker Commons, many residents expressed a desire for larger units, especially those with disabilities. However, without a regulation like the current minimum affordable housing unit size, workforce units would likely be the smallest units.

Incentive must let Builders Recoup Costs

An architect interviewed felt the minimum affordable housing unit size of 600 square feet was too onerous of a restriction, causing the unit to cost more to build than the rent can cover. He and other real estate professionals stressed that the financial bottom line with affordable housing component still needed to work in order for developers to use the premium.

In-lieu Fees can be Attractive, but not effective is too low

Most real estate professionals and members of the public felt an in-lieu fee for affordable housing would be an attractive option. However, OECD staff confirmed our research conclusion that in-lieu fees need to be set at a high level in order to garner enough funds to create more affordable housing.

Downtown is an Expensive Place to Build and to Live

A member of the Design Review Board was hesitant to demand workforce housing units via premiums in the downtown, when it is the most expensive form of construction on the most expensive land in the City. Others on the Mayors Downtown Task Force expressed concern that downtown is an expensive place to live and there may be unintended increased financial impacts on households moving into workforce units.

Role of other Programs to create Housing Affordability

Many participants thought that other programs, like tax credits or a mileage, should be used to create more affordable housing units in Ann Arbor. An architect mentioned tax credits as a much more attractive option. A developer suggested financial incentives could be offered by the Housing Trust Fund. Many members of the public expressed that it was unfair for the downtown to absorb all new affordable housing, and suggested that units should be in other locations.

Research on Housing Affordability

Denver, Colorado uses a combination of downtown zoning premiums and the Incentive Housing Ordinance (IHO) to incentivize and encourage developers to construct affordable housing throughout the city. The downtown zoning premiums grant developers additional heights or cash incentives to construct residential housing units in the downtown area. Developers can also pursue premiums for active street spaces or connections to transit. The IHO was adopted in 2002 and saw immediate success with several hundred affordable units constructed in the first three years. However, all of the affordable units were constructed outside the downtown core. Since 2002, 1,155 affordable units have been built, financed, or leveraged using the IHO. All downtown projects utilized the cash-in-lieu option to avoid constructing affordable housing units. The City of Denver revised the IHO in 2014 to further incentivize developers to build affordable units in the downtown core with higher thresholds for cash-in-lieu payments and greater cash incentives for affordable units.

Appendix

Public Engagement Process

Regular Monthly Meeting

Group	Date
Environmental Commission	Thursday, March 26
Ann Arbor Mayor’s Downtown Marketing Task Force	Tuesday, April 7
Downtown Citizens Advisory Council	Tuesday, April 7
Housing & Human Services Advisory Board	Thursday, April 9
Historic District Commission	Thursday, April 9
Energy Commission	Tuesday, April 14
Design Review Board	Wednesday, April 15.
Ann Arbor Preservation Association	Monday, April 20

Focus Group

Audience	Time & Place	# of Participants
Affordable Housing Residents	Monday, April 13 Baker Commons, 106 Packard	10

*Focus groups were held for Young Families and Young Professionals but no participation

Community Coffees/Happy Hour

Time & Place	# of Participants
Monday, April 6 @ 4:00 p.m., Amer’s, 611 Church Street	3
Wednesday, April 8 @ 8:00 a.m., Starbucks, 222 S. State Street	1
Monday, April 13 @ 8:00 a.m., Sweetwaters, 123 W. Washington Street.	1
Friday, April 17@ 5:00 p.m., Bill’s Beer Garden, 218 South Ashley Street	4
Sunday, April 19 @ 3:00 p.m., Zingerman’s Deli, 422 Detroit Street.	4

Interviews

- 1 architect who has designed downtown buildings that received premiums
- 1 developer of downtown buildings that received premiums
- 3 Washtenaw County staff from the Office of Economic and Community Development
- 1 staff member from the Chamber of Commerce
- 2 representatives of a real estate brokerage firm marketing a downtown site for the City of Ann Arbor

Community-Wide Interactions

- Survey was conducted via Ann Arbor Open City Hall.
- Community-wide meeting on Thursday, April 24, 2015.

Case Study Summaries

Planning & Development staff did an initial analysis of comparable cities that also offer premiums for additional floor area ratio (FAR) or building height. A summary of the cities is included here along with a more detailed analysis of the cities that best exemplified premiums in the three selected topic areas of this plan: design, energy efficiency and housing affordability.

What premiums do comparable cities offer?

Five cities were reviewed to determine what premiums they offered. From this initial analysis, three cities were chosen for further analysis and interviews to determine how their successes and lessons learned could be applied to improvements in Ann Arbor's zoning premiums.

Premium	Denver, CO	Minneapolis	Iowa City, IA	Seattle, WA	Arlington Co.	Richmond
Residential Units	X					X
Design	Stormwater management, lighting, pervious paving					Setback
Housing Affordability	Incentive Housing Ordinance with cash-in-lieu and cash incentives		15% affordable or workforce	Child care & human services		X
Green Building		Green Roof, LEED, Gardening, Renewables, energy efficiency, living walls, natural systems	LEED or other energy-efficiency rating system		LEED, Energy Star, 18-20% energy savings, reporting data	Improved Roof
Historic Preservation		X				
Pedestrian Amenity		Public ROW, Open Space, Plaza, Art, shared transportation		Open spaces, restrooms, transit stations, bike shower stations		Plaza, arcade or walkway
Public Parking		Underground				Enclosed

Design

Iowa City

Iowa City uses both form based code and premiums in its redevelopment districts. It has basic design guidelines encoded in the zoning ordinance. Additional FAR is not by right, but can be awarded by the design review committee/staff. Staff has the ability to award up to two additional floors of height, whereas more floors must be approved by the City Council.

Staff has the ability to award up to two additional floors of height, whereas more floors must be approved by the City Council. Iowa City staff acts as the design review committee to determine if the proposed design “demonstrates excellence in building and site design, uses high quality building materials, and is designed in a manner that contributes to the quality and character of the neighborhood.”

Design Review happens during site plan review, can be verified during construction by the building official who can issue a stop work order if designs deviate from those approved, and can be verified at the end of construction during inspection when the building official can withhold a certificate of occupancy.

The Director of Housing and Inspection or designee informs the design review committee of deviations from approved designs. The committee then determines if the proposed changes are substantive. Substantive changes require submittal and approval to the design review committee.

The Iowa City case study also noted that the following height bonuses could be awarded:

- Up to 4 floors for leadership in energy and environment, “according to LEED or other similar environmental or energy-efficiency rating system.” “In general, the higher the level of energy efficiency or environmental stewardship demonstrated, the greater the bonus.”
- Up to 5 floors for workforce or affordable housing. 15% of dwelling units within the building must be workforce or affordable as defined by the City with an affidavit. The units must be comparable in size and quality to other units and dispersed throughout the building.

Minneapolis

The Minneapolis PUD uses a bonus system to encourage better design. Bonus points are awarded during design review and can be “spent” on setback reductions, height increase, density bonuses, or building coverage increases (see https://www.municode.com/library/mn/minneapolis/codes/code_of_ordinances?nodeId=MICOOR_TIT20ZOCO_CH527PLUNDE).

Energy Efficiency

Minneapolis, MN

In Minneapolis’ Downtown Districts, floor area premiums are available for the following items: Outdoor urban open space; indoor urban open space; interior through-block connection; skywalk connection; transit facility; street level retail uses; public art; freight loading terminal; sidewalk widening; mixed-use residential, historic preservation; and energy efficiency. The energy efficiency requires the submission of a high performance building plan that must satisfy the planning director a minimum of 35% increase in overall building energy efficiency as compared to the Minnesota Energy Code. The demonstration shall include all reports, modeling, and approval processes described in the High Performance Building Policy Guide. Energy-saving strategies that are missing must be brought to design specification or installed within ninety (90) days of the city’s verification report or submittal to the city of a third-party commissioning report by a licensed engineer. As an alternative to the above, the developer of a building that is not in compliance with the approved energy efficiency premium can mitigate the deficiency through alternative actions as defined in the High Performance Building Policy Guide. Finally, the energy efficiency measures shall be in good working order for the life of the principle structure.

According to a telephone conversation with Hilary Dvorak, Principal City Planner at the City of Minneapolis, a few developments took advantage of the energy efficiency premium in the early 2000's, mostly large office buildings. The applicant works with their local utility, Xcel Energy, through its building design program to increase building efficiency. Most developments in the downtown use the PUD, which has a menu of amenities with a point scale. She also suggested that we look at their design guidelines, which all new development and additions must meet (see https://www.municode.com/library/mn/minneapolis/codes/code_of_ordinances?nodeId=MICOOR_TIT20ZOCO_CH530SIPLRE_ARTIIBUPLDE). The FAR premiums are by right, and the PUD is awarded by discretion of the Planning Commission. However, Ms. Dvorak said that if the PUD has a staff recommendation, it was approved by the Planning Commission almost 100 percent of the time.

This is not a good model for Ann Arbor. First, the premium was last amended in 2002, and a lot has happened in the area of energy efficiency since. Second, the standard depends on a program through the local utility, which is not available here. Third, this option is not often used. However, if no premiums are an option, the example of the point scale for amenities may be a good example of how to bring some predictability into the PUD process.

Sources: Municode, telephone conversation with Hilary Dvorak

Arlington County, VA

Arlington County, Virginia has used FAR premiums to incentivize energy efficient building linked to LEED standards since 1999. The program has resulted in at least one but up to 10 LEED certified buildings approved annually between 2001 and 2013. The program has been revised three times to adjust to market demands, changes in technology and LEED standards.

The program was revised in November 2014, adopting LEED Version 4 and allowing up to 0.05 FAR for achieving two of seven green building option made a priority by the County. The threshold to qualify was a minimum level of energy savings and a LEED rating at the Silver, Gold or Platinum level, for the bonus to be approved. An additional 0.10 FAR may be awarded to buildings that commit to LEED certification and minimum energy savings plus either ENERGY STAR building certification or LEED for Existing Buildings (LEED-EB) certification. The minimum level of energy savings for office and commercial projects is 20% above the baseline ASHRAE 90.1-2007 standard as defined under LEED EA Credit 1 – Optimize Energy Performance in the LEED 2009 rating system. The minimum level of energy savings for residential development is 18% above the ASHRAE 90.1-2007 baseline. All project owners were asked to provide ENERGY STAR Portfolio Manager utility reporting data after occupancy annually for 10 years. The premiums are not automatically awarded, but the Board of Commissioners has discretion to award up to a certain amount, based on the proposed green building attributes and certification. For more information, see www.freshaireva.us/wp-content/uploads/2014/12/Board_Report_29.pdf.

Housing Affordability

Denver, CO

Denver, Colorado uses a combination of downtown zoning premiums and the Incentive Housing Ordinance (IHO) to encourage affordable housing throughout the city. The downtown zoning premiums grant developers additional heights or cash incentives to construct residential housing units in the downtown area.

The IHO was adopted in 2002 and since then, 1,155 affordable units have been built, financed, or leveraged. However, all of the affordable units were constructed outside the downtown. All downtown projects utilized the cash-in-lieu option to avoid constructing affordable housing units. Using payments

from cash-in-lieu projects, the Housing Incentive Program Fund produced 447 units in 2013 and 2014.

The City of Denver revised the IHO in 2014 to further incentivize developers to build affordable units in the downtown core with higher thresholds for cash-in-lieu payments and greater cash incentives for affordable units. The updated IHO splits the City of Denver into three zones based on the strength of the housing market and requires higher cash-in-lieu funds and greater cash incentives.

Zone	Cash In-Lieu Payment	Cash Incentives
High Zones	70% of sales price	\$25,000
Mediums Zones	50% of sales price	\$6,500
Low Zones	25% of sales price	\$2,500 (unless within .5 miles of transit station, then \$6,500)

Parcels Where Premiums Are Currently Allowed

