

MEMORANDUM

TO: Mayor and City Council

FROM: Wendy Rampson, Interim Planning & Development Services Manager

SUBJECT: Downtown Development Authority Resolution regarding A2D2 Zoning Amendments

DATE: July 5, 2009

Staff was asked to outline probable outcomes if City Council were to implement the Downtown Development Authority's recommendations for changes to the A2D2 zoning proposal (see attached June 3, 2009 DDA resolution). The DDA's four recommendations are repeated below, followed by the applicable code section, background information, and staff's comments on the potential impact of the proposed change.

1. *DDA Recommendation:* "Given that City Council has resolved to impose building height limits in D1 and D2, the DDA respectfully recommends that if 33% or more of a floor of structure parking required by the zoning ordinance is being constructed within a development, the remaining parking needed to complete a floor of parking should not be calculated as part of the building's FAR."

Applicable Code Section: Section 5:1(58) – Definition of Usable Floor Area, Non-residential (page 6).

Background: Based on the Nelson/Nygaard study recommendations, which were approved by City Council in June 2007, the "parking exempt" status for downtown by-right floor area was kept in place in the new zoning. Parking would continue to be required for premiums, although this required parking is not counted toward the floor area limitations. As currently drafted, the proposed zoning amendments would require any on-site parking in excess of the premium parking requirements to be counted toward the floor area limitation on the site.

The DDA discussion focused on a concern that a developer should not be penalized in the case where the required parking does not make up a full floor of a parking structure.

Staff Comments: The outcomes of this proposed change could be 1) an incentive to provide a modest amount of additional on-site parking, and 2) slightly larger buildings, since the excess parking would not be counted toward the floor area limitation.

2. *DDA Recommendation:* “We recommend that the ratio for residential premiums be restored to a 1 to 1 proportion as is current zoning.”

Applicable Code Section: Section 5:65(2)(a) Residential Use Premium (page 36)

Background: As proposed, the A2D2 zoning amendments would reduce the current residential premium from 1 square foot of additional floor area for every square foot of residential floor area provided by a developer to 0.75 square foot of additional floor area per square foot of residential. This reduced premium would apply to both D1 and D2 zoning.

The DDA discussion focused on potential situations where a developer building a residential mixed-use building would not be able to maximize the allowable premium FAR allowed for the district if the project included retail or office uses.

Staff Comments: A premium is intended to provide an incentive for development that is desired by the City, but currently is not being provided by the market. The Planning Commission’s recommended 25% reduction of the 1:1 residential premium reflects a recognition that 1) the market appears to be better supporting residential development in the downtown, although additional support is still needed, and 2) that reducing the residential premium would encourage developers to seek other desired premiums, such as the LEED certification premium or on-site affordable housing units, to maximize their FAR potential.

The outcome of keeping the current 1:1 residential premium depends on whether the by-right and premium FAR limitations are increased. In general, keeping the current residential premium at 1:1 could limit the utilization of other premiums, such as LEED certification and on-site affordable housing.

3. *DDA Recommendation:* “Now that a height limit has been established in the D1, we recommend that the by right zoning in the D1 be increased to 500%.”

Applicable Code Section: Table 5:10.19B Schedule of Area, Height, Open Space and Coverage Requirements: D1 and D2 Downtown Districts (page 16)

Background: The proposed D1 district has a 400% by-right floor area ratio limitation (i.e., 4 times the lot size), which is the same as the current C2A zoning district. The DDA recommended that the FAR limitation be increased to 500% in this district to encourage new development.

The A2D2 Downtown Zoning Advisory Committee and the Downtown Plan recommendations both call for a range of 400-500% FAR for the D1 district. The Planning Commission decided to use the 400% threshold, primarily to encourage the use of premiums to exceed the by-right floor area limit.

Staff Comments: The outcome of increasing the D1 by-right floor area to 500% could be 1) more flexibility for a developer who does not wish to use premiums; 2) reduced use of the premiums (unless premium limitations are also raised).

4. *DDA Recommendation:* “Further, to increase the community benefits of new buildings, we recommend that the FAR with premiums be increased to 900%, and with affordable housing to 1,100%.”

Applicable Code Section: Table 5:10.19B Schedule of Area, Height, Open Space and Coverage Requirements: D1 and D2 Downtown Districts (page 16)

Background: The proposed D1 district has a 700% premium floor area ratio limitation (i.e., 7 times the lot size), which is greater than the current C2A and C2A/R premium limitation of 660%. The draft amendments also provide for more ways to achieve premium floor area than the current ordinance, which is primarily limited to residential premiums. The DDA discussion focused on increasing the premium limitation to encourage denser development.

The A2D2 Downtown Zoning Advisory Committee recommended 700-800% FAR limitation for premiums in the Core, with up to 900% for affordable housing premiums. The Downtown Plan recommends premiums with a limitation of 700-900% FAR in the Core.

Staff Comments: The outcome of increasing the D1 premium floor area to 900% and 1,100% for affordable housing could be 1) greater use of a combination of premiums, 2) larger buildings than anticipated (or discussed) throughout the A2D2 process, and 3) less incentive to use an affordable housing premium, since other premiums could be used to achieve the maximum FAR.

Attachment: DDA Resolution to Support Approval of A2D2 Zoning Ordinance Amendments with Recommended Edits Following the Decision to Impose Downtown Building Height Limits – June 3, 2009

- c: Roger W. Fraser, City Administrator
Jayne Miller, Community Services Area Administrator
Kevin McDonald, Senior Assistant City Attorney
Susan Pollay, Executive Director, Downtown Development Authority

Resolution to Support Approval of A2D2 Zoning Ordinance Amendments with
Recommended Edits Following the Decision to Impose Downtown Building Height
Limits

Whereas, The City established the Downtown Residential Taskforce in October 2003 to uncover barriers to downtown residential development, and in May 2005 hired Calthorpe Associates to work with the community to develop a vision for the downtown, as well as recommendations to realize this vision;

Whereas, in March 2006, City Council approved the Downtown Development Strategies Final Report Implementation Plan and in September 2006 City Council approved the A2D2: Ann Arbor Discovering Downtown name to refer to the next steps in the Downtown Development Strategies Project;

Whereas, A2D2 zoning ordinance amendments have undergone a first reading by City Council at which time some changes were made including the decision to institute a building height limit;

Whereas, The DDA approved a resolution at its April 1, 2009 meeting congratulating the City and the community for developing excellent recommendations to improve downtown zoning, and as part of this resolution respectfully provided some recommended changes which were accepted as part of the public input for this project;

Whereas, City Council is anticipated to approve the A2D2 zoning changes at second reading in early July and members of the DDA seek to provide some remaining recommendations which include:

- Given that City Council has resolved to impose building height limits in D1 and D2, the DDA respectfully recommends that if 33% or more of a floor of structured parking required by the zoning ordinance is being constructed within a development, the remaining parking needed to complete a floor of parking should not be calculated as part of the building's FAR.
- We recommend that the ratio for residential premiums be restored to a 1 to 1 proportion as is current zoning.
- Now that a height limit has been established in the D1, we recommend that the by right zoning in the D1 be increased to 500%.
- Further, to increase the community benefits of new buildings, we recommend that the FAR with premiums be increased to 900%, and with affordable housing to 1,100%.

RESOLVED, Once again the DDA warmly congratulates the City of Ann Arbor, its staff, Planning Commission members, A2D2 committee members and other members of the

public for developing excellent recommendations to change downtown zoning to encourage community goals such as increased numbers of downtown residents;

RESOLVED, The DDA formally requests that City Council adopt the recommendations for changes to the A2D2 downtown zoning ordinance amendments as set forward above.

A vote to approve the resolution showed:

AYES: Boren, Collins, Greff, Gunn, Hall, Hewitt, Hieftje, Mouat, Smith, Splitt

NAYS: None

Absent: Lowenstein, Orr

The motion carried.

June 3, 2009