



Ensuring an Inclusive Community: Equity and Affordable Housing

Council Work Session 05.14.2018

Agenda

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Introduction

History of Housing Inequity USA

History of Affordable Housing Ann Arbor

Affordable Housing Development

AAHC Development & Budget Update

Solutions/Actions



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Federal Housing Programs – A History of Inequity

RACE - THE POWER OF AN ILLUSION
Episode Three: The House We Live



4 Federal Housing Programs – A History of Inequity

E. The said lots shall be used and occupied by members of the Caucasian race only. This covenant and restriction shall not be interpreted so as to exclude bona fide domestic servants of a different race or nationality employed by an owner or tenant of any of said lots.

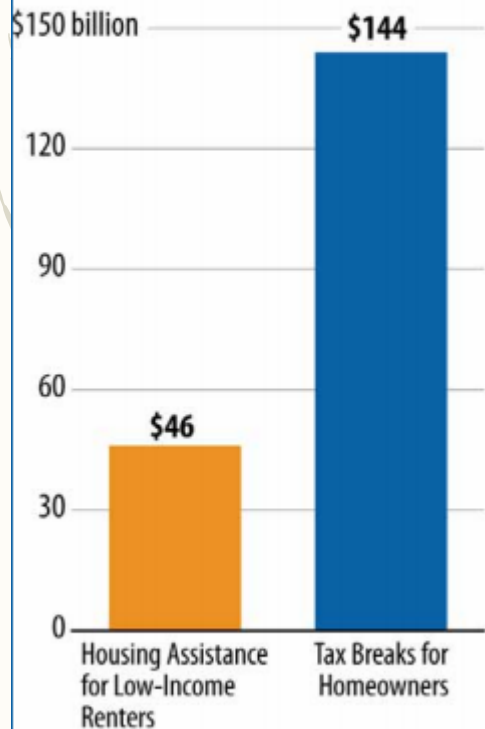
(7) No persons of any race other than the Caucasian race shall use or occupy any premises, or any part thereof, in said Sub-division, except that this provision shall not prevent occupancy by domestic servants of a different race domiciled with an owner or tenant.

That no person of any race other than a member of the Caucasian race shall use or occupy any premises, or any part thereof, herein enumerated in said subdivision, except that this provision shall not prevent occupancy by domestic servants of a different race domiciled with an owner or tenant.

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Federal Housing Programs

Spending on Low-Income Housing Assistance Is 1/3 the Cost of Federal Subsidies for Homeowners



Source: Data are estimates for 2008 from the Budget of the U.S. Government for FY 2009.

– Housing & Urban Development (HUD) \$42.7 Billion 2018

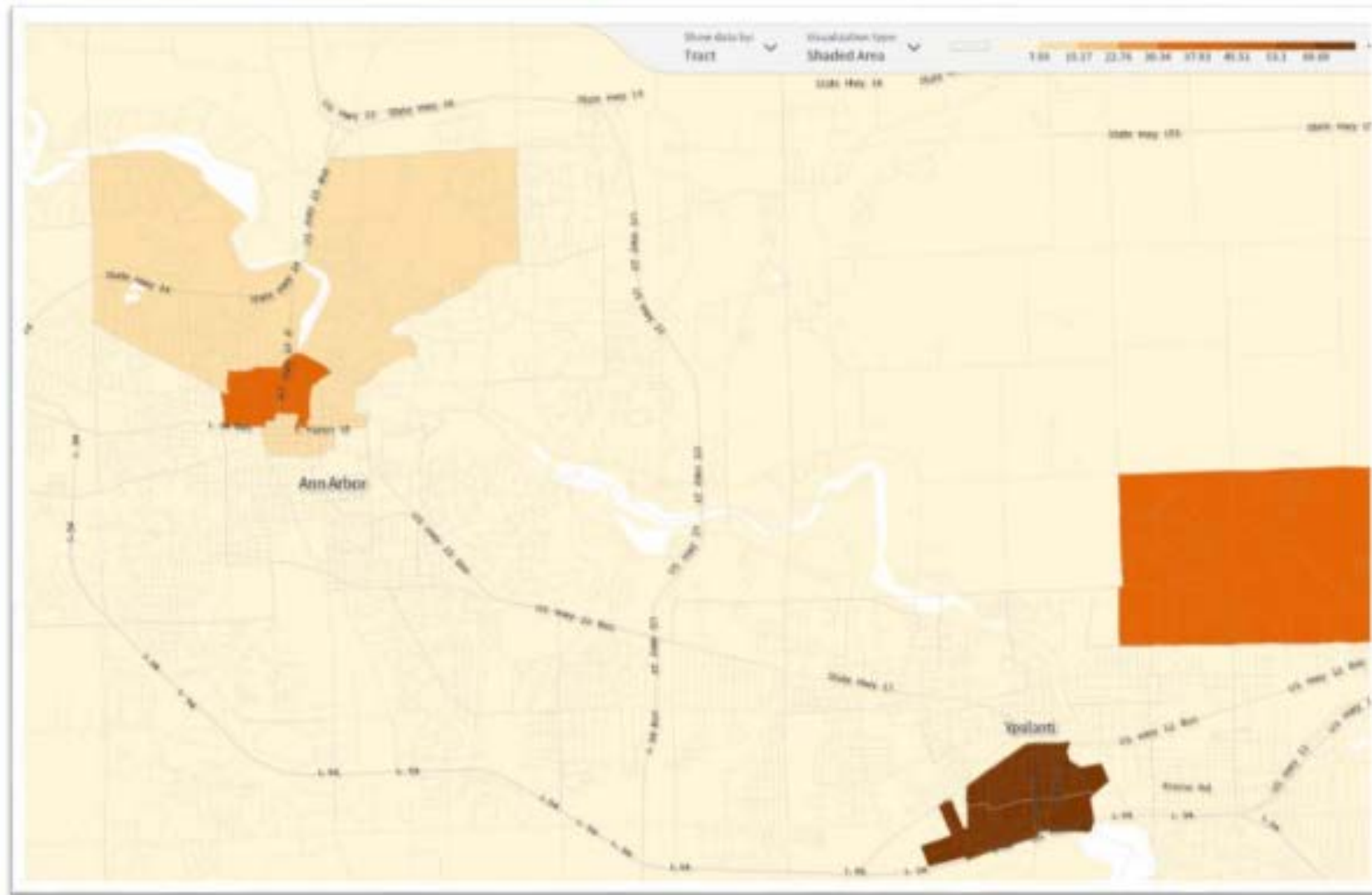
- Public & Indian Housing (1.2 million units)
- Project Based Section 8 & Housing Choice Vouchers (3.3 million units)
- HOME & CDBG
- Homeless & Special Needs Grants (443,000 units)

– Internal Revenue Service (IRS)

- Mortgage Interest Deduction \$146 Billion 2017
- Low Income Housing Tax Credits \$9 Billion/yr (1.9 million units)

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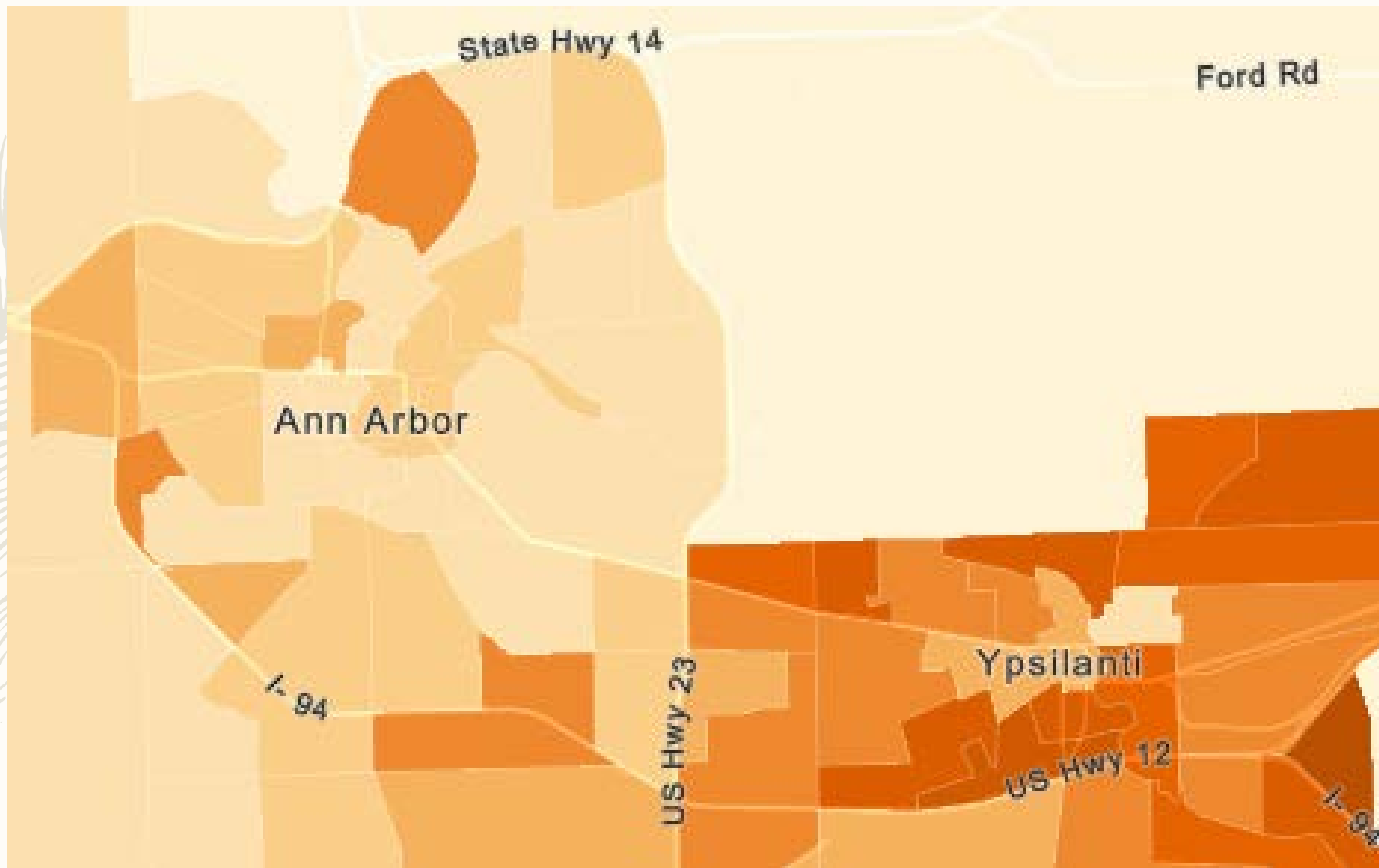
African-American Population - 1960



Source: US Census Data, 1960, provided by Social Explorer

7

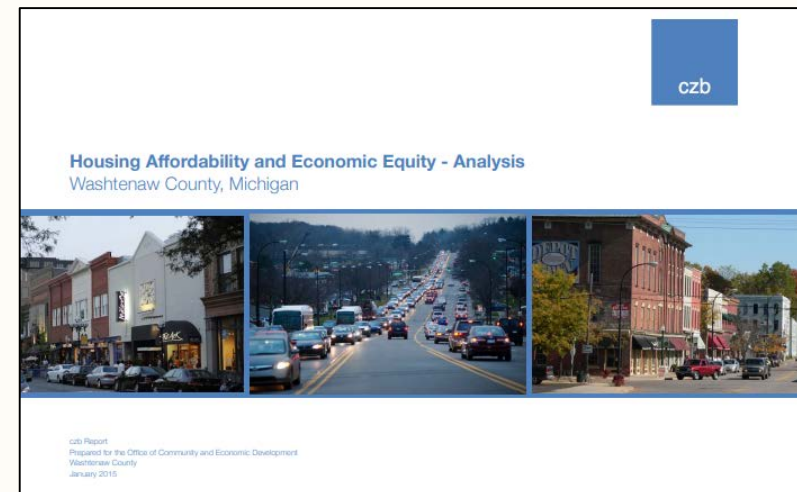
African-American Population – 2016

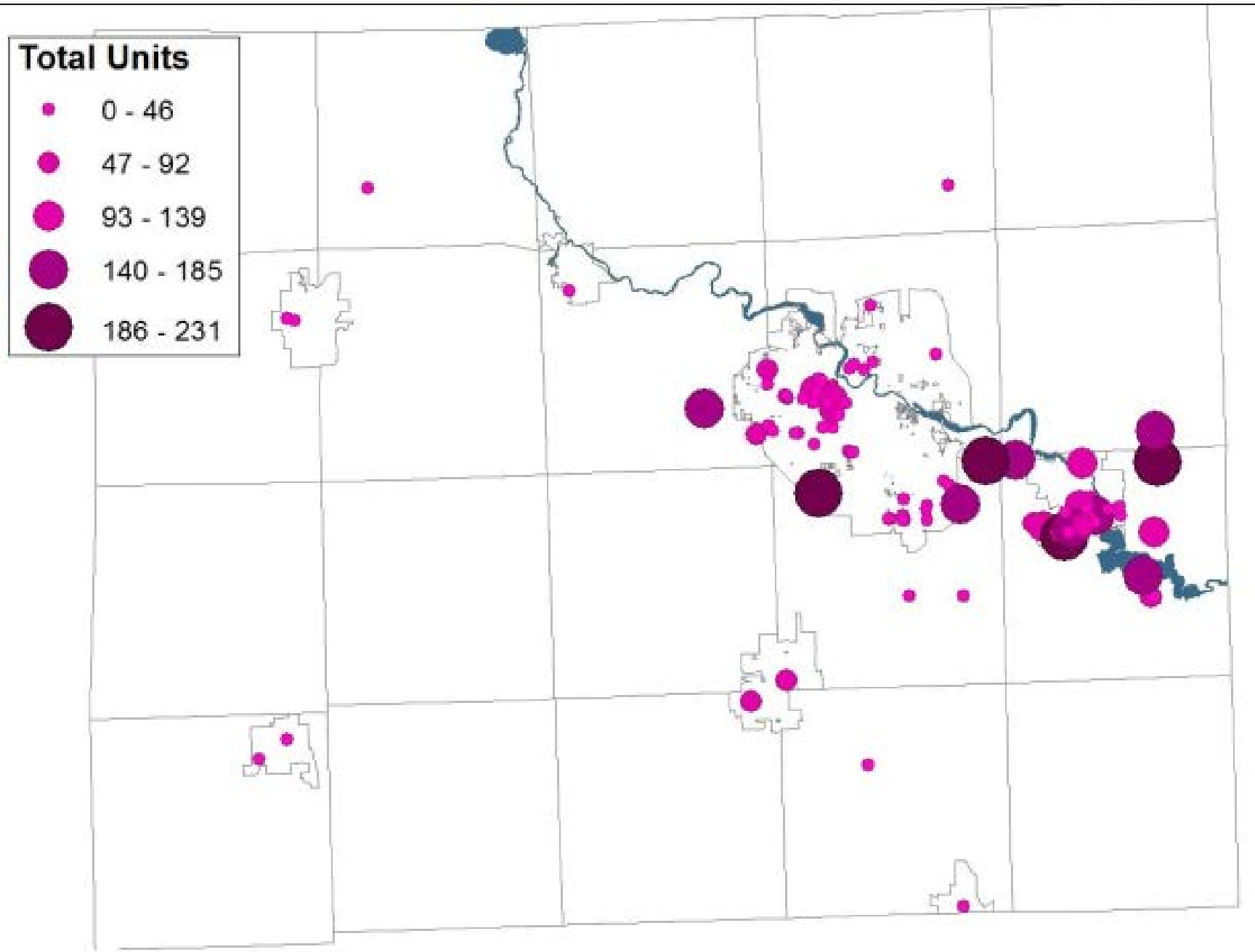


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Housing Affordability & Economic Equity Analysis 2015

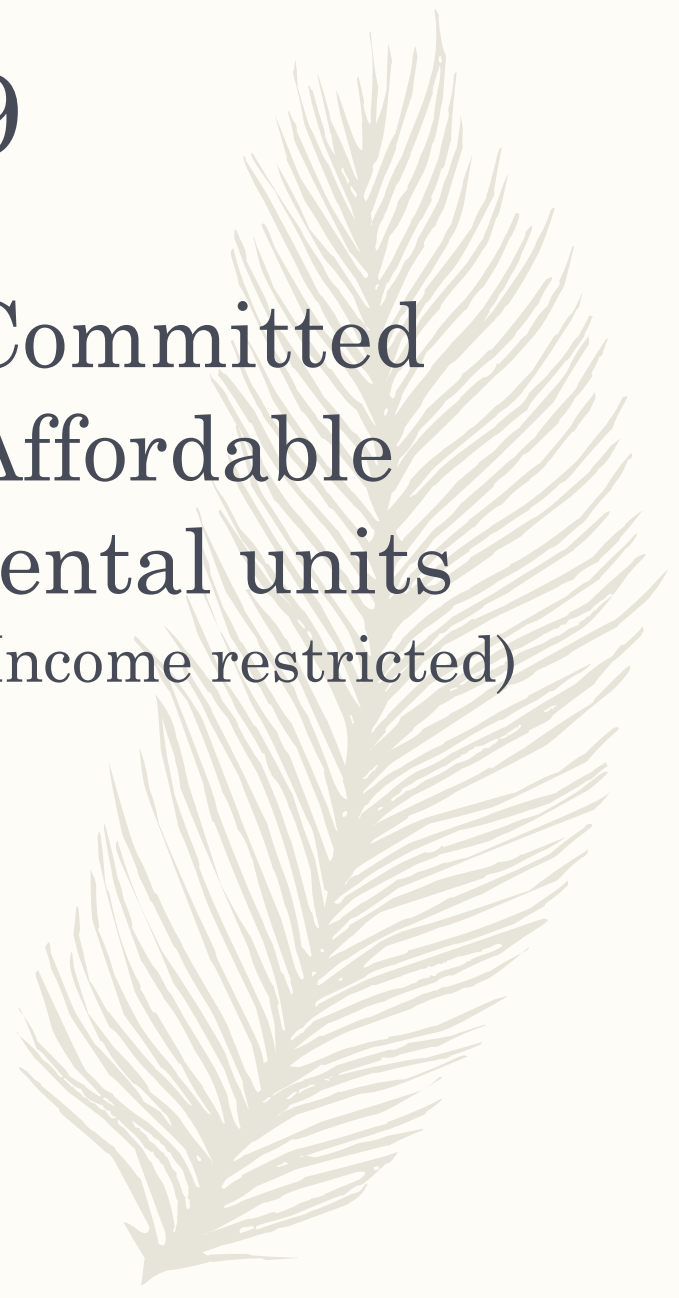
The imbalance in income, education and opportunity between the jurisdictions along with the segregation that goes with it will hamper the regional economic growth potential of the area. Regions that experience strong and more stable growth are typically more equitable, have less segregation and better balanced workforce skills within them.





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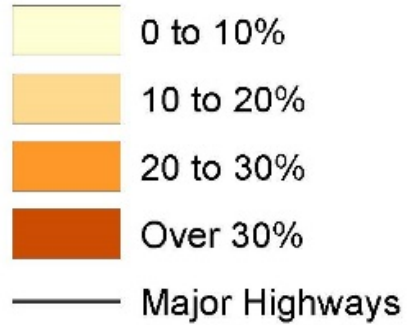
Committed
Affordable
rental units
(Income restricted)



Percent of Population Below Poverty Level by Census Tract, Washtenaw County

10

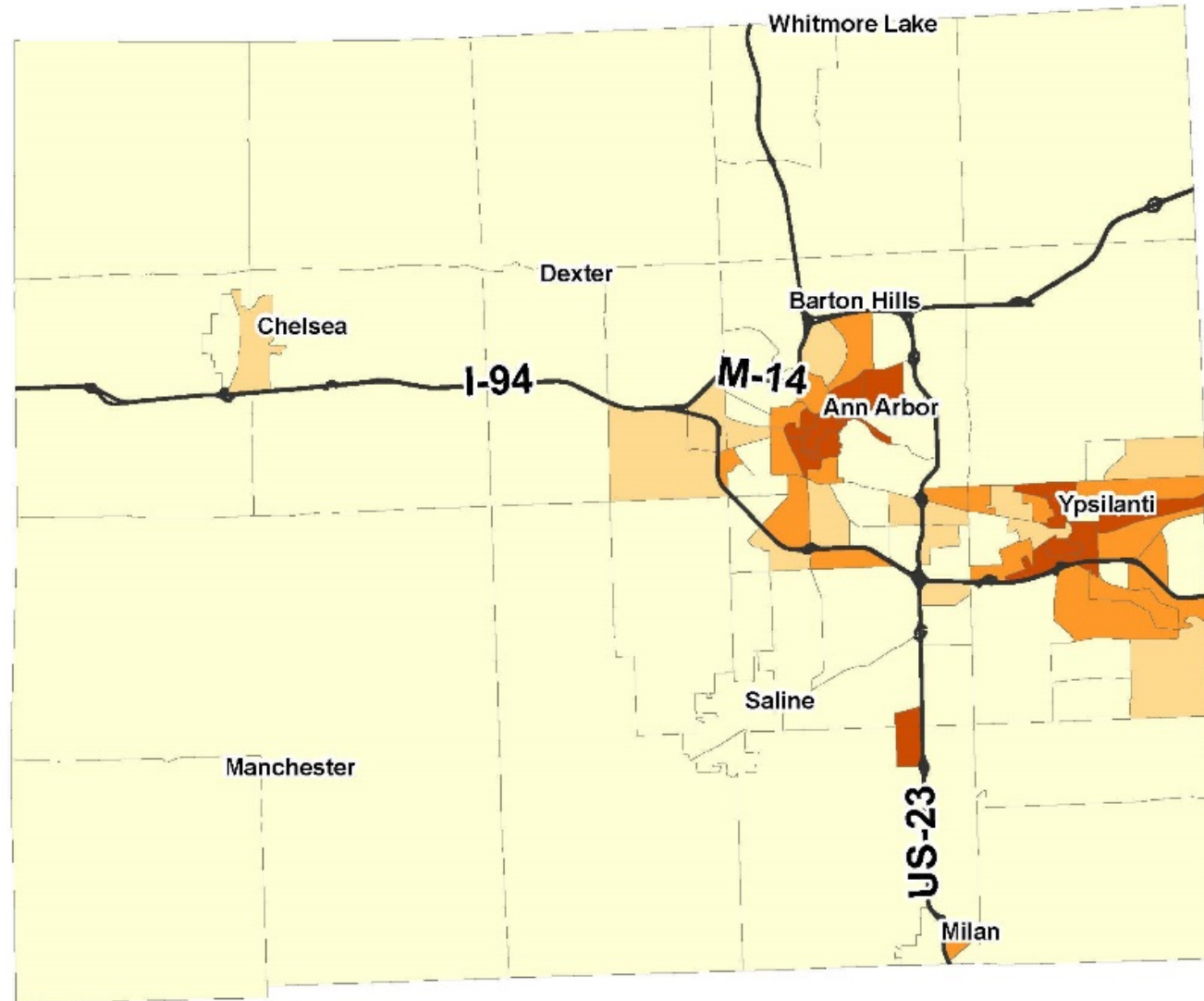
Percent Below Poverty Level



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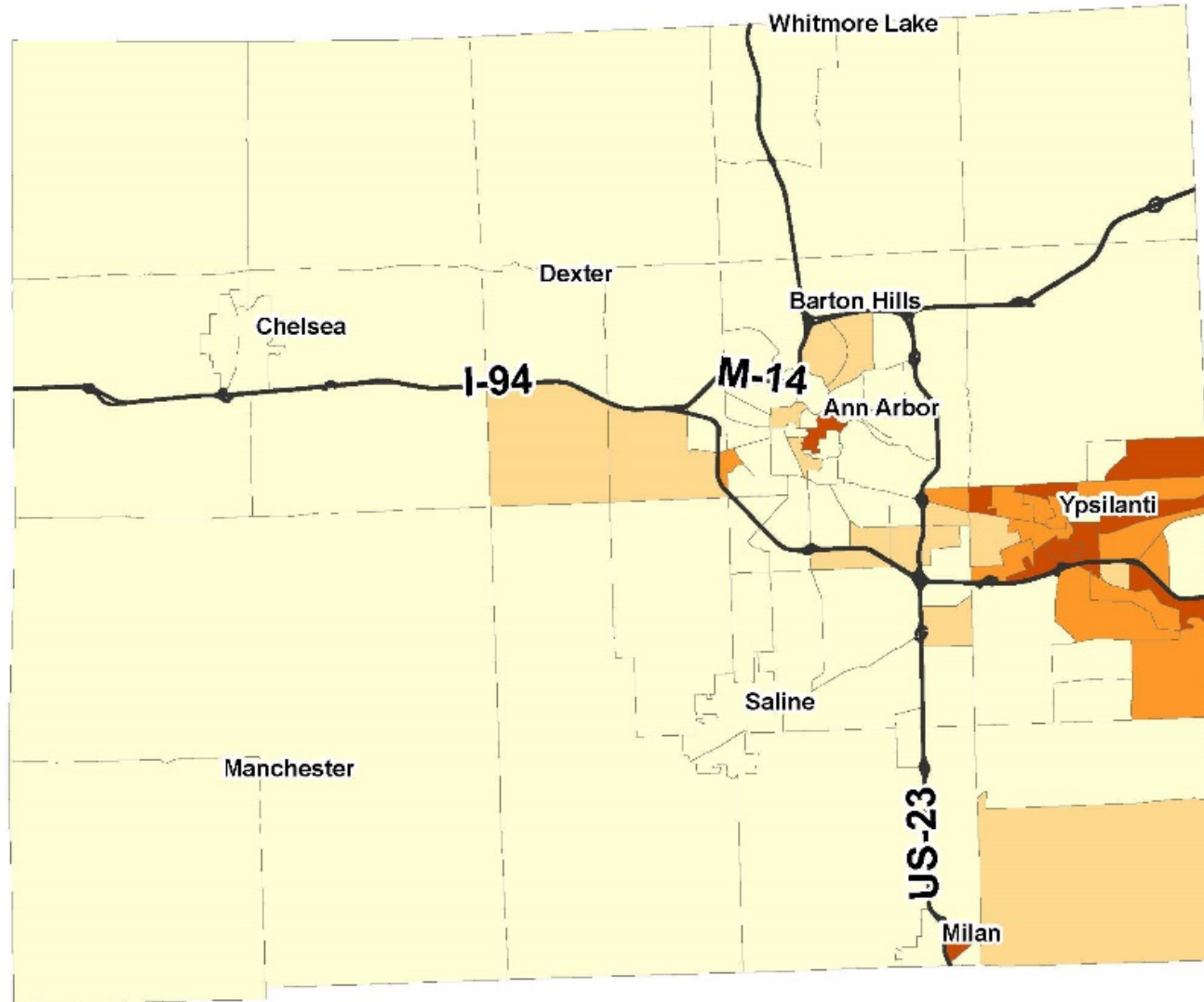
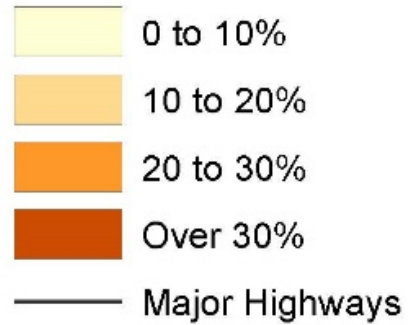
Data Sources: City of Ann Arbor, Washtenaw County,
2012 U.S. American Community Survey

Map Prepared: January 2014

Percent of Households on Public Assistance by Census Tract, Washtenaw County

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Percent on Public Assistance



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Data Sources: City of Ann Arbor, Washtenaw County,
2012 U.S. American Community Survey

Map Prepared: January 2014

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Recommendations City of Ann Arbor

Non-
student

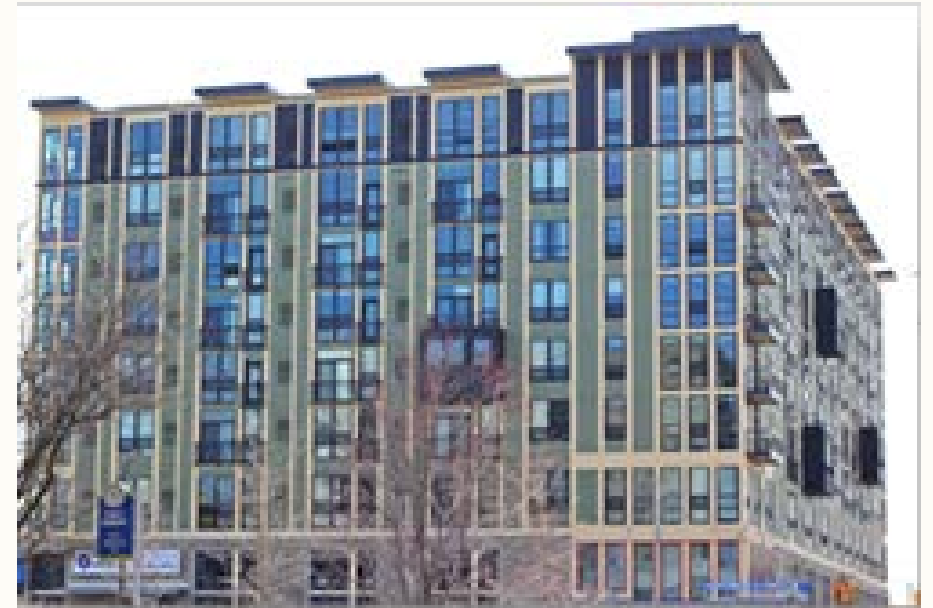
- Increase rental 60% AMI

20
years

- 140/units/year

WHAT IS AFFORDABLE HOUSING?

Housing that costs less than 30% of a household's gross annual income. If housing costs (rent and utilities or mortgage, taxes & utilities) exceed 30%, it is considered a **cost burden**. Households facing this burden are challenged to afford food, transportation, child care, education, medical costs, and other needs.



HOUSING & TRANSPORTATION

Because housing and transportation costs are intertwined, groups like the Center for Neighborhood Technology (CNT) advocate that both be considered as part of any understanding of affordable housing costs.

When considering housing and transportation costs together, the income target increases to **45% of gross annual income**.



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Area Median Income

	1 Person	2 Person	3 Person	4 Person	5 Person
30% Supportive Housing, Special Needs, Homeless Voucher	\$19,500	\$22,300	\$25,100	\$27,850	\$30,100
50% Housing Choice Voucher, DDA Housing Funds	\$32,550	\$37,200	\$41,850	\$46,450	\$50,200
60% City PILOT, AAHF	\$39,050	\$44,600	\$50,150	\$55,750	\$61,300
80% LIHTC, City Zoning, Public Housing, Most HUD funded Co-ops, HOME, CDBG	\$50,350	\$57,550	\$64,750	\$71,900	\$77,700
100%	\$65,050	\$74,300	\$83,600	\$92,900	\$102,200
120%	\$78,050	\$89,150	\$100,300	\$111,500	\$122,650

PILOT = Payment in Lieu of Taxes. LIHTC = Low-Income Housing Tax Credits

State of MI Median \$67,300

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Affordable Monthly Housing Costs based on 30% of income

Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$488	\$558	\$628	\$696	\$753
50%	\$814	\$930	\$1,046	\$1,161	\$1,255
60%	\$976	\$1,115	\$1,254	\$1,394	\$1,533
80%	\$1,259	\$1,439	\$1,619	\$1,798	\$1,943
100%	\$1,626	\$1,858	\$2,090	\$2,323	\$2,555
120%	\$1,951	\$2,229	\$2,508	\$2,788	\$3,066

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Starting Salaries & AMI (assumes 1 person household)

Cashiers
Cooks
Wait Staff
Childcare workers
Security guards

30% \$19,500

School bus driver
Phlebotomists
Community Health
Office Clerks
Pharmacy Techs
Interior Designers

50% \$32,500

City Court Bailiff
City HR Coordinator
City Water Technician
City Police Officer
City CTN Producer
AAHC all AFSCME staff

80% \$50,300

Data from Bureau of Labor Statistics May 2017 and City of Ann Arbor

Terminology

Affordable

Workforce

Permanent Supportive Housing

Senior Housing

Mixed Income

Market Rate

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Some History of Affordable Housing Development Ann Arbor



Public Housing & Section 8

Cooperatives

Housing & Human Services Advisory Board

Ann Arbor Housing Fund/DDA Housing Fund



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Original YMCA

110 N. Fourth Ave

YMCA converted to Single-Room Occupancy (SRO) low-income housing

County purchased for Offices

Currently homeless services

=====

YMCA moved to S Fourth Ave

YMCA added 100 SRO units

YMCA moved to W
Washington, Demolished S
Fourth YMCA



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First Avalon property

1980's Homeless Action Committee

House People Not Cars

Squatted 3 Houses on corner of
Ashley/William – protested City plan to
demo houses and build parking structure

Result = No parking structure. 1 house
demolished, 1 sold, 1 moved kitty corner
onto DDA lot for affordable housing

Shelter originally purchased, then spun
off Avalon Housing as new non-profit to
own and manage affordable housing

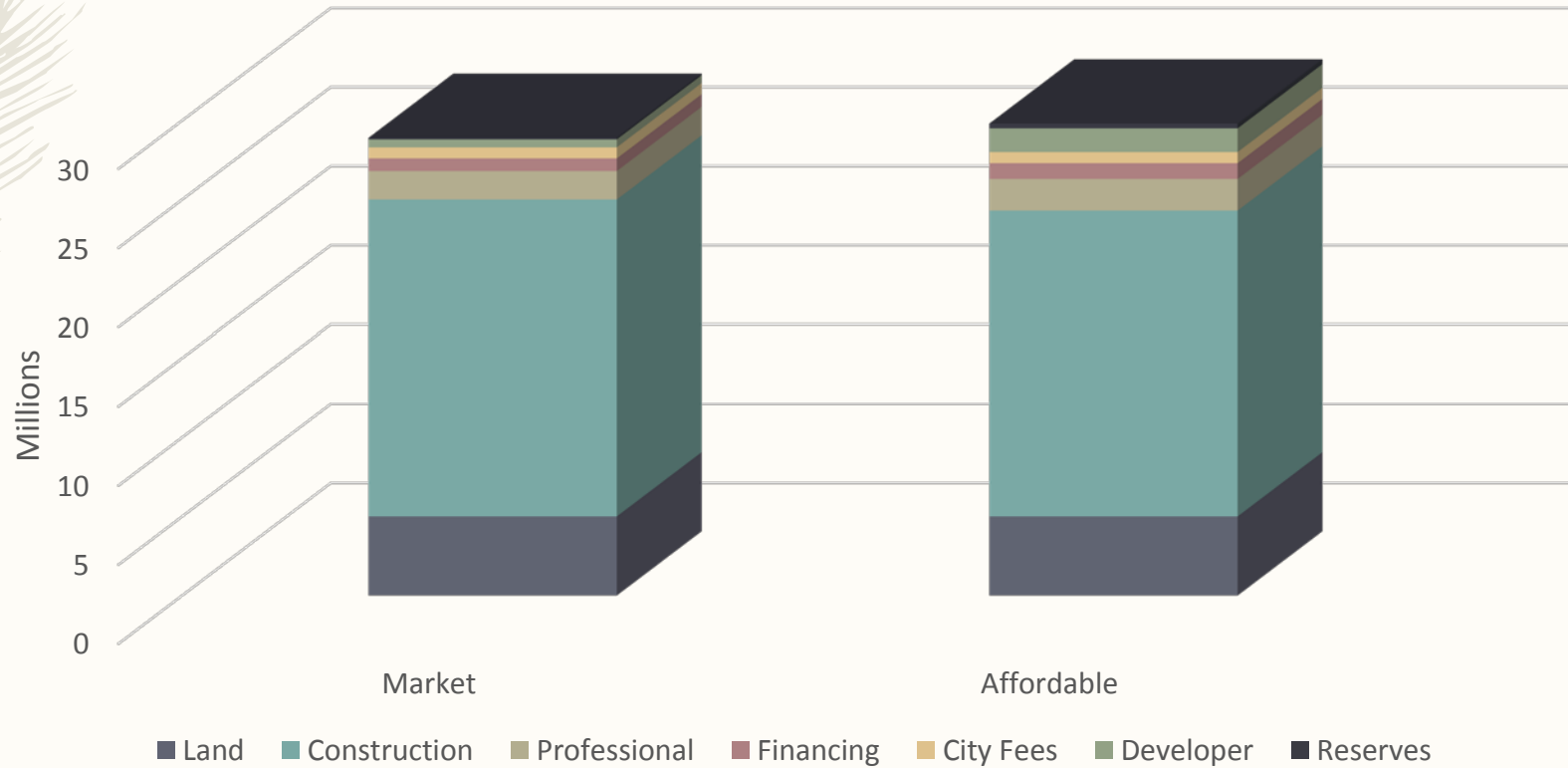
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Development



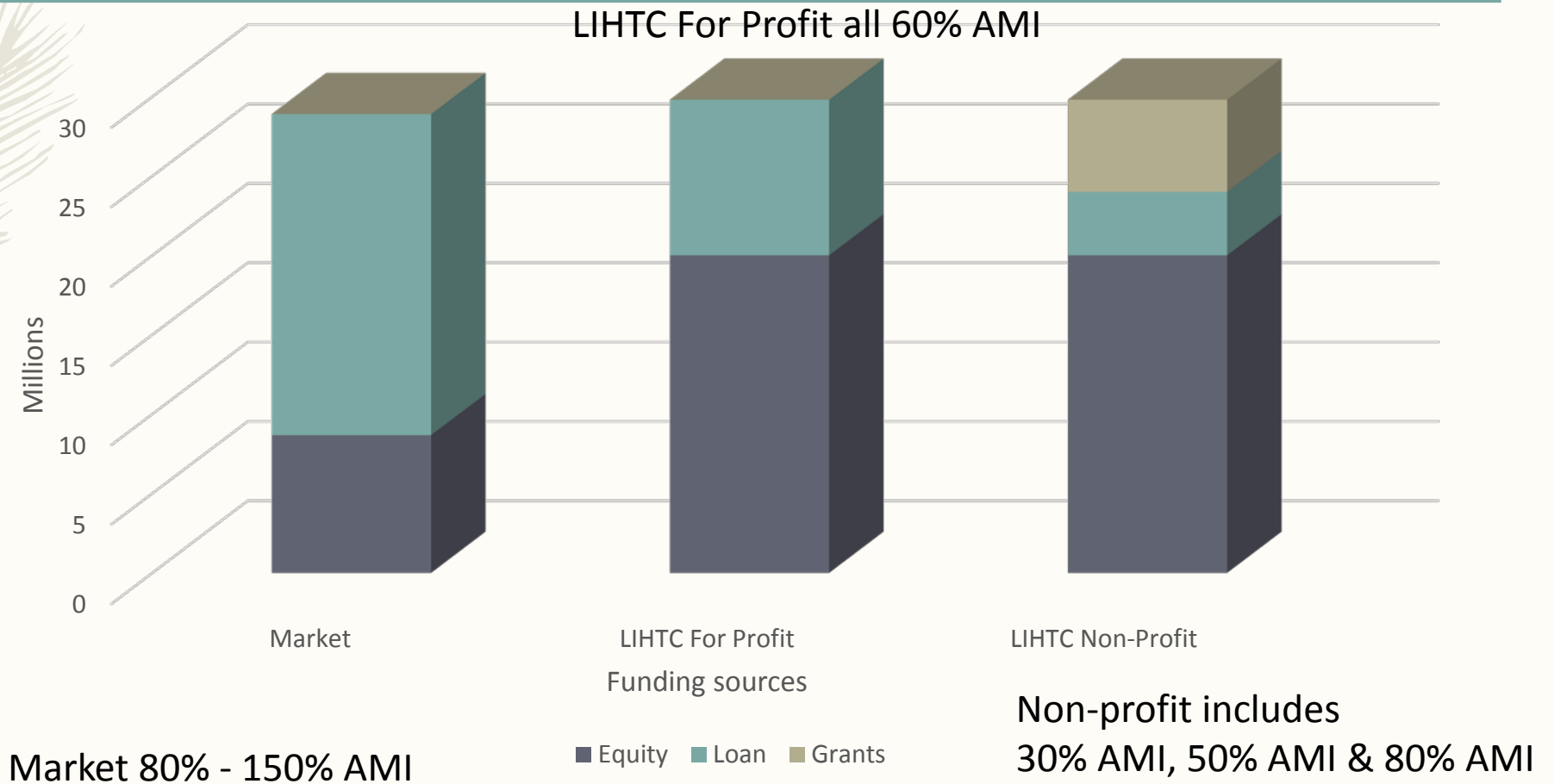
Housing Development Cost

Example of Market Rate vs Low-Income Tax Credit Project



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

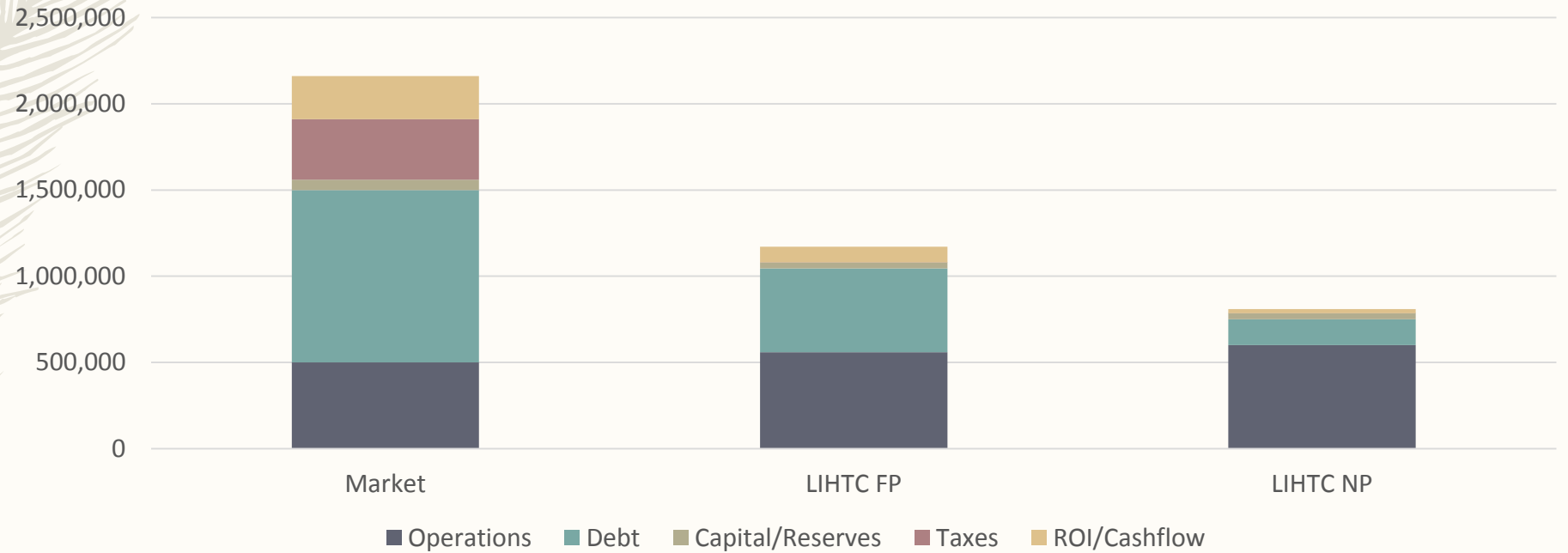
Typical Housing Development Financing



25

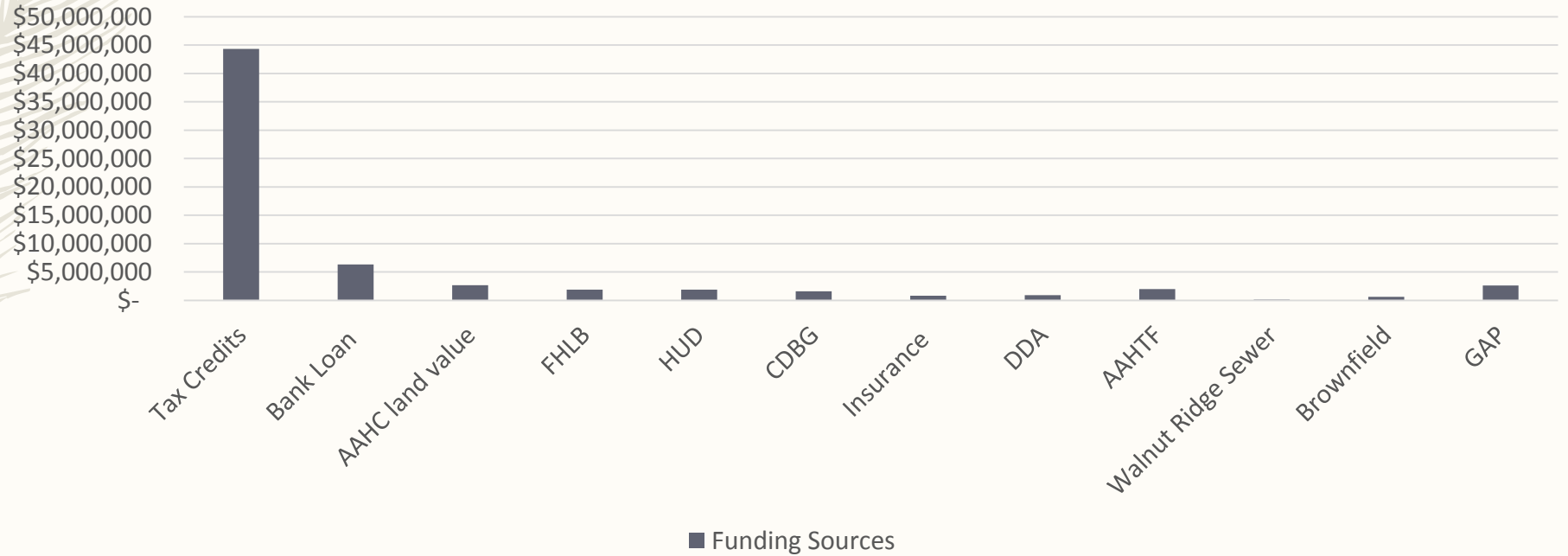
Operating Revenue & Expense Market vs. LIHTC

How rent revenue is expensed



Total AAHC Redevelopment Funding All Properties by Source

\$66 Million to redevelop 412 Apartments (\$4 million local funds)





Redevelopment Achievements & Long-Term Sustainability



Healthier homes for residents

Energy Efficiency

More Accessible & Visitable Units

Property Operating Reserves

Property Capital Replacement Reserves

Multiple Asset Managers - MSHDA, HUD, Investor, Lender

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Rendering of White Street Apartments



HENRY STREET ELEVATION (SOUTH) 1/8" = 1'-0"



NORSTAR DEVELOPMENT USA, L.P.
**PROPOSED APARTMENT
DEVELOPMENT**

ANN ARBOR

MICHIGAN

FSP FUSCO,
SHAFFER &
PAPPAS, INC.

ARCHITECTS & PLANNERS
550 E. NINE MILE RD.
FERNDALF, MICHIGAN 48220
PHONE 248.943.4100 FAX 248.943.4141

OWNER REVIEW
FEBRUARY 03, 2014
CITY PLANNING
FEBRUARY 09, 2014
PRE-PETITION SUBMISSION
MARCH 04, 2014

SHEET 1 OF 1

AAHC Community Role - Serving Special Needs Residents

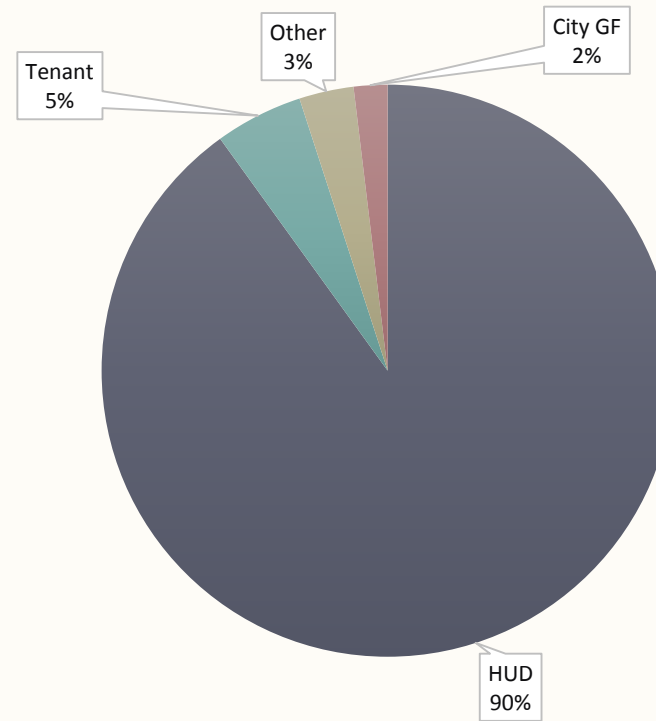
- Setting aside 25% of redeveloped apartments for homeless households
- 50 Family Unification Program Vouchers – new HUD application
 - Partnering with Dept of Health & Human Services, Ozone, Avalon
 - Washtenaw Housing Alliance, Washtenaw County Community & Econ. Development
- 150 – 200 Non-Elderly Disabled (NED) Vouchers – new HUD application
 - Partnering with Community Mental Health, Sheriff, Avalon, Michigan Ability Partners
 - Salvation Army, Washtenaw Housing Alliance, Center for Independent Living
 - Washtenaw County Community & Econ. Development

Future Challenges

- Converting final public housing units to project-based vouchers fall 2018
 - \$2 million needed to renovate Broadway
- Unpredictability of HUD Voucher Program Administration funding
 - 76% - 82% reimbursement rate for Program Administration
- Uncertainty around Ongoing Service Support Funding
 - 25% of County Mental Health Millage toward AAHC's service providers
- Need consolidated AAHC office & maintenance space

2019 AAHC Operating Budget

**Still primarily HUD funded
\$20 million/year budget
Requesting
FY18 \$108,000 general fund
FY19 \$68,000 general fund
Plus IT, HR and payroll support**



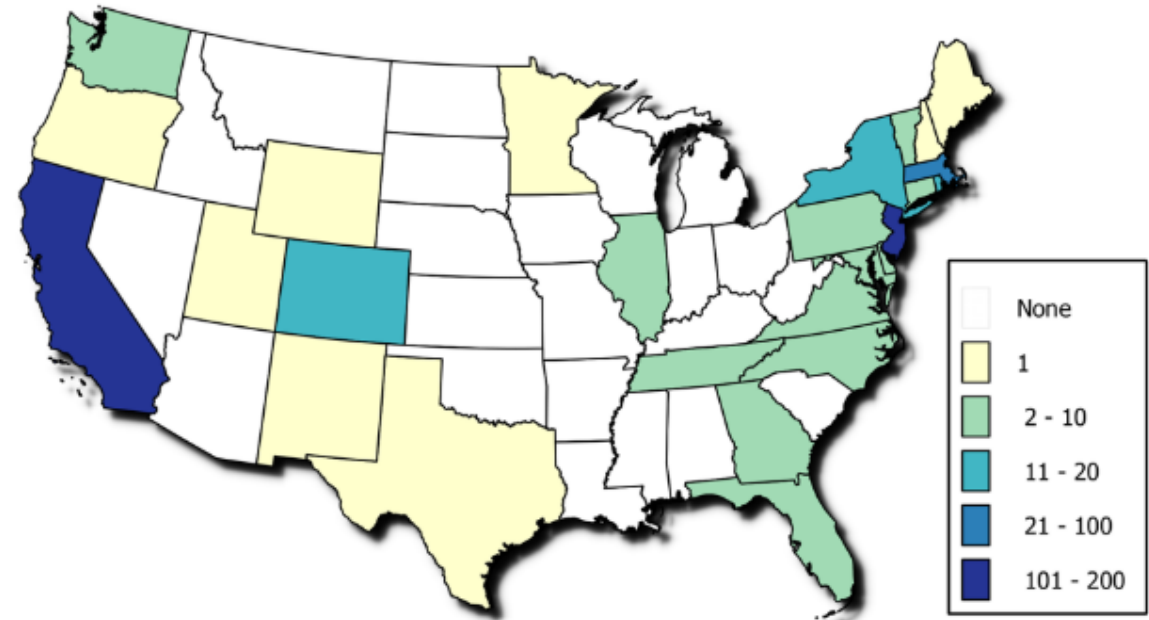
■ HUD ■ Tenant ■ Other ■ City GF

Solutions – Sticks/Regulatory Used in Other Communities

- **Inclusionary Zoning**
- Rent Control
- Linkage or Impact Fees
- Special Taxes
 - Airbnb/Hotel Tax
 - Real Estate transfer tax

Total number of IZ programs by state

Figure 1: While many states have IZ programs, the distribution is heavily concentrated. Most states have between 1 and 10 programs, while New Jersey and California both have over 100. Hawaii has one program and Alaska has none.



Map from National Housing Conference study *What Makes Inclusionary Zoning Happen*.



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Solutions – Sticks/Regulatory Used in Other Communities

- Inclusionary Zoning
- **Rent Control**
- Linkage or Impact Fees
- Special Taxes
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 - Real Estate transfer tax

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Solutions – Sticks/Regulatory Used in Other Communities

- Inclusionary Zoning
- Rent Control
- **Linkage or Impact Fees**
- Special Taxes
 - Airbnb/Hotel Tax
 - Real Estate transfer tax

Housing Seattle



Commercial Linkage Fee (housing impact mitigation)

- New commercial development pays a mitigation fee by the square foot (\$5 - \$17), or provides an equivalent amount of affordable housing on or off site.
- The amount of allowed commercial development is increased by about 1 Floor Area Ratio (FAR).
- Affordable housing mitigation is required for all commercial development on the site.

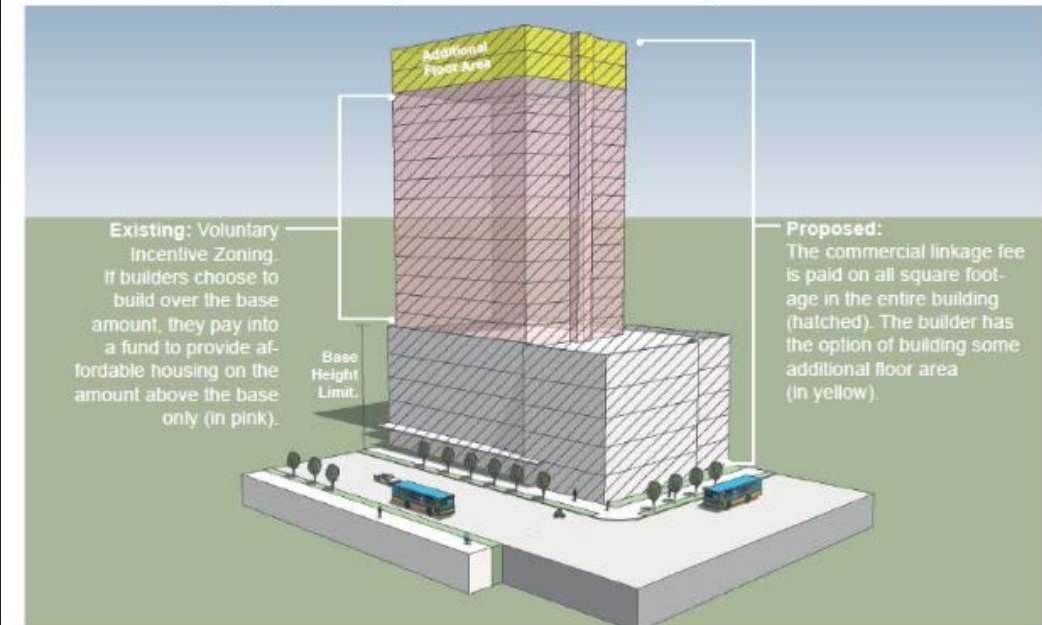


Photo from the City of Seattle, 2015 <http://murray.seattle.gov/mayor-murray-councilmember-obrien-introduce-legislation-to-build-new-affordable-housing/#sthash.MqvIBjEw.dpbs>

Solutions – Sticks/Regulatory Used in Other Communities

- Inclusionary Zoning
- Rent Control
- Linkage or Impact Fees
- Special Taxes
 - Airbnb/Hotel Tax
 - Real Estate transfer tax

programming to 7,770 individuals during FY2016. The nonprofit housing partner of FCBDD contract is Creative Housing.¹⁰⁴

Senior Services Levy

The Franklin County Office on Aging is funded by a 5-year property tax levy that has been successfully renewed since 1992.¹⁰⁵ The 2013-2017 levy is 1.3 mills and has generated nearly \$30 million annually since 2013.¹⁰⁶ The levy funds the Safe Housing program, which provides modifications/repairs, safety products and assistance to eligible Franklin County residents so they can live in their homes free of barriers and unsafe conditions. The Office anticipates that it will receive and meet 2,000 requests for these services in FY2016

Motel-Hotel Excise Tax

The City of Columbus collects an additional sales tax on the sale of motel and hotel rooms and contributes 8.43%¹⁰⁷ of the “bed tax” to the Affordable Housing Trust for Columbus and Franklin County. The Community Shelter Board also receives city bed tax funds.

Real Estate Transfer Fees through Franklin County

Franklin County assesses \$2 for every \$1,000 of the sale price of a real estate transaction for a real estate transfer fee.¹⁰⁸ In 2005, the Franklin County Commissioners approved increasing the real estate conveyance fee from \$1 to \$2 to address affordable housing needs.¹⁰⁹ Revenues from the Transfer Fee support the Affordable Housing Trust and the Community Shelter Board.

City of Columbus Revenue Bond

In 2015, the city issued revenue bonds for housing preservation programming. Funds are used for home repairs in target neighborhoods, development of downtown workforce housing, and

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Solutions – Carrots/Regulatory

- Zoning Density
 - Planned Unit Development and Planned Projects
 - A2D2 Zoning
 - Transit Districts
 - Accessory Dwelling Units
- Reduced regulatory requirements like parking
- Reduced Fees



Solutions - Funding

- Millage
- Revenue Bonds for Construction & Long-Term Financing
- General Fund/Ann Arbor Housing Fund
- Brownfield TIF Funding & Grants
- PILOT
- CDBG/HOME
- DDA Housing funds
- LEVERAGE non-local FUNDING SOURCES

Solutions – Public Property

- Conduct Analysis of best use
 - Mixed-Income
 - All Low-Income
 - Mixed-Use
 - Senior
 - Sell and contribute funds to AAHF



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Under Utilized Public Properties

- City owned
 - Downtown surface lots
 - Main/Ann parking structure – add housing to upper stories
 - 406 N Ashley
 - Former Public Works sites at W Washington & Main Street
 - 2000 S. Industrial
 - Airport
 - 3432 Platt
- County owned – including single-story buildings
- University
- Public Schools



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Considerations for Affordable Units in Downtown Ann Arbor

- Opportunity
- Cost
- Leveraged Funds
- Equity



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Recommendation – to increase units at 30%, 50% and 60% AMI

- Donate or lease for \$1/year City public land that is feasible to include all or a portion of the units as low-income housing to non-profit housing developers with a history of developing low-income housing in the City
 - Avalon, Ann Arbor Housing Commission and Habitat
 - Mental Health Millage proceeds leveraged by non-profits through Affordable Housing Fund
- Support a new Millage dedicated to affordable housing and services prior to Mental Health Millage expiration
- Sell City public land to private developers that are not feasible as low-income housing
 - no strings attached and no low-income housing required
 - 50% of sales proceeds go to Ann Arbor Housing Fund (AAHF)
 - OR long-term lease of land to private developer without any affordable units required as a condition of the lease and annual lease proceeds go to the AAHF

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END OF PRESENTATION
EXTRA SLIDES FOLLOW



Fair Market Rents (FMR)

Final FY 2018 FMRs By Unit Bedrooms

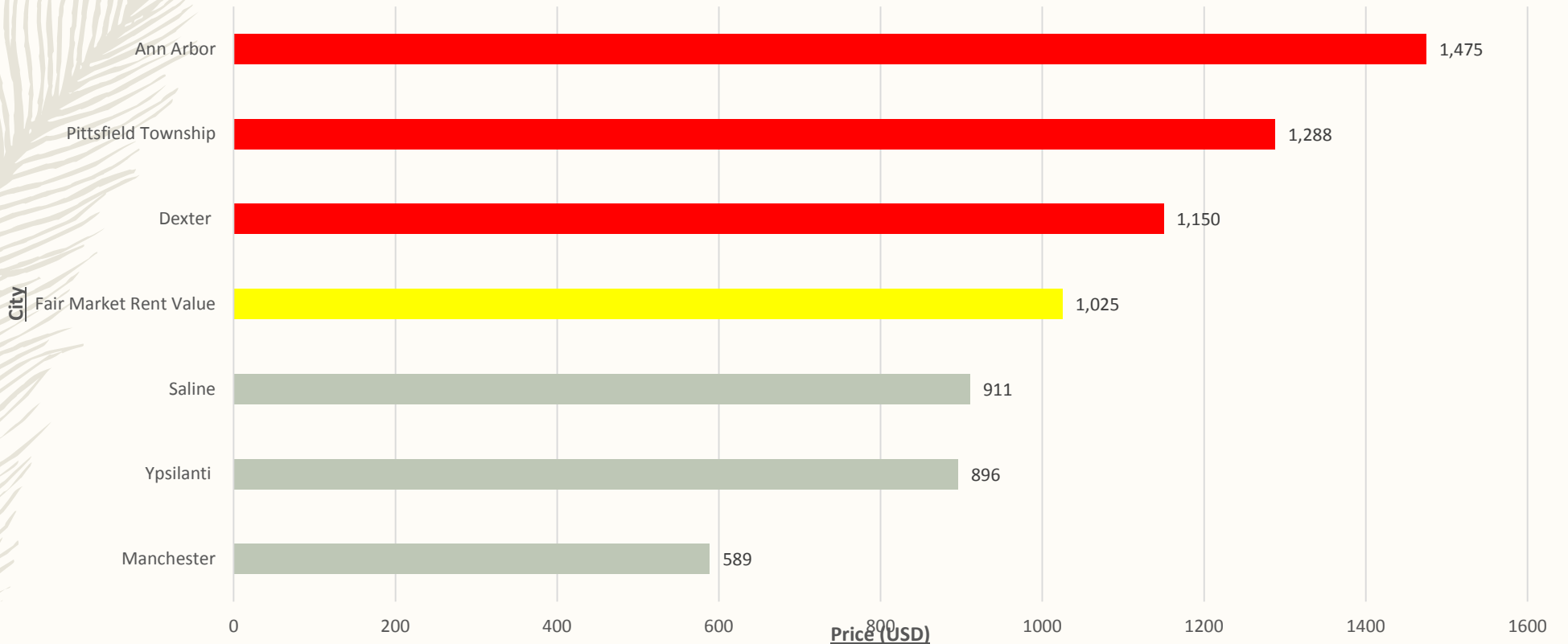
Year	<u>Efficiency</u>	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>	<u>Four-Bedroom</u>
FY 2018 FMR	\$875	\$905	\$1,103	\$1,485	\$1,842
<u>FY 2017 FMR</u>	\$797	\$850	\$1,025	\$1,407	\$1,765

Based on 40th percentile of 2-bdr rents, not including newly built last 2 years or subsidized Ann Arbor Metropolitan Statistical Area (i.e. Washtenaw County)

HUD maximum payment standard (i.e. rent subsidy) for Section 8 Vouchers must be between 90% to 110% FMR
Ann Arbor Housing Commission's City of Ann Arbor Payment Standard is 110% FMR

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Regional rents compared to Fair Market Rent (FMR) (2 Bedroom – Feb. 2018)



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1 Bedroom Market Rate Unit \$976/month

Tenant/s 30% of income



1 person 32% AMI

= \$500/mo



2 people 43% AMI

= \$800/mo



1 person 72% AMI

= \$1,100/mo

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1 Bedroom Income Restricted Unit \$976/month 60% AMI



+ voucher
32% AMI

\$500/month = 30% of income
\$476/month = voucher
\$976/month total rent to owner



43% AMI

\$800/mo = 30% of income
\$0 = no voucher, no rent subsidy
\$976/month rent to owner is 37% of income



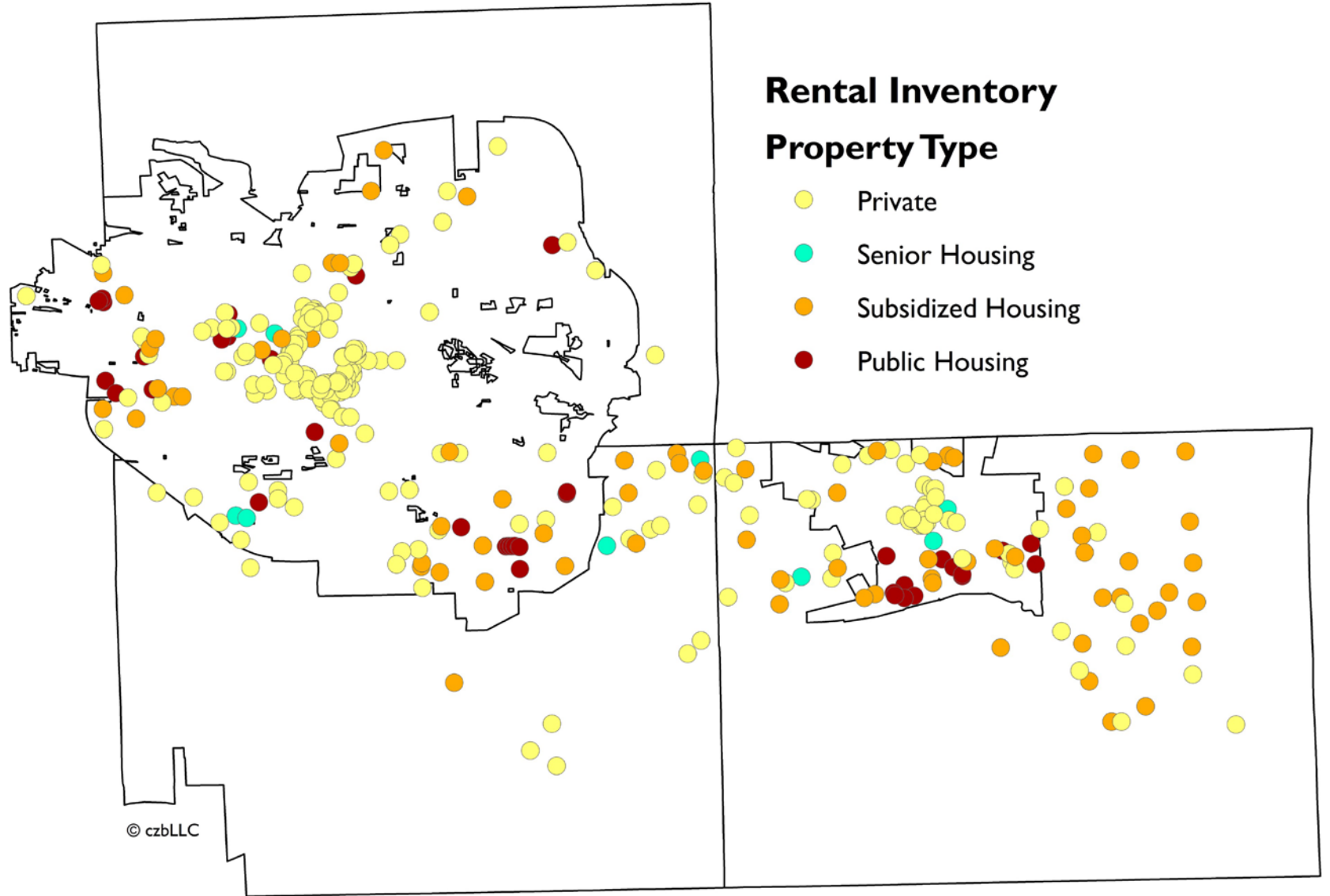
72% AMI

1 person \$1,100/mo = 30% of income
Over-income, cannot move in

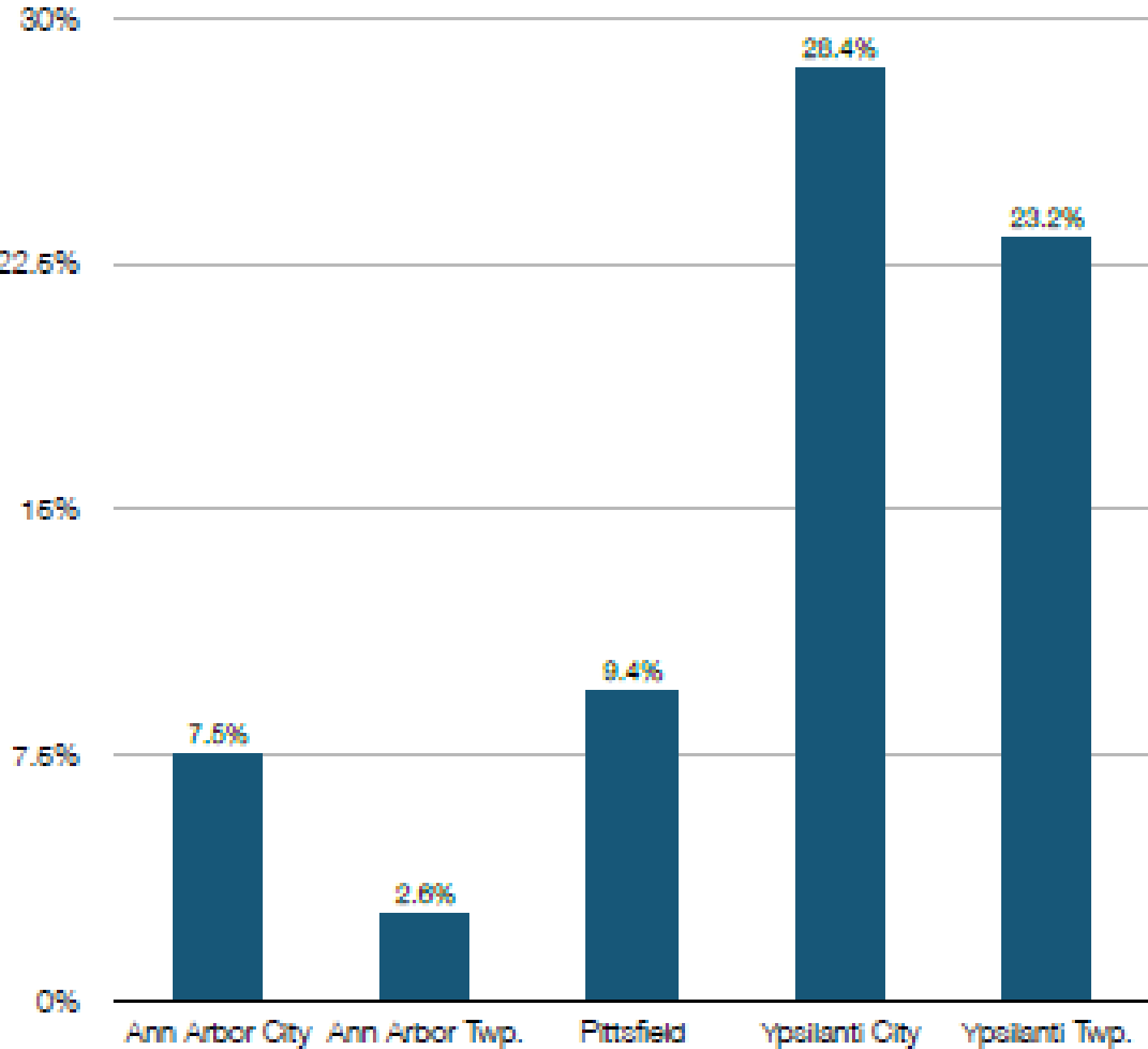
48

Setting Rents (example MSHDA)

Rent based on # of Bedrooms & Income Target	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom
30%	\$488	\$523	\$627	\$724
50%	\$813	\$871	\$1,046	\$1,255
60%	\$976	\$1,046	\$1,255	\$1,499
80%	\$1,302	\$1,395	\$1,674	\$1,933
100%	\$1,627	\$1,743	\$2,092	\$2,416



GRAPH 5 :: % RECEIVING PUBLIC ASSISTANCE AND/OR SNAP BENEFITS



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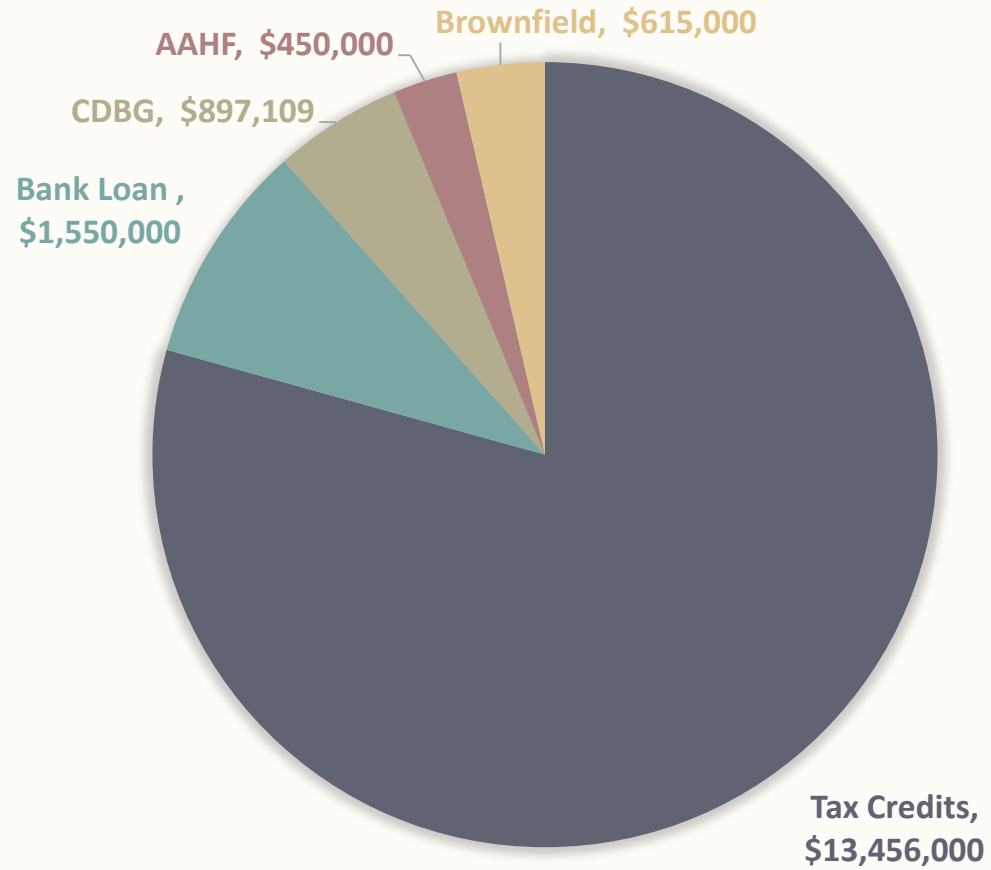
Economic
Inequity



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Leveraged Financing

SWIFT LANE 64 APARTMENTS (WHITE STREET & PLATT ROAD)



**\$920,000 GAP
in funding still
need to secure**