



MEMORANDUM

To: City of Ann Arbor Environmental Commission & Energy Commission
From: Megan A. Masson-Minock, AICP, Principal
Subject: Downtown Premium Prioritization Information & Input
Date: March 23, 2015

We have been contracted by the Planning and Development Department, per advice of the Planning Commission to lead a process to consult with the public about what zoning text amendments should be made to align the downtown premiums with community goals. The process is a continuation of City Council request to the Planning Commission in resolution R-13-078 to address “whether the D1 residential FAR premiums effectively encourage a diverse downtown population.” As part of that process, the Planning Commission requested we meet with your commissions to gather your expertise and input. We would like your input on the following:

- Are the current premiums, especially those dealing with energy efficiency and green building, are effective?
- If not, what changes do you suggest – either as a threshold to qualify for a premium or as receiving a substantial FAR incentive – or would it be better to not have them at all?

What is a Downtown Premium?

A downtown premium is an incentive of additional building floor area for a new building if the building has attributes the market does not provide. The premiums currently incentivize the following: residential units, affordable housing, green building, historic preservation, pedestrian amenities, and public parking. In order to qualify for a premium, the project must achieve a minimum of two points must be achieved under the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) Energy & Atmosphere Credit No. 1, under the most recent version. Compliance with this requirement is verified and documented by the property owner using an industry standard software energy modeling tool (EQUEST or equivalent) prior to the issuance of building permits. LEED certification can earn the following premiums in floor area: 50% of lot area for Silver, 150% for Gold, and 150% for Platinum. The premium is by right, meaning if the developer provides the attribute, the City has to approve the additional building.

History of Downtown Premiums

In 2009, two downtown zoning districts were created: Downtown Core (D1) and Downtown Interface (D2). The downtown districts 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. The new districts had a height restriction on buildings - building height in downtown had been unlimited - and premiums.

The wave of new high-rise residential building in the downtown began previous in 2006, continuing on today. For example, the Zaragon Place building on E. University went through the approval process before the adoption of the D1/D2 zoning but Zaragon West on Thompson had D1 zoning and received premiums. However, most of the buildings receiving premiums have been built close to one another, highlighting the issue of height and massing of the larger buildings.

Nine projects have received premiums under the D1/D2 zoning. None of the projects used the affordable housing or public parking premiums. All of those projects received premiums for providing residential units, one for LEED Silver Certification and one for a pedestrian amenity.

2013 Downtown Zoning Evaluation

In 2013, the Ann Arbor City Council asked for an evaluation of the Downtown Zoning with a public input component. While that process focused mainly on three specific sites per Council's instructions, an evaluation of the premiums was part of the process. Community members, downtown business leaders and developers participated in the process. All agreed that the premiums were not creating a diverse residential downtown population and almost everyone felt the quality of design was lacking. Developers expressed hesitation in changing the by-right aspect of the premiums would make downtown development economically infeasible. Community members felt differently. Many advocated for the elimination of premiums, others felt they were given too freely and suggested they be changed to ensure achievement of community values. The final report recommended several changes to the premiums: require approval by the Design Review Board for premium eligibility; limit residential premium to specific types of units; make provision of affordable housing mandatory for receiving a residential premium; eliminate the 900% FAR super-premium for affordable housing; and include other types of premiums.

Arlington County Green Building Incentive

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.