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TO: City of Ann Arbor Planning Commission

FROM: Ben Carlisle, AICP
Megan Masson-Minock, AICP

DATE: March 30, 2023

RE: Assumptions, Goals, and Options for Downtown Premiums

It was a pleasure meeting with you on February 7th to discuss our research on the history and outcomes of the Downtown Premiums. For reference to that research, please see [here](#).

We are looking forward to meeting with you on April 4, 2023. The purpose of the meeting is for the Planning Commission to agree on assumptions regarding downtown zoning and to narrow the list of goals that will be discussed with stakeholders. Before meeting with stakeholders, we will meet with the Planning Commission again to explore options to advance goals decided upon and determine which stakeholders to engage.

Conclusions from Requested Research

On February 7th, the Planning Commission requested the information listed below:

- Data on built projects in the Downtown by policy change dates (see Appendix)
- Political landscape timeline in relationship to data on built projects in the Downtown (see Appendix)
- Map of eligible property for premiums: outside of historic districts, floodplains (see appendix)
- Comparison of base FAR in peer communities in the summary table of case study cities. Please note that most communities have a base density by dwelling units per acre, which is not comparable to FAR (see appendix)
- Analysis of how many bedrooms realized versus how many dwelling units. Per City staff, bedroom data is still being gathered, so this data is currently unavailable.

At your April 4th meeting, we do not intend to take a deep dive into this data. Rather, it is provided to prepare the Planning Commission to make informed decisions about assumptions and goals.

Benjamin R. Carlisle, *President* Douglas J. Lewan, *Executive Vice President* John L. Enos, *Vice President*
David Scurto, *Principal* Sally M. Elmiger, *Principal* R. Donald Wortman, *Principal*
Paul Montagno, *Principal*, Megan Masson-Minock, *Principal*, Laura Kreps, *Senior Associate*
Richard K. Carlisle, *Past President/Senior Principal*

However, we do have the following high-level observations:

- Less land is eligible for premiums in the D1 and D2 zoning districts than may appear at first glance. While it appears that premiums are available throughout downtown, parcels located in historic districts and floodplains are ineligible.
- More dwelling units were created through premiums projects than non-premium projects.
- Longer approval times (from submission to approval by Planning Commission) may be more related to economic shocks, such as the Great Recession and the pandemic, than changes in policy or City government.

Discussion Questions

We ask that you come to your April 4th meeting prepared to discuss the following questions:

- *Do you agree, in full or in part, with the assumptions listed below?*
- *Which goals regarding downtown zoning are important to you and warrant further exploration?*

Based on your input, the team will next develop potential concepts or amendments that could be pursued to further the goals identified. These concepts will then be presented to the Planning Commission to ensure they represent a breadth of approaches that the Planning Commission will find valuable for stakeholder feedback and evaluation.

Assumptions and Agreements

At your last meeting, we reviewed premium policies and use since 2000, city plans and policies during that same time period, and market data since 2020. Based upon that work, interviews with community stakeholders, and the Planning Commission’s discussion in February, we drafted the assumptions in the table below. To ground future discussions in this process, we feel it is important for the Planning Commission to agree upon these assumptions, prior to prioritizing premium amendments.

#1	A balance of land uses in downtown is important and residential is a core use in downtown.
#2	Developing in downtown is more difficult and more expensive than elsewhere in the City.
#3	Since the last amendments to the premiums in 2019, the affordable housing millage provides dedicated funding source for necessary affordable housing.
#4	A significant number of properties in downtown are ineligible for premiums.
#5	Current downtown residential development is either high-end, low scale residential or student housing. The current market does not support building of attainable missing middle housing downtown.
#6	The current premiums are not being utilized due to a variety of reasons.

Goals

Currently, the premiums have the following goals, paraphrased from Section 5.18.6 (A) of the City's Unified Development Code:

- To provide an incentive for affordable residential housing opportunities
- To reinforce pedestrian activities and achieve a greater mixture of land uses and intensities
- To provide incentives for public spaces and pedestrian amenities
- To provide incentives for energy-efficient and environmentally sustainable buildings
- To encourage public parking in private structures
- To encourage preservation of historic buildings not located in the historic district.

As you look to update the premiums to better implement the City's adopted and established goals, the goals of the premiums should be defined concurrently, if not before, development of policy options. Per our research and listening to the Planning Commission discussion, we have developed, with staff, a list of 18 possible premium goals in the [Goals Decision Matrix](#) in the appendix. Please use the matrix as a resource for further context when looking at the classifications of goals below.

2023 Revised Goals Discussion

For the purposes of discussion at your April 4th meeting, we have classified goals, with the advice of City staff, into the following categories: "Higher Current Priorities" and "Lower Current Priorities." Please come prepared to discuss the importance of these goals and whether you agree with the classifications below:

Higher Priorities

- Increase the number of dwelling units downtown:
 - Affordable housing
 - Accessible housing
 - Missing middle housing
- Increase sustainability downtown:
 - On a building-by-building basis where each building is scored individually
 - In the downtown overall (green building requirements, transit, mixed use buildings, low-impact development)
- Increase energy efficiency downtown:
 - Basis where multiple buildings or groups of buildings are scored collectively
 - In the downtown overall (energy efficiency requirements, transit, mixed use buildings)

Lower Current Priorities

- Pedestrian amenities & activities (amenities, active first floor use)
- Transportation (public & private parking, transit)
- Historic preservation (building-basis or throughout the downtown)
- Access for disadvantaged groups (universal design, diversity of developers, business types)

Policy Approaches

Based on the goals preferred by Planning Commission, the overall framework of the downtown zoning changes would likely fall into one the approaches described in the table on the next page (large menu, small menu, no incentive with increased density):

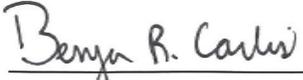
Policy Approach Matrix

Approach	Pros	Cons	Case Studies
<p><i>Large Menu</i></p> <p>3 or more incentives offered</p>	<ul style="list-style-type: none"> • Current approach • Applicable when multiple goals are to be achieved • Usually appeals to a spectrum of local interests • Used by other municipalities 	<ul style="list-style-type: none"> • Current menu has not provided equal results for every goal • Multiple choices can be confusing to developers • More complicated than other options • Opportunity cost of potential building if base FAR was increased 	<ul style="list-style-type: none"> • Pittsburgh, PA Performance Points System • Eugene, OR • Gainesville, FL • West Lafayette, IN
<p><i>Small Menu</i></p> <p>2 or less related incentives offered</p>	<ul style="list-style-type: none"> • Can be crafted to be applicable with a single goal • Easier to implement for both the developer and the municipality • Used by other municipalities, but less often than a large menu 	<ul style="list-style-type: none"> • May not be attractive to developers • May appeal to a limited interest within the community • Opportunity cost of potential building if base FAR was increased 	<ul style="list-style-type: none"> • Madison, WI – Quality of design • East Lansing, MI – stormwater related density bonus in PUD • Columbia, MO – energy efficiency & transit • Austin, TX – mixed use
<p><i>No Incentive & Increased Density</i></p> <p>Allow or require action to achieve a goal or goals</p>	<ul style="list-style-type: none"> • Increases tax base and funds from tax millages • No additional processes to navigate • Could lead to construction of more residential units overall 	<ul style="list-style-type: none"> • Likely would not create more green buildings, increased energy efficiency, historic preservation outside of the historic districts, parking, or pedestrian amenities, etc. 	<p>We do not have specific case study of increased density. However, Boulder, CO removed their incentives for energy efficiency, which they found to be ineffective, and are pursuing energy efficiency requirements.</p>

City of Ann Arbor Review and Analysis of Downtown Zoning Outcomes
March 30, 2023

We look forward to meeting with you next week. Thank you for the opportunity to work with you and the City of Ann Arbor again.

Sincerely,



CARLISLE/WORTMAN ASSOC., INC
Benjamin R. Carlisle, AICP, LEED AP
President



CARLISLE/WORTMAN ASSOC., INC
Megan Masson-Minock, AICP
Principal

Appendix

Goals Decision Matrix

Density Premium Eligibility Map

Summary Table Of Case Study Cities with Base Density

Requested Research Data Charts

Goals Decision Matrix

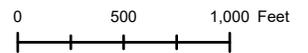
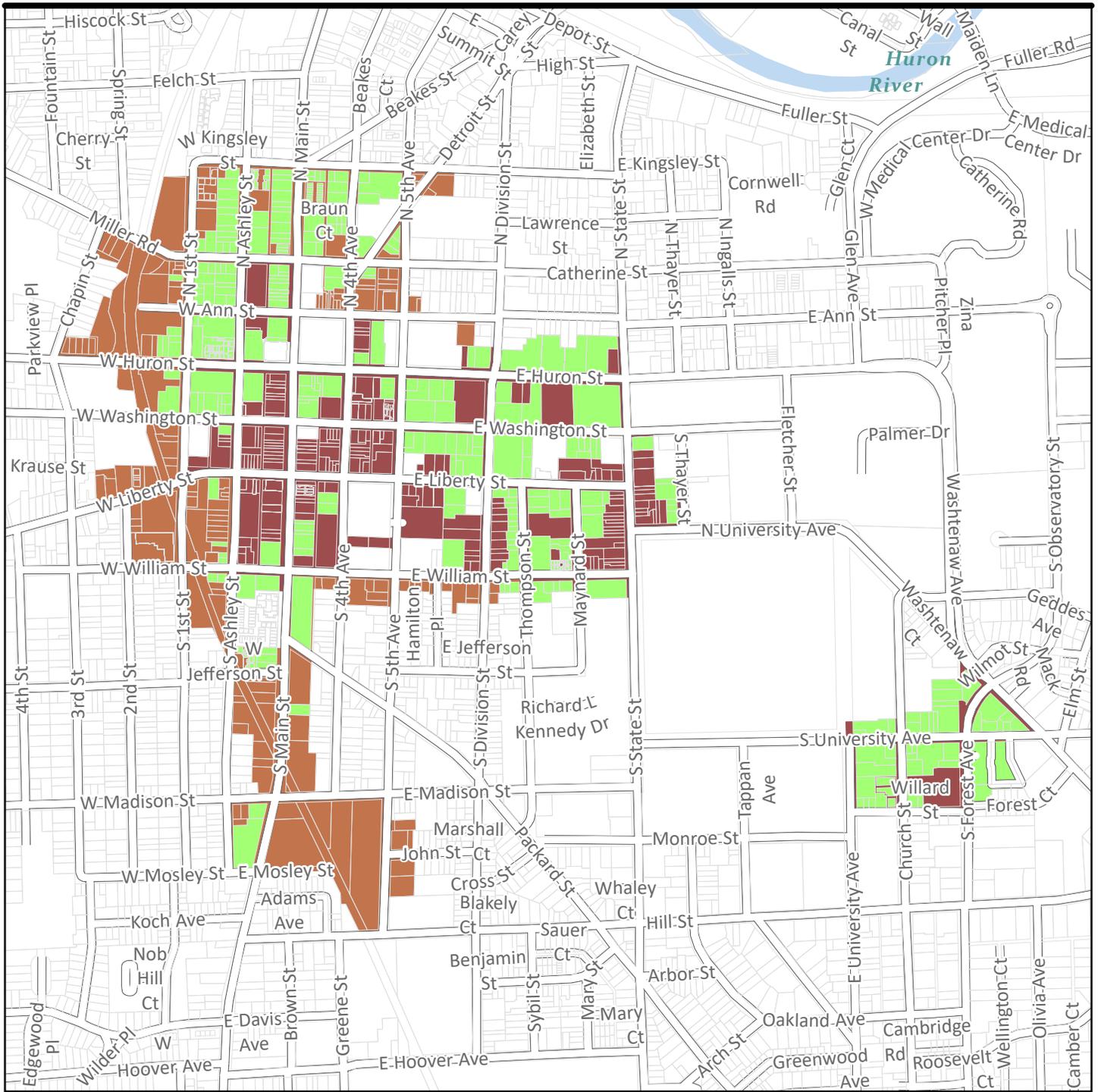
#	Existing/ Proposed	Goal	Policy Options
<i>Housing</i>			
1	Existing	Increase the number of residential units downtown	<ul style="list-style-type: none"> • Increase the base D1 and D2 FAR and height • Allow premiums to be applied in a historic district • Allow premiums to be applied in a floodplain • Remove condition for all premiums of 2 LEED points under Energy & Atmosphere Credit No. 1 • Create a premium for residential development • The square footage of any micro unit should not be counted toward maximum FAR
2	Existing	Increase the number of Affordable Housing units in the Downtown located within market-rate buildings	<ul style="list-style-type: none"> • Increase base FAR and height of D1 and D2 Districts (higher taxable value for affordable housing millage) • Keep premium for on-site affordable units in the downtown • Expedited approval process (Gainesville, FL) • Reduced or waived fees (Gainesville, FL)
3	Proposed	Leverage downtown development to advance affordable housing throughout the city.	<ul style="list-style-type: none"> • Increase the base D1 and D2 FAR and height (higher taxable value for affordable housing millage) • Premium for on-site affordable units/ or payment in-lieu affordable units to be built anywhere in the city
4	Proposed	Provide missing middle housing units	<ul style="list-style-type: none"> • Find alternative premium to incentivize development not provided in the market (i.e., missing middle) • Increase the base D1 and D2 FAR and height • The square footage of any micro unit I should not be counted toward maximum FAR. • Cap the number of bedrooms per unit

5	Proposed	Assist development of majority affordable housing developments (ex: by AAHC) in downtown	<ul style="list-style-type: none"> • Increase base FAR and height of D1 and D2 Districts (higher taxable value for affordable housing millage) • Premium for majority affordable housing developments in the downtown
<i>Pedestrian amenities & activities</i>			
6	Existing	Provide additional pedestrian amenities	<ul style="list-style-type: none"> • Continue current premium • Increase FAR available for the premium • Require additional pedestrian amenities and eliminate premium
7	Proposed	Provide more active first floor uses	<ul style="list-style-type: none"> • Do not count the first floor or a portion of the first floor FAR if active use. • Require first floor active use, on some or all street frontages.
<i>Green building</i>			
8	Existing	Increase the number of “green” buildings in the Downtown	<ul style="list-style-type: none"> • Maintain condition for all premiums of 2 LEED points under Energy & Atmosphere Credit No. 1 • Continue current premium with LEED certification • Amend environmental premium to be easier to implement and interpret than LEED. Asheville, NC uses a Healthy Building certification • Increase the base D1 and D2 F.A.R. and height • Increase premium FAR and height for environmental features • Expedited approval process (Gainesville, FL) • Reduced or waived fees (Gainesville, FL)
9	Proposed	Increase sustainability in the downtown overall	<ul style="list-style-type: none"> • Pursue environmental sustainability requirements (Boulder, CO) • Premiums for transit-oriented development (Grand Rapids, MI) • Premium for mixed use buildings. (Austin, TX; Greenville, SC; Grand Rapids, MI; Eugene, OR) • Incentives for Low-Impact Development (East Lansing, MI)

<i>Energy-efficiency</i>			
10	Existing	Increase energy-efficiency in new downtown buildings	<ul style="list-style-type: none"> • Maintain condition for all premiums of 2 LEED points under Energy & Atmosphere Credit No. 1 • Continue current premium with LEED certification • Replace LEED certification with premiums for electric utilities, geo-thermal, electric heat pumps, solar capture, building sealing
11	Proposed	Increase energy-efficiency in downtown overall	<ul style="list-style-type: none"> • Pursue energy efficiency requirements (Boulder, CO) • Premiums for shared infrastructure that would increase energy-efficiency within the downtown (shared geo-thermal)
<i>Transportation</i>			
12	Existing	Increase public parking	<ul style="list-style-type: none"> • Continue parking premium • In building parking, for public or private use, does not count towards FAR or height
13	Proposed	Increase use of transit in the downtown	<ul style="list-style-type: none"> • Premiums for transit-oriented development (Grand Rapids, MI) • Encourage transit ridership • Promote ride sharing
<i>Historic preservation</i>			
14	Existing	Preserve historic character outside of historic districts in the downtown	<ul style="list-style-type: none"> • Continue premiums • Increase FAR and height for historic preservation premium
15	Proposed	Preserve historic character in the downtown	<ul style="list-style-type: none"> • Place conditions for historic preservation if premiums are allowed in the historic districts
<i>Access for disadvantaged groups</i>			
16	Proposed	Create universally accessible or physically accessible units*	<ul style="list-style-type: none"> • FAR for number of units with universal design • Tax incentive for residences that include design features that facilitate visitability and usability, especially for individuals with disabilities (Pittsburgh, PA)

17	Proposed	Diversify pool of developers building in Downtown*	<ul style="list-style-type: none"> • Explore case studies from other cities that encourage or incentivize diverse developer pool.
18	Proposed	Diversify types of businesses in the downtown*	<ul style="list-style-type: none"> • Small businesses can occupy up to double the square footage if they have a FAR of at least 0.65 (Eugene, OR) • Incentives for local economy diversification (Eugene, OR) • Incentives for family-wage jobs (Eugene, OR) • Incentives for environmentally sensitive businesses (Eugene, OR)

* Requires update to Comprehensive Plan



Parcels

■ Parcels Eligible for Density Premiums

City Zoning Districts

■ D1-Downtown Core

■ D2-Downtown Interface

Density Premium Eligibility

**City of Ann Arbor
Washtenaw County, Michigan**



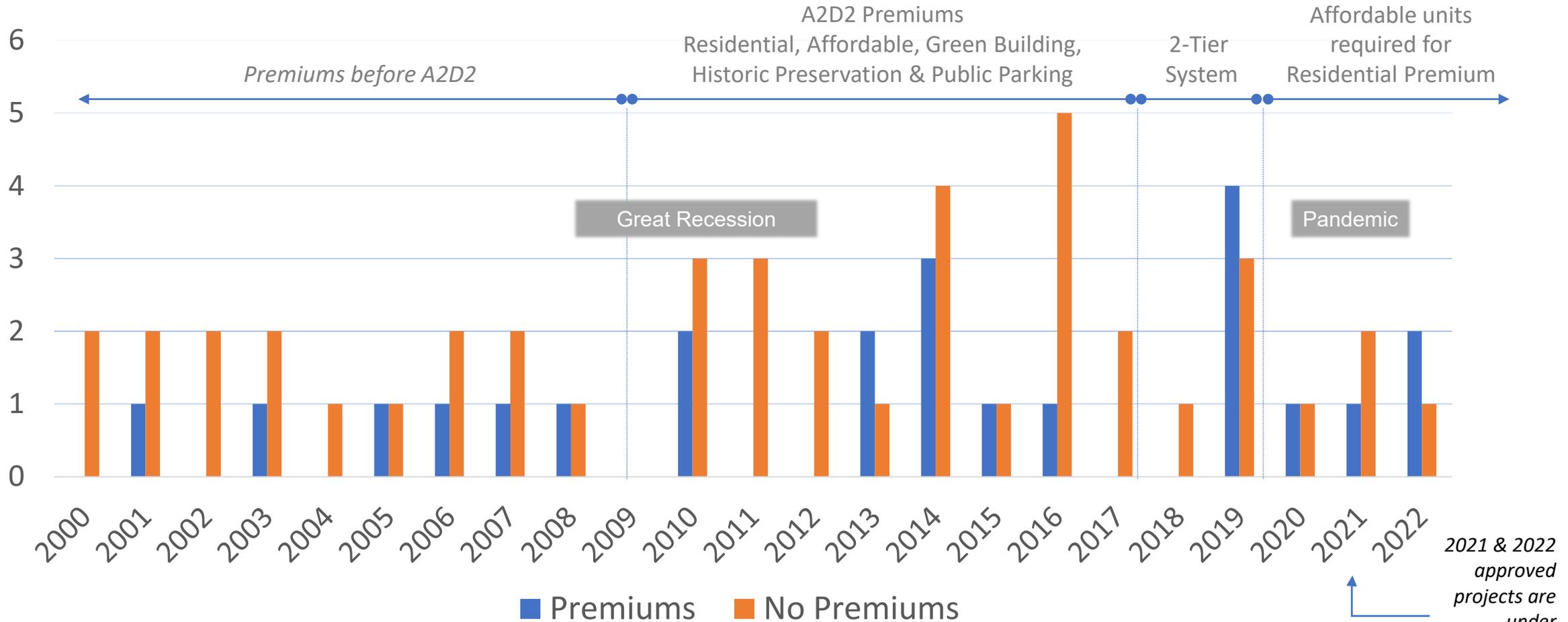
Summary

	Base Density Downtown	Affordable Housing Incentive	Mixed Use Development Incentive	Sustainability/ Green Building Incentive	Public Transit/ Reduced Driving Incentive	Adaptive Reuse Incentive
Ames, IA	38.56 units/acre					
Asheville, NC	35 units/ acre, 70 units/acre if 20% affordable	X		Environmentally friendly design (vague)		X
Concord, NH	12 units/acre, 14 units/acre if for elderly					X
Bloomington, IN	30 units/acre	X		On-site stormwater management; light colored hardscaping; covered parking; solar energy, cool, or green roof; building efficiency; LEED cert		
Boulder, CO	27 units/acre					
Burlington, VT	40 units/acre, 92 units/acre if converting from nonresidential use within the overlay zone					X
Grand Rapids, MI	15 units/acre		X		X	
East Lansing, MI	10 units/acre, 21 units/acre if group		X			X

	Base Density Downtown	Affordable Housing Incentive	Mixed Use Development Incentive	Sustainability/ Green Building Incentive	Public Transit/ Reduced Driving Incentive	Adaptive Reuse Incentive
	housing or extended care					
Eugene, OR	10 units per/acre to high density overlay zone	X	X			X
Gainesville, FL	150 units/acre, 175 units/acre if density bonus from	X		Tree preservation		
Madison, WI	N/A				X	
Columbia, MO	N/A			Solar orientation to increase solar gain	X	
Pittsburgh, PA	N/A	X		High performing new constructions (international energy conservation code); on-site energy generation; 50% native plants; building reuse; solar panel shading	X	X
Durham, NC	60 units/acre, 75 with affordable housing bonus					
Austin, TX	54 units/acre, more in highest	X	X			

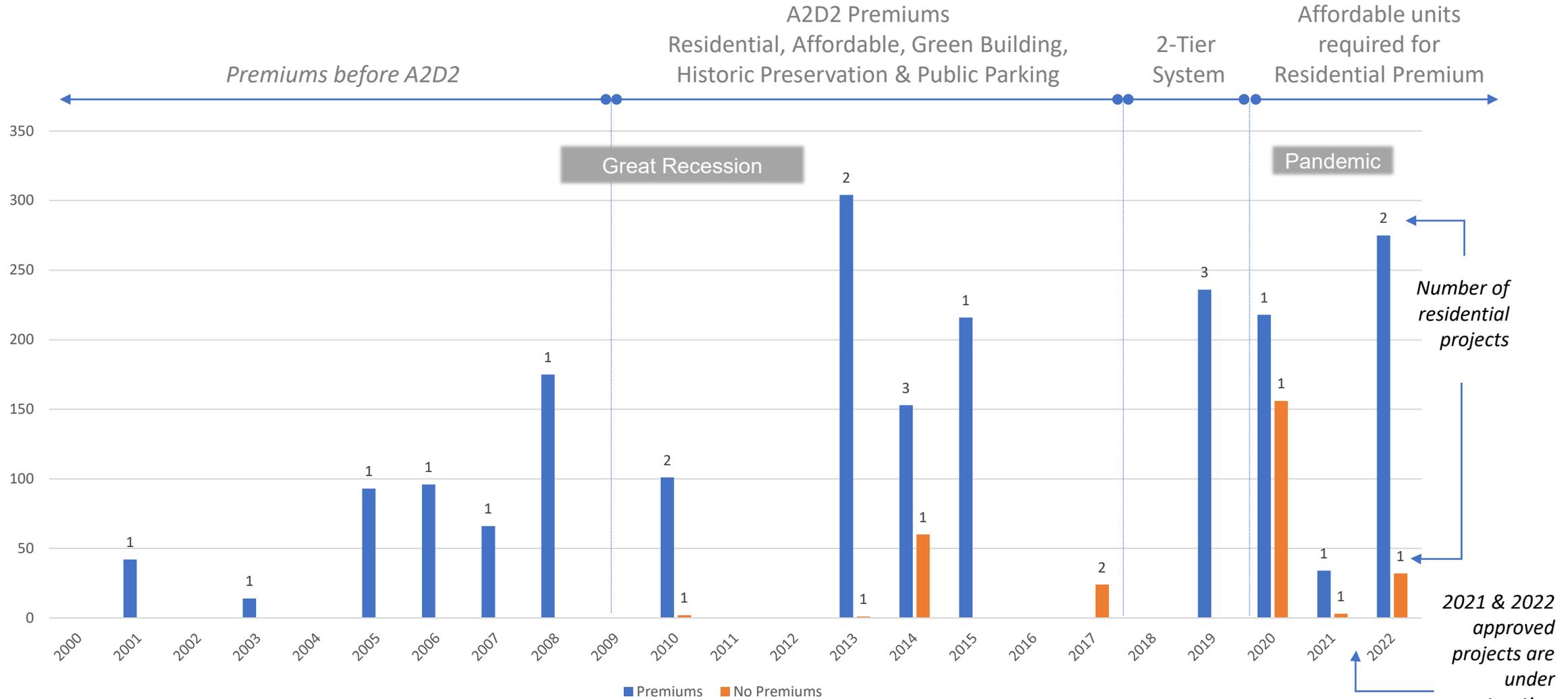
	Base Density Downtown	Affordable Housing Incentive	Mixed Use Development Incentive	Sustainability/ Green Building Incentive	Public Transit/ Reduced Driving Incentive	Adaptive Reuse Incentive
	density but max not given					
West Lafayette, IN	16-63 units/acre for MF, density bonus point system			LEED cert; EV charging	X	
Greenville, SC	20 units/acre	X	X			
Waterloo, Ontario	182 - 303 <i>bedrooms/acre</i>					

Constructed Ann Arbor Downtown Projects by CPC Approval Date: With and Without Premiums

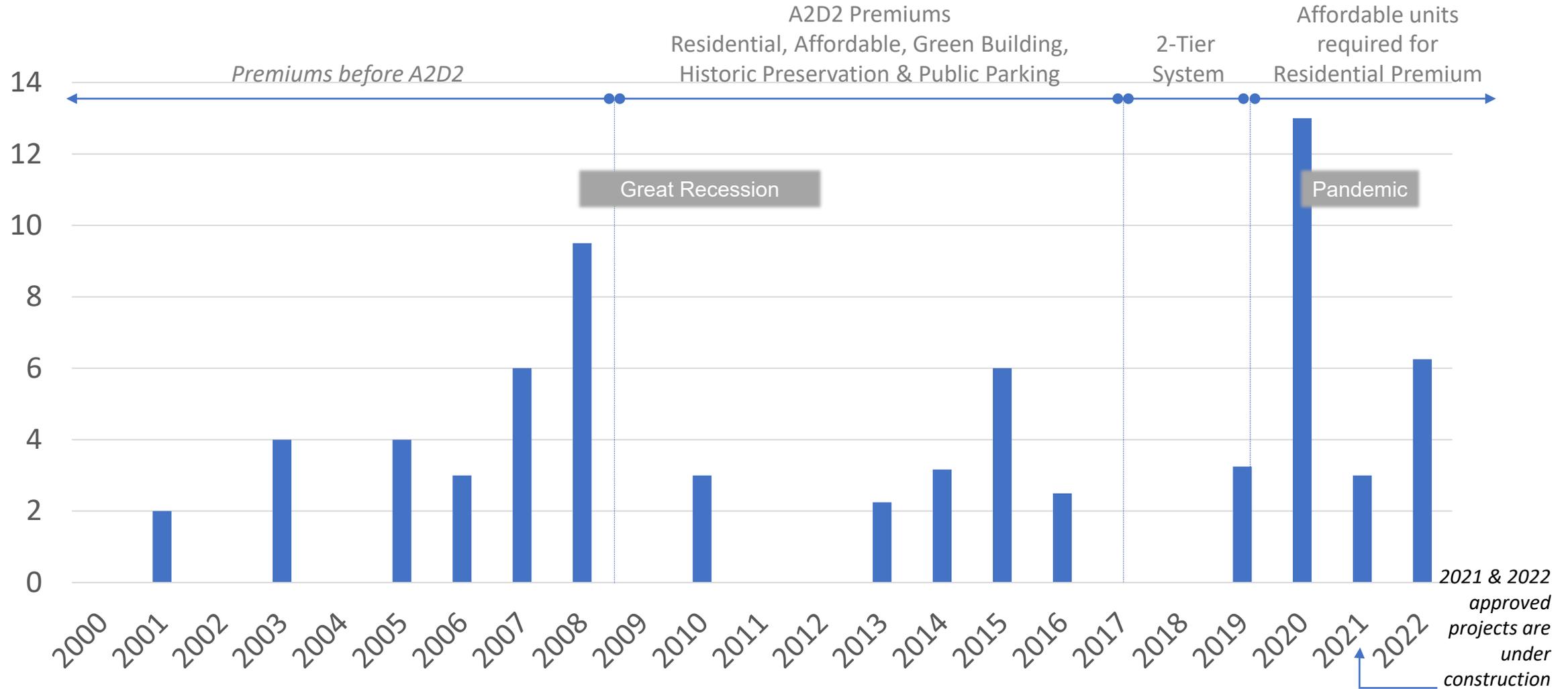


2021 & 2022 approved projects are under construction

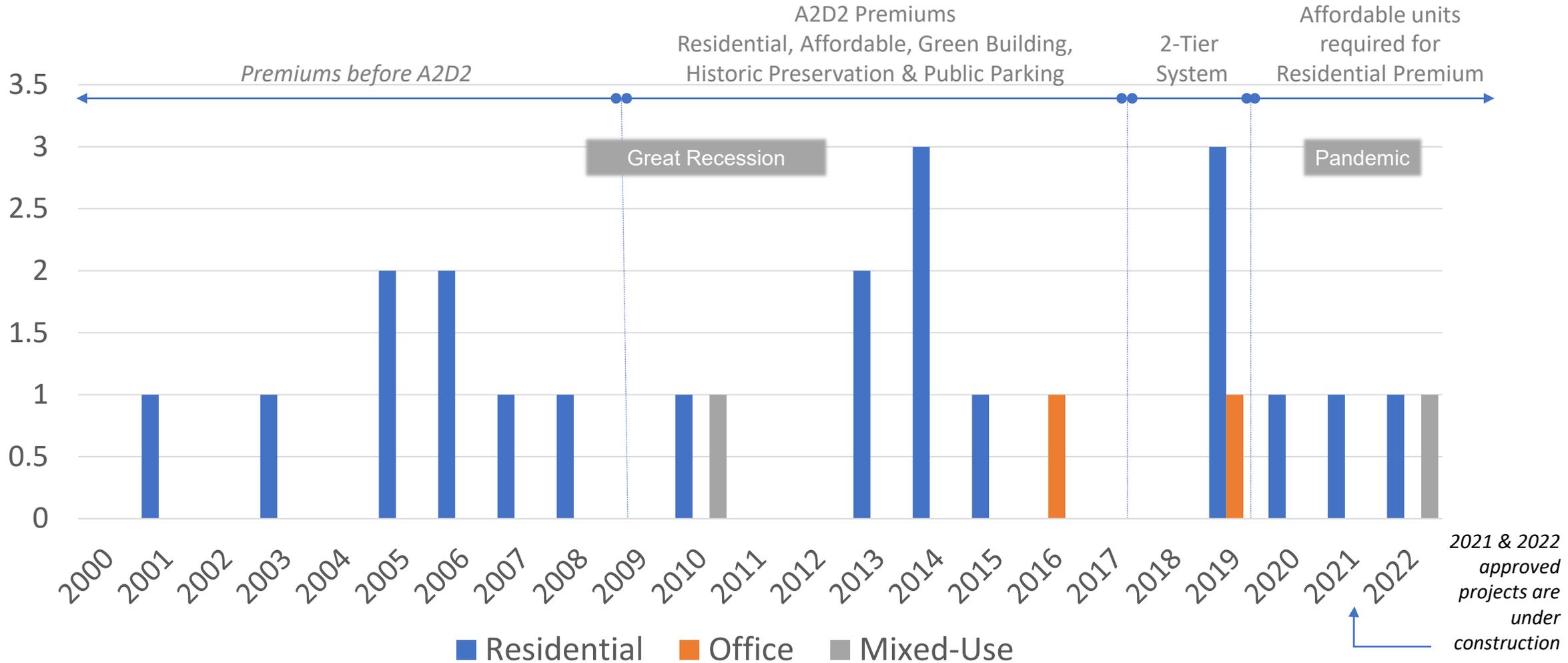
Dwelling units in Constructed Ann Arbor Downtown Projects by CPC Approval Date: With Premiums



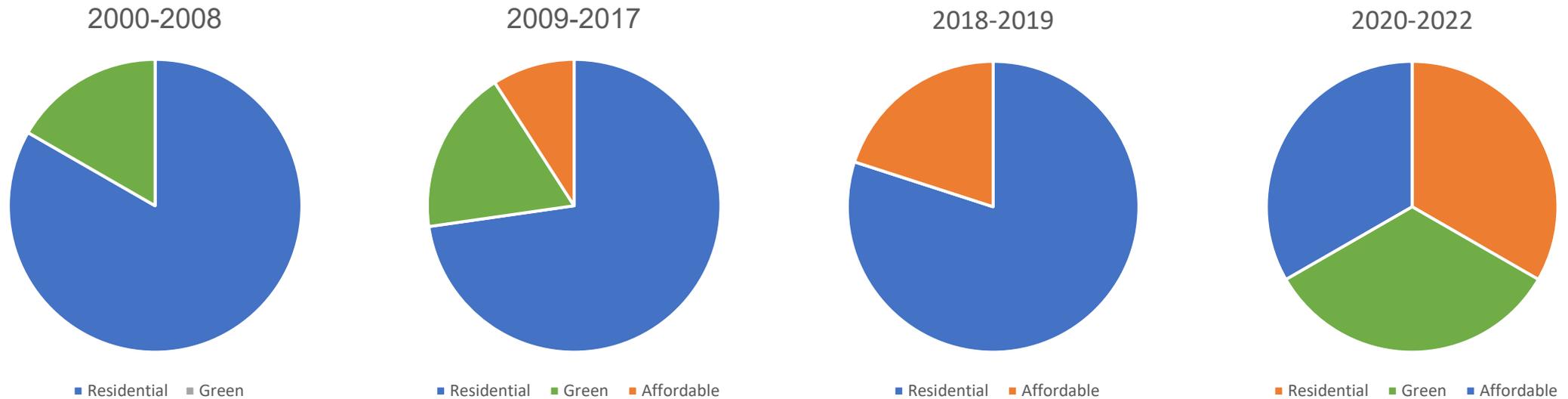
Constructed Ann Arbor Downtown Projects by CPC Approval Date: Average Approval Time (months) for Projects using Premiums



Constructed Ann Arbor Downtown Projects by CPC approval date: Project Types Approved with Premiums



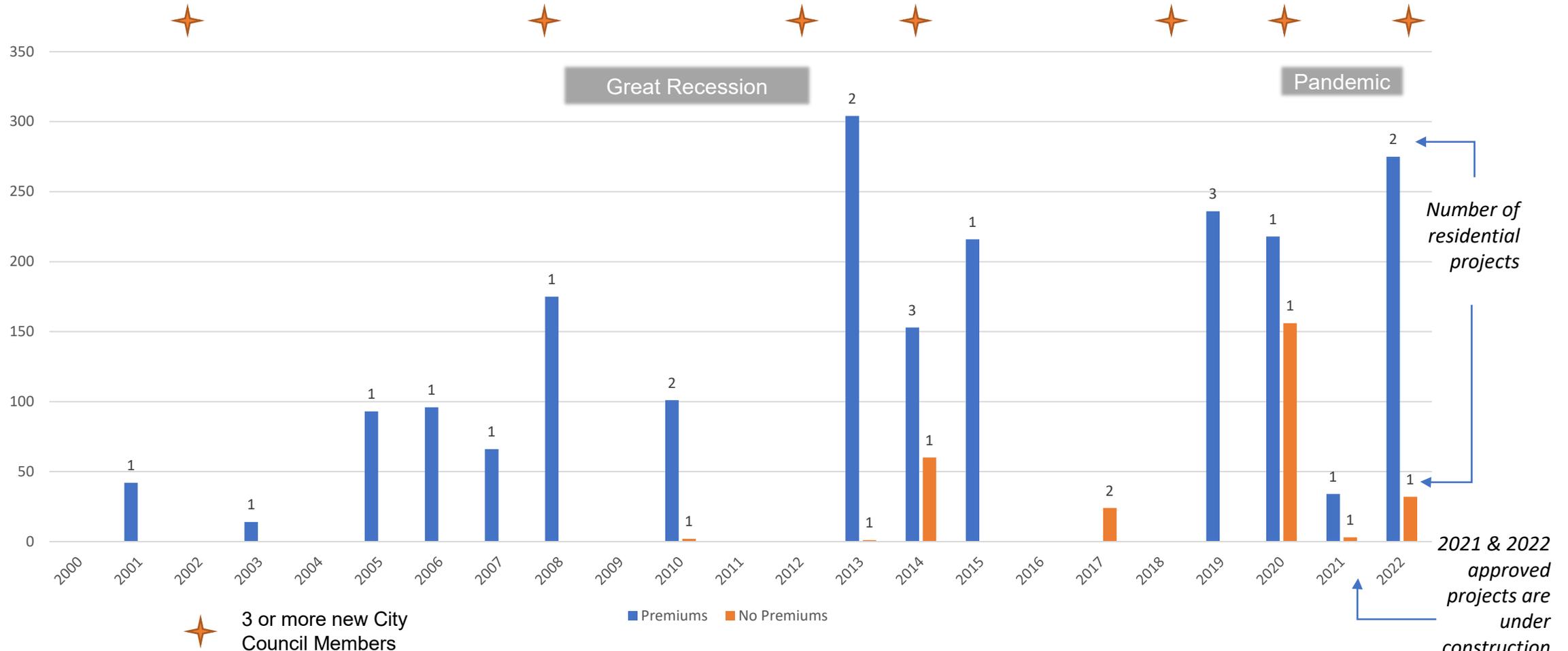
Constructed Ann Arbor Downtown Projects by CPC Approval Date in Policy Change Windows: Type of Premium Used by Proportion of number of projects



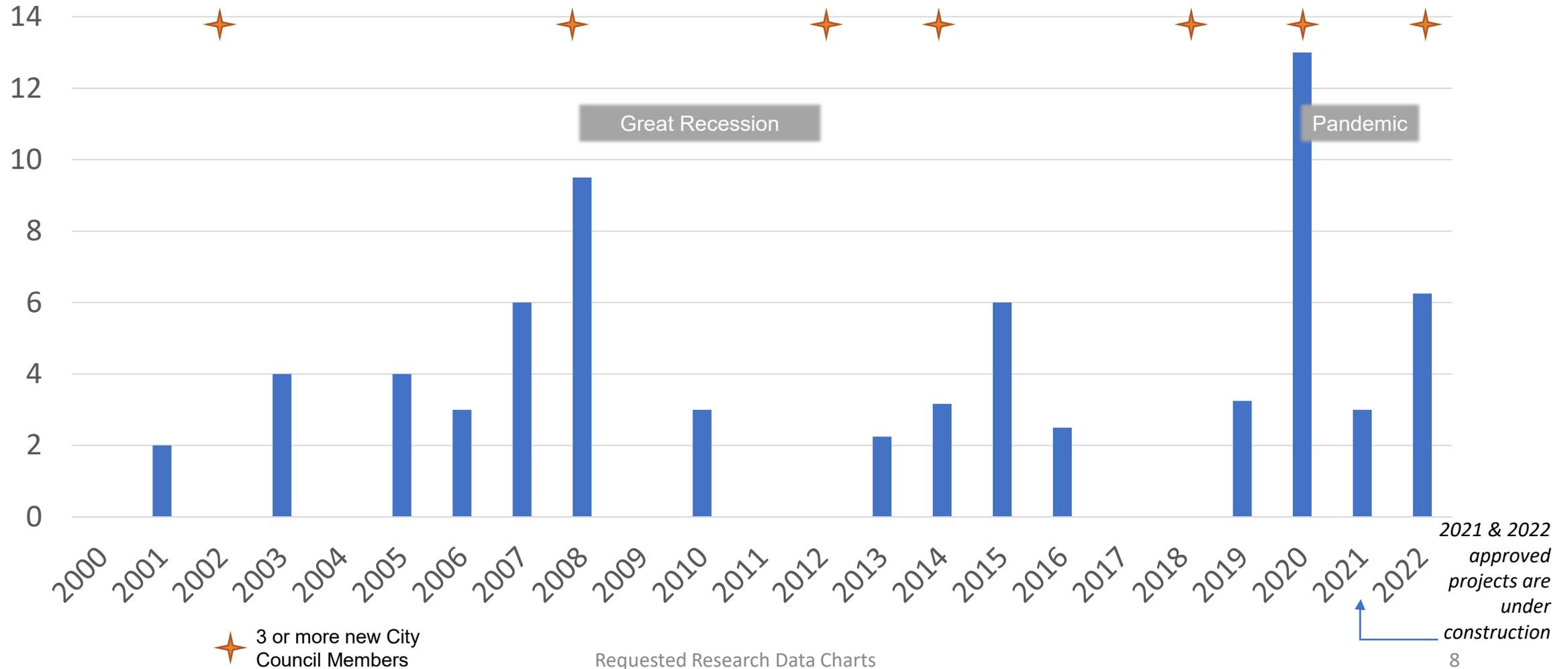
Constructed Ann Arbor Downtown Projects by CPC Approval Date: With and Without Premiums



Dwelling units in Constructed Ann Arbor Downtown Projects by CPC Approval Date: With Premiums



Constructed Ann Arbor Downtown Projects by CPC Approval Date: Average Approval Time (months) for Projects using Premiums



Constructed Ann Arbor Downtown Projects by CPC approval date: Project Types Approved with Premiums

