



TO: Housing and Human Services Advisory Board

FROM: Office of Community and Economic Development
Teresa Gillotti, Director

DATE: July 11, 2019

RE: Draft recommendations to City of Ann Arbor Zoning Policy: Planned Unit Development and definition of Affordable Housing for Lower Income Households

Background: The City of Ann Arbor Zoning ordinance provides some incentive-based zoning to encourage the development of affordable housing and/or payment of a fee-in-lieu of development of affordable housing. The Planning Department is leading a review of the Downtown Premium Zoning incentives, to see how those could further encourage the development of more affordable housing in those particular downtown districts. Meanwhile, the HHSAB is reviewing some of the definitions used in relation to Planned Unit Development, in particular the definition of Lower Income Household.

Planned Unit Development Zoning.

The purpose of Planned Unit Development zoning is written into the City of Ann Arbor ordinance, Section 5.13.9 (formatting and emphasis added by staff):

The purpose of this district is to permit flexibility in the regulation of land Development;

- *to encourage innovation in land use and variety in design, layout and type of Structures constructed;*
- *to achieve economy and efficiency in the use of land, natural resources, energy and the provision of public services and utilities; to encourage provision of Open Space³⁹ and protection of Natural Features;*
- *to provide adequate housing, employment and shopping opportunities particularly suited to the needs of the residents of the City;*
- **to expand the supply of Affordable Housing for Lower Income Households** *and to encourage the use, reuse and improvement of existing Sites and Buildings that will be developed in a compatible way with surrounding uses but where the uniform regulations contained in other zoning districts do not provide adequate protections and safeguards for the Site or surrounding area.*

The district is intended to accommodate developments with one or more land uses, Sites with unusual topography or unique settings within the community or Sites that exhibit difficult or costly Development problems or any combination of these factors.

This zoning district shall not be allowed where it is sought primarily to avoid the imposition of standards and requirements of other zoning classifications or other City regulations rather than to achieve the stated purposes above.

Central to the Planned Unit Development District, is a requirement that Affordable Housing for Lower Income Households be provided. This requirement is described in Section 5.29.10 F 5



5. If the proposed district allows residential uses, the residential density proposed shall be consistent with the residential density recommendation of the master plan, or the underlying zoning when the master plan does not contain a residential density recommendation, unless additional density has been proposed in order to provide Affordable Housing for Lower Income Households in the following manner:

a. Proposed PUD projects exceeding the residential density recommendation of the master plan, or the underlying zoning when the master plan does not contain a residential density recommendation, by up to 25% shall provide 10% of the total Dwelling Units as Affordable Housing for Lower Income Households. Proposed PUD projects exceeding the residential density recommendation of the master plan, or the underlying zoning when the master plan does not contain a residential density recommendation, by over 25% shall provide 15% of the total Dwelling Units as Affordable Housing for Lower Income Households.

b. Affordable Housing for Lower Income Households shall be provided by the Development of units on-site, or payment of an affordable housing contribution in lieu of units consistent with the formula adopted by annual resolution of City Council, or by a combination of affordable housing Development and contributions.

c. When the affordable housing requirement results in a fractional unit, the fractional unit shall be converted to an affordable housing contribution in lieu of units, using the following formula: the fraction shall be multiplied by the per-unit PUD affordable housing contribution as determined by the formula adopted annually by City Council.

d. The Planning Commission shall recommend approval, approval with conditions, or denial, and City Council, in its sole discretion, may approve or deny payment of an affordable housing contribution in lieu of units.

e. Provisions to implement the affordable housing proposal shall be included in the PUD Supplemental Regulations or the Development Agreement, or both, as determined by the City.

As noted above, the interest is not in changing any of these standards, but in reviewing and modifying some of the definition of Lower Income Household, as described and codified in Article VIII Definitions 5.3.2 Specific Terms (emphasis added by Staff)

Affordable Housing for Lower Income Households

Housing units for households or individuals with income levels (including low and very low income levels) that are **less than 80%** of City median income as defined by the United States Department of Housing and Urban Development where the occupant is **paying no more than 30% of gross income for housing costs, including taxes and utilities**

Of interest in the definition are both the income level (80% of the Area Median Income) as well as the calculation for the amount of rent to be paid.

Income Level:

The Current level of 80% Area Median Income is in line with many federal funded programs such as HOME investment Partnership, Community Development Block Grant and Low-Income Housing Tax



Credits. However, other Ann Arbor policies have preferred a lower income goal for affordable housing. Both the 2015 Housing Affordability and Economic Equity Analysis (adopted by Ann Arbor City Council in 2015) and the Affordable Housing Fund Policy have a limit of 60% of the Area Median Income. The DDA Affordable housing Fund lists a target of 50% of the Area Median Income.

To better align the zoning ordinance with other City policy, staff suggests the HHSAB recommend the following change:

Housing units for households or individuals with income levels (including low and very low income levels) that are less than ~~80%~~ 60% of ~~City-Area~~ median income as defined by the United States Department of Housing and Urban Development ...

As a reminder, the following table includes the Area Median Income by household size, noting the various levels of policy and financing as well.

AREA MEDIAN INCOME

	1 Person	2 Person	3 Person	4 Person	5 Person
30% Supportive Housing, Special Needs, Homeless Voucher	\$21,250	\$24,300	\$27,350	\$30,350	\$32,800
50% Housing Choice Voucher, DDA housing funds	\$35,450	\$40,500	\$45,550	\$50,600	\$54,650
60% City PILOT, AAHF	\$39,060	\$44,640	\$50,220	\$55,740	\$60,240
80% LIHTC, HOME, CDBG, City Zoning, Public Housing	\$52,850	\$60,400	\$67,950	\$75,500	\$81,550
100%	\$70,900	\$81,800	\$91,100	\$101,200	\$109,300
120%	\$85,000	\$97,200	\$109,400	\$121,400	\$131,200

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

State of MI Median \$67,300

Second, is the discussion around the rate of rent. As with all committed affordable units, restrictions are needed for both incomes and rent. For example, if rent is restricted on its own, households of various incomes would be interested in lower rent just as a great value. To meet the needs of lower income households, it's important that properties with rents that have a lower rent restriction, or reserved for households with lower-incomes. Otherwise, there would be even fewer options for those households.

As written, rent is set to fluctuate based on the tenants' income. While theoretically this makes sense, it is much more challenging for managing the property and having an expectation of rents for cash flow purposes. Staff reviewed both the HUD Fair Market Rents and the MSHDA Income/Rents,



as both are published annually. Staff is recommending using Fair Market Rents to ensure that households with a voucher will be able to rent the units developed through incentive zoning. As currently, MSHDA's rents by unit size are exceeding 110% of the Fair Market Rents (the maximum amount a voucher can pay).

The recommended text change would be:

Housing units for households or individuals with income levels (including low and very low income levels) that are less than ~~80%~~ 60% of ~~City-Area~~ median income as defined by the United States Department of Housing and Urban Development where the occupant is paying no more than ~~30% of gross income~~ the annually published Fair Market Rents based on unit size -for housing costs, including taxes and utilities

Proposed HHSAB resolution:

The HHSAB requests that the Planning Commission review the HHSAB recommended changes to the zoning ordinance definition around Affordable Housing for Lower Income Populations. The changes would put the definition more in line with other City policy around Affordable housing income thresholds and also provide clarity on corresponding rents.

2019 WORKING DOCUMENT
INCOME LIMITS & AFFORDABLE HOUSING LIMITS (as published by HUD)

2019 HUD Income Limits- Washtenaw County (as published by Office of Policy Development and Research (PD&R))

Household Size	1	2	3	4	5	6	7	8
120% Median	\$85,000	\$97,200	\$109,400	\$121,400	\$131,200	\$141,000	\$156,040	\$173,720
Median income	\$70,900	\$81,000	\$91,100	\$101,200	\$109,300	\$117,400	\$125,500	\$133,600
85% AMI (Covenant Units Only)	\$60,265	\$68,850	\$77,435	\$86,020	\$92,905	\$99,790	\$106,675	\$113,560
Low income (80% / 75%)	\$52,850	\$60,400	\$67,950	\$75,500	\$81,550	\$87,600	\$93,650	\$99,700
Low income (60%)	\$42,500	\$48,600	\$54,700	\$60,700	\$65,600	\$70,500	\$78,020	\$86,860
Very low income (50%)	\$35,450	\$40,500	\$45,550	\$50,600	\$54,650	\$58,700	\$62,750	\$66,800
Extremely low income (30%)	\$21,250	\$24,300	\$27,350	\$30,350	\$32,800	\$35,250	\$39,010	\$43,430

Effective 4.24.19 for all programs except HOME. Note: the 80% AMI level may not exceed the U.S. Median level. Consequently, our median income is actually 78% of median income. Data Location <https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn>

2019 HUD Maximum Housing Expense Levels by Household Size (30% of gross monthly income)

Household Size	1	2	3	4	5	6	7	8
120% Median Income	\$2,125	\$2,430	\$2,735	\$3,035	\$3,280	\$3,525	\$3,901	\$4,343
Median income	\$1,773	\$2,025	\$2,278	\$2,530	\$2,733	\$2,935	\$3,138	\$3,340
Low income (80% / 78%)	\$1,321	\$1,510	\$1,699	\$1,888	\$2,039	\$2,190	\$2,341	\$2,493
Low income (60%)	\$1,063	\$1,215	\$1,368	\$1,518	\$1,640	\$1,763	\$1,951	\$2,172
Very low income (50%)	\$886	\$1,013	\$1,139	\$1,265	\$1,366	\$1,468	\$1,569	\$1,670
Extremely low income (30%)	\$531	\$608	\$684	\$759	\$820	\$881	\$975	\$1,086

Effective 4.24.19 Note: For Rental -Includes utilities (except telephone). For Homeownership -Includes taxes, utilities, condo fees, & insurance.

2019 Fair Market Rents (as published by Office of Policy Development and Research (PD&R))

SRO	\$675	Fair Market Rents (FMRs) are primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents, and to serve as a rent ceiling in the HOME rental assistance program are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service
Efficiency	\$900	
1 bedroom	\$929	
2 bedroom	\$1,140	
3 bedroom	\$1,499	
4 bedroom	\$1,843	

Effective 4.15.19 Data Location: <http://www.huduser.org/portal/datasets/fmr.html>

2018 HOME Program Income Limits (Washtenaw County)

Household Size	1	2	3	4	5	6	7	8
120% Median	\$78,000	\$89,200	\$100,400	\$111,400	\$120,400	\$129,400	\$138,200	\$147,200
Median income	\$65,100	\$74,400	\$83,700	\$92,900	\$100,400	\$107,800	\$115,200	\$122,700
85% AMI (Covenant Units Only)	\$55,335	\$63,240	\$71,145	\$78,965	\$85,340	\$91,630	\$97,920	\$104,295
Low income (80% / 78%)	\$50,350	\$57,550	\$64,750	\$71,900	\$77,700	\$83,450	\$89,200	\$94,950
Low income (60%)	\$39,060	\$44,640	\$50,220	\$55,740	\$60,240	\$64,680	\$69,120	\$73,620
Very low income (50%)	\$32,550	\$37,200	\$41,850	\$46,450	\$50,200	\$53,900	\$57,600	\$61,350
Extremely low income (30%)	\$19,500	\$22,300	\$25,100	\$27,850	\$30,100	\$32,350	\$34,550	\$36,800

Effective 6.1.18 or all HOME programs. Note: the 80% median income level may not exceed the U.S. median income level, consequently our median income it is actually 78% of median.

Data Location: <https://www.hudexchange.info/programs/home/home-income-limits/>

2018 HOME Program Maximum Housing Expense Levels by Household

Household Size	1	2	3	4	5	6	7	8
120% Median Income	\$1,950	\$2,230	\$2,510	\$2,785	\$3,010	\$3,235	\$3,455	\$3,680
Median income	\$1,628	\$1,860	\$2,093	\$2,323	\$2,510	\$2,695	\$2,880	\$3,068
Low income (80% / 78%)	\$1,259	\$1,439	\$1,619	\$1,798	\$1,943	\$2,086	\$2,230	\$2,374
Low income (60%)	\$977	\$1,116	\$1,256	\$1,394	\$1,506	\$1,617	\$1,728	\$1,841
Very low income (50%)	\$814	\$930	\$1,046	\$1,161	\$1,255	\$1,348	\$1,440	\$1,534
Extremely low income (30%)	\$488	\$558	\$628	\$696	\$753	\$809	\$864	\$920

Effective 6.1.18 for all HOME. For Rental -Includes utilities (except telephone). For Homeownership -Includes taxes, utilities, condo fees, & insurance.

2018 HOME Program LOW and HIGH Rent Rates

	LOW	HIGH	50% Rent Limit	65% Rent Limit
SRO*	\$610	\$656	\$610	\$815
Efficiency	\$813	\$875	\$813	\$1,086
1 bedroom	\$871	\$905	\$871	\$1,165
2 bedroom	\$1,046	\$1,103	\$1,046	\$1,399
3 bedroom	\$1,208	\$1,485	\$1,208	\$1,609
4 bedroom	\$1,347	\$1,775	\$1,347	\$1,775
5 bedroom	\$1,486	\$1,940	\$1,486	\$1,940
6 bedroom	\$1,625	\$2,104	\$1,625	\$2,104

Effective 6.1.18. HOME-assisted unit's rent and utilities cannot exceed the HIGH rent rate. A project with 5 or more HOME-assisted units must rent 20% of the units at the LOW rent rate or below families with incomes at 50% AMI or below. *SRO= 75% of Efficiency. Data Location: <https://www.hudexchange.info/programs/home/home-rent-limits/>

FY 2019 Homeownership Purchase Price Limits (homeowner only)

	1 Unit	2 Unit	3 Unit	4 Unit	Median Value*
Maximum (Existing)	\$228,000	\$292,000	\$353,000	\$438,000	\$239,900
Maximum (New)	\$229,000	\$293,000	\$355,000	\$440,000	\$240,973

Effective 4.15.19. OCED procedures adhere the established purchase price limits. Data Location: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>

2018 Maximum Per-Unit Subsidy 221(d)3 (rental and homeowner)

	0-bdrm	1-bdrm	2-bdrm	3-bdrm	4-bdrm
Maximum	165,459	189,675	230,645	298,382	327,529
No-elevator	157,226	181,286	218,365	279,860	311,777

Effective 6.4.18. Data Location: <https://www.onecpd.info/resource/2315/home-per-unit-subsidy/>

04/24/2019 INCOME AND RENT LIMITS

County: 81 Washtenaw

Income	Effective Date: 4/24/2019				
	1 Person	2 Person	3 Person	4 Person	5 Person
20%	14,180	16,200	18,220	20,240	21,860
25%	17,725	20,250	22,775	25,300	27,325
30%	21,270	24,300	27,330	30,360	32,790
35%	24,815	28,350	31,885	35,420	38,255
40%	28,360	32,400	36,440	40,480	43,720
45%	31,905	36,450	40,995	45,540	49,185
50%	35,450	40,500	45,550	50,600	54,650
55%	38,995	44,550	50,105	55,660	60,115
60%	42,540	48,600	54,660	60,720	65,580
80%	56,720	64,800	72,880	80,960	87,440
100%	70,900	81,000	91,100	101,200	109,300
120%	85,080	97,200	109,320	121,440	131,160
125%	88,625	101,250	113,875	126,500	136,625
140%	99,260	113,400	127,540	141,680	153,020
150%	106,350	121,500	136,650	151,800	163,950

Rent By Person	Effective Date: 4/24/2019				
	1 Person	2 Person	3 Person	4 Person	5 Person
20%	354	405	455	506	546
25%	443	506	569	632	683
30%	531	607	683	759	819
35%	620	708	797	885	956
40%	709	810	911	1,012	1,093
45%	797	911	1,024	1,138	1,229
50%	886	1,012	1,138	1,265	1,366
55%	974	1,113	1,252	1,391	1,502
60%	1,063	1,215	1,366	1,518	1,639
80%	1,418	1,620	1,822	2,024	2,186
100%	1,772	2,025	2,277	2,530	2,732
120%	2,127	2,430	2,733	3,036	3,279
125%	2,215	2,531	2,846	3,162	3,415
140%	2,481	2,835	3,188	3,542	3,825
150%	2,658	3,037	3,416	3,795	4,098

Rent By Bedroom	Effective Date: 4/24/2019				
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
20%	354	379	455	526	587
25%	443	474	569	657	733
30%	531	569	683	789	880
35%	620	664	797	920	1,027
40%	709	759	911	1,052	1,174
45%	797	854	1,024	1,184	1,320
50%	886	949	1,138	1,315	1,467
55%	974	1,044	1,252	1,447	1,614
60%	1,063	1,139	1,366	1,578	1,761
80%	1,418	1,519	1,822	2,105	2,348
100%	1,772	1,898	2,277	2,631	2,935
120%	2,127	2,278	2,733	3,157	3,522
125%	2,215	2,373	2,846	3,289	3,668
140%	2,481	2,658	3,188	3,683	4,109
150%	2,658	2,848	3,416	3,946	4,402