

MEMORANDUM

TO: City Council

FROM: Planning Staff

DATE: June 9, 2016

SUBJECT: June 13, 2016 Working Session Discussion on Downtown Zoning Premium Evaluation and Proposed Amendments

Proposed amendments to the Zoning Ordinance premium options have been prepared and are being considered by the Planning Commission as requested by Council in their resolution [R-14-025](#). That resolution asked Planning Commission to review certain aspects of the downtown zoning and provide recommendations for any necessary amendments. Included in the assignment was a request to reduce the residential use premium with the goal of encouraging the use of other existing or proposed premiums to compensate for any reductions, such as increased energy efficiency certifications, open space with landscape, active ground floor use, balconies and workforce housing, and to eliminate the affordable housing “super premium.”

The Planning Commission has been working with ENP & Associates to assist in evaluating the premium options, engage the public to determine community goals, and prepare draft ordinance language to align the premium program with the community goals. After more than a year of work, Planning Commission held a public hearing on April 19, 2016 on [proposed amendments](#) to several sections of the Zoning Ordinance. It is now appropriate for the City Council, some of whom have changed since R-14-025 was passed, to jointly discuss the whether the proposed incentives align with Council strategies and priorities and if the Council agrees with the two-tiered approach with the Planning Commission prior to their action on the draft ordinance language.

Premium Basics

The Zoning Ordinance offers premium floor area, or additional square footage beyond the normal maximum allowed in the D1 (Downtown Core) and D2 (Downtown Interface) when certain uses or features are provided. Premiums for residential use, affordable housing, green building, historic preservation, pedestrian amenity, and public parking premiums are currently offered.

Premiums are used by many communities as an incentive to encourage uses and features the real estate market is not generally providing. Since both the real estate market and a community’s goals and priorities change over time, it is appropriate to periodically review the incentives offered.

Evaluation Process and Results

From the beginning, engaging citizens and downtown stakeholders was a priority. ENP prepared an [educational packet](#) outlining the evaluation process and providing background on how premiums are used in Ann Arbor. Public engagement included working sessions with several boards and commissions, focus groups, community drop-in sessions, interviews, a community-wide survey through Ann Arbor Open City Hall, and a community meeting. The Planning Commission devoted four working sessions to discussions related to premiums and their Ordinance Revisions Committee did the same at three additional meetings.

The suggested zoning ordinance amendments build upon the [prioritization feedback](#) and survey [results](#) from the public engagement process and a Planning Commission [policy choice exercise](#). The proposed approach balances the stated city goals of a sustainable downtown and increased density in areas with existing utilities and transportation networks with the community desire to strengthen the premium requirements to incentivize unmet needs of environmental sustainability, energy efficiency and workforce housing.

Preferences for changes to the current premium options were wide ranging, but the general consensus was to increase the minimum threshold to achieve a premium bonus and to reduce the variety of incentives to only those highest priorities, which were environmental sustainability, energy efficiency and affordable housing. Promoting excellent design was also identified as a goal, but was felt to be equally applicable to normal FAR and premium FAR developments.

Proposed Amendments

- Premium Prerequisites – The general requirements in order to participate in the incentive program have been changed to stronger energy performance standards and now require a pedestrian amenity to be included. (Section 5:65(1))
- Two Tiered Incentive Approach – A two tiered approach has been introduced. Tier 1 may acquire a 150% FAR bonus in the D1 district and a 100% FAR bonus in the D2 district. Tier 2 may acquire a 300% FAR bonus in the D1 district and a 200% FAR in the D2 district. Section 5:65(2)
 - Tier 1 options include residential use and energy efficiency premiums.
 - Tier 2 options include workforce housing (affordable to households earning 50 to 80% AMI), LEED certification, or meeting the 2030 Challenge by the American Institute of Architects.
- Building Design Requirements – Basic design requirements, focused on the first floor, are added to the downtown on primary and secondary streets. These are applicable to all proposed site plans regardless of whether or not premiums are used. (Section 5:10.20)

- Planned Project Modifications – An additional justification for planned project modifications are introduced when strict conformance to the building design requirements cannot be achieved. (Section 5:68 and 5:70)

It must be noted that the version of proposed amendments considered by the Planning Commission at their April 19, 2016 meeting included significant changes to the off-street parking requirements when using premiums (Section 5:169(1)). Due to the complexity of relationship between off-street parking requirements and their impacts on downtown vitality, affordable housing, and transportation, those amendments have been removed from consideration at this time and will be reintroduced as a separate work program effort.

Summary

In conclusion, we are seeking City Council input on two fundamental questions:

- a. Do the highest priority incentives, workforce housing and energy efficiency, align with City Council strategies and priorities?
- b. Does the City Council agree with the two-tiered approach?

Members of the Planning Commission, specifically those on the Ordinance Revision Committee, will be able to provide additional background throughout the discussion and will assist staff in answering City Council questions.

Website Link: www.a2gov.org/premiums

Attached: June 8, 2016 Draft Premium Ordinance Amendments
April 19, 2016 Planning Staff Report

Prepared by Alexis DiLeo
Reviewed by Ben Carlisle
6/7/2016