

**Balancing employment needs,  
tax base and housing**

# Some districts are proposed that limit residential

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Mixed-Use Hub (innovation-focus and retail-focus)  
Employment Non-Residential

# Mixed-Use Hub Districts (Innovation)

- **80-foot height limit by right**, but can go higher
- Height limit increases the further you are from Low-Rise Residential (e.g. up to 300+ feet tall)
- **Mixed-use but focused on employment** (30-40% residential, 60-70% employment)
- Transition from suburban office park to more urban form over time along Plymouth Road



Flex R&D



Lab/Life Sciences



Innovation District

# Mixed-Use Hub Districts (Retail)

- **80-foot height limit by right**, but can go higher
- Height limit increases the further you are from Low-Rise Residential (e.g. up to 300+ feet tall)
- **Mixed-use with focus on retail** (70% ground floor commercial, plus residential, limited office)
- Auto-supportive design for regionally serving, highway accessible retail destinations with transition over time



# Employment Non-Residential

Encourages the development of flexible building types for a variety of non-residential uses that would become employment anchors, such as light industrial, manufacturing, warehousing or research and development space.

- *Decreases the geography of M zoning districts across the city - concentrated on S. Industrial and Research Park*
- *NOTE: N. Main Street could transition over time in coordination with roadway infrastructure improvements.*



Light Industrial/Production



Flex Tech



Legacy Industrial Building

# WHY THESE DISTRICTS

- They provide opportunities for a mix of jobs and businesses across sectors and skill needs by managing the exposure to real estate investment highest and best use analysis, and “land banking” particularly of underutilized properties
- Creates an evolutionary path as the uncertainty around retail, office, and demographic changes provide little clarity for the foreseeable future
- Seeks a mix of uses with some balance
- Preserves some older employment space that can serve multiple uses and be affordable while allowing conversion in areas that have more amenities, and a physical environment more suitable to walkability/ transit than some of these existing office and industrial areas
- Encourages the creation of the types of places that are attractive to the types of companies UMICH is creating so they can stay in Ann Arbor and add to the tax base
- **Bottomline: city needs to protect and grow the value of the non-residential base**

# SUMMARY OF KEY POINTS

- **SPACE FOR JOBS**: There are relatively few places in Ann Arbor to locate any substantial jobs particularly those that require certain types of locations and facilities. Beyond the areas designated “Employment Non-Residential”, there are other industrial areas that can be redeveloped into housing.
- **SUSTAINABILITY AND EQUITY**: Jobs in the goods producing sector (manufacturing and construction) that utilize industrial-type space are higher paying; significant employment in these industries are BIPOC and people with education of high school or less. With a concentrated effort access to these jobs both from an education and location perspective could be attainable.
- **EMERGING OPPORTUNITIES TODAY**: City is in the process of hiring an Economic Development Director charged with protecting the city’s tax base. The University of Michigan has increased investment and activity in innovation / tech transfer / entrepreneurship. Without space inside the city, these companies may need to move to the townships or out of the county if they want to stay local.
- **HOUSING NEEDS**: Over the next 20-30 years, up to 33K housing units could become available through the proposed land use changes and generational turnover. M zones are reduced across the city and concentrated in a few locations. Industrial properties in these new use types can be converted to housing.
- **FISCAL SUSTAINABILITY**: The city is reliant on property taxes and already has one of the highest property tax levels in the state. If it loses its non-residential tax base, the burden falls even more on residential (traditional and commercial MF), further impacting housing affordability.

The Council Resolutions and Values lay out multiple and inter-related imperatives

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## COUNCIL CHARGE....

# Specifics from the Ann Arbor resolution



1. Carefully considers and implements those portions of the **A2Zero Living Carbon Neutrality Plan** applicable to land use and development activity in the City.
2. In the context of a largely developed city, make recommendations for adding new homes and **densification in single-family zoned areas**, and other areas and zoning districts.
3. Develop recommendations and policies that promote **fewer zoning districts** or categories, that contain **more flexibility for re-use and adaptability** over time.
4. A proposed land use framework that seeks to **emphasize values over specified land use** limitations where possible.
5. Recommendations and policies that **undue and/or seek to repair past land use policies and regulations that resulted in exclusion of people** based on race, income or other characteristics and other inequities.



- The City has established new carbon neutrality goals via the A2 Zero Living Carbon Neutrality Plan, and the City's **comprehensive plan should consider the appropriate incorporation of related land use policies.**
- **Affordability** continues to become a more acute challenge for the City **in supporting a diverse population, a robust workforce, and sustainability goals.** Continuing a robust conversation on the challenges and pitfalls that face the City as it becomes less accessible by low and moderate income households, should be primary in City master plan development.

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### Resolutions in response to the Economic Development report that impact approach to land development:

- Establish an office of economic development,
- Establish new processes to support housing;
- Establish new processes to support sustainability,
- Support placemaking and tax base improvement.

"Equity means creating a city where people of all socio-economic levels can live, work, and thrive."

"Equity means prioritizing civic initiatives and policy aimed at leveling the playing field for all Ann Arborites, particularly as it relates to housing, education, and transportation."

"Equity means that everyone should have the opportunity to live in the neighborhood of their choice and access jobs, services, parks, and schools safely."

"Equity means that anyone who works in Ann Arbor should be able to afford to live here too."

"Equity means having neighborhoods with a mix of people of all types."

"Keeping the culture of Ann Arbor the same long term while meeting the needs of all its residents."

"Sustainability means that we must do everything we can to move away from non-renewable resources, reduce our usage of single-use products, and keep our power grid resilient."

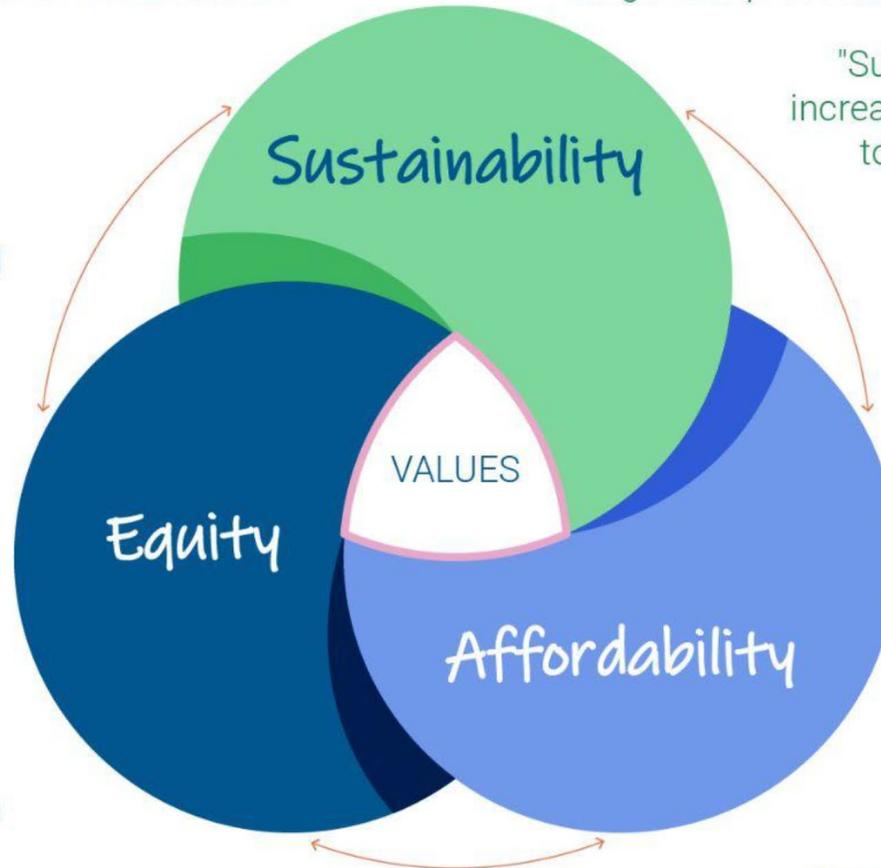
"Sustainability means reducing waste and increasing efficiency so that the city will be able to continue its level of services without imposing new or higher taxes."

"Sustainability means making sure that future needs will be able to be met. That means we must preserve historical development, significant natural features, and open space as well as energy, water quality, and quality of air."

"There should be a range of housing choices to suit the needs of many, from subsidized housing for very low-income families to adequate 'missing middle' housing for folks."

"Lower property taxes. Ann Arbor's taxes are obscene and the money is not spent in the right places."

"Being able to live car-free saves me car payments and insurance. Buses being affordable to use daily."



"We need to dramatically increase housing stock WITHIN the city limits, so we have a variety of options, from lower cost to higher cost."

# Space for jobs and emerging opportunities

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# OTHER AREAS WITH INDUSTRIAL CAN BE REDEVELOPED INTO HOUSING

310 W ANN ST, ANN ARBOR, MI 48104

COMMERCIAL

**FOR SALE**



**SUMMARY**

Sale Price: \$7,900,000  
 Lot Size: 0.96 Acres  
 Zoning: D2 (Downtown District)

## 2141-2179 S State St

3 Acres of Industrial Land in Ann Arbor, MI 48104

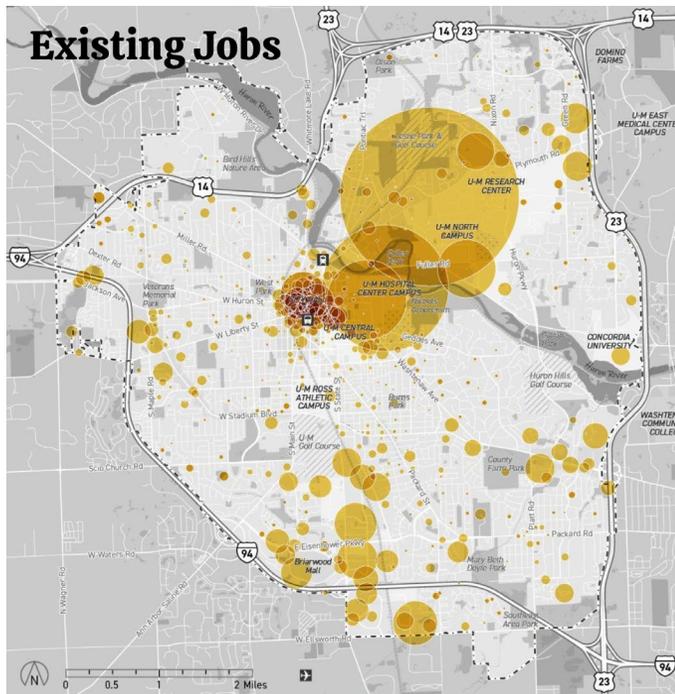
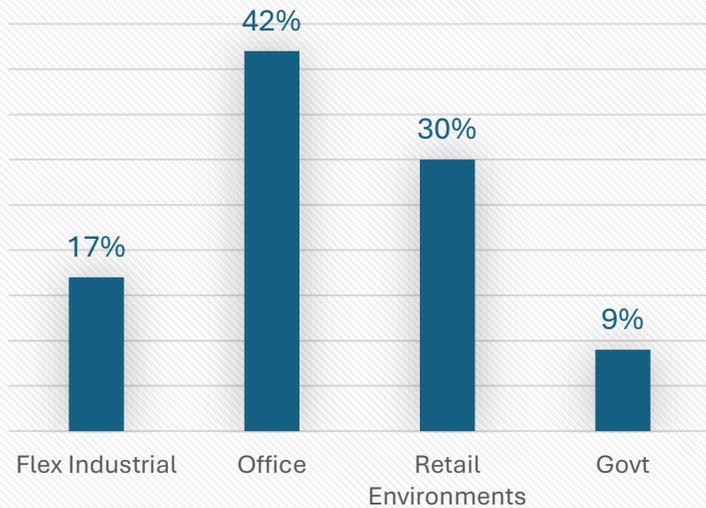


**DESCRIPTION**

2141-2179 S State Street in Ann Arbor is a 3-acre build-to-suit development opportunity. Great opportunity for a 10-30 Story High Rise student housing, market rate multi-family or hospitality development for approximately 200-300 Apartment Units.

# THERE ARE RELATIVELY FEW PLACES IN ANN ARBOR TO LOCATE ANY SUBSTANTIAL JOBS PARTICULARLY THOSE THAT REQUIRE CERTAIN TYPES OF LOCATIONS AND FACILITIES

% of Non Education / Healthcare Jobs  
By Type of Building Required

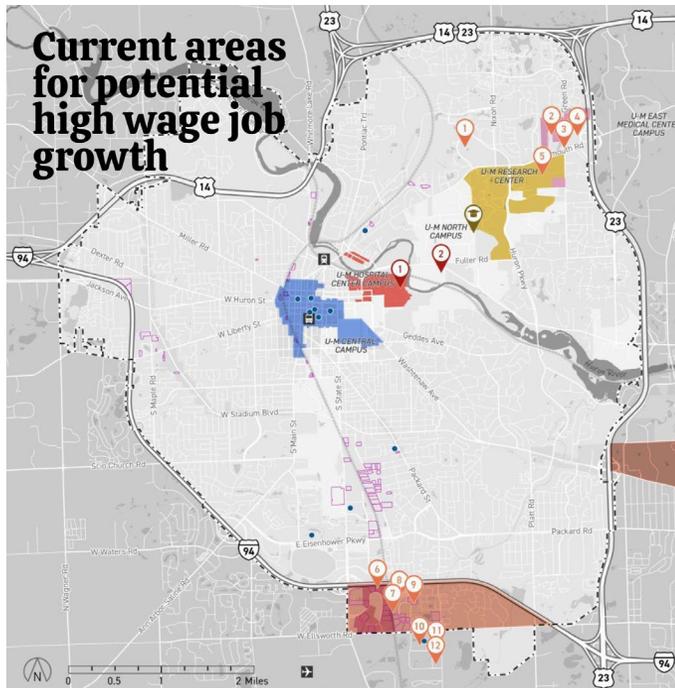
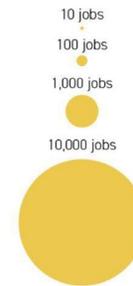


We have **94k** jobs in the city.

**37%** of the jobs in the city are tied to the University of Michigan.

The Ann Arbor region is the **4th** most economically dependent on anchor institutions in the country and more than **3x** the national average.

Jobs Scaled Proportionally



**QUESTION:** Should we reserve space for future jobs?

Legend

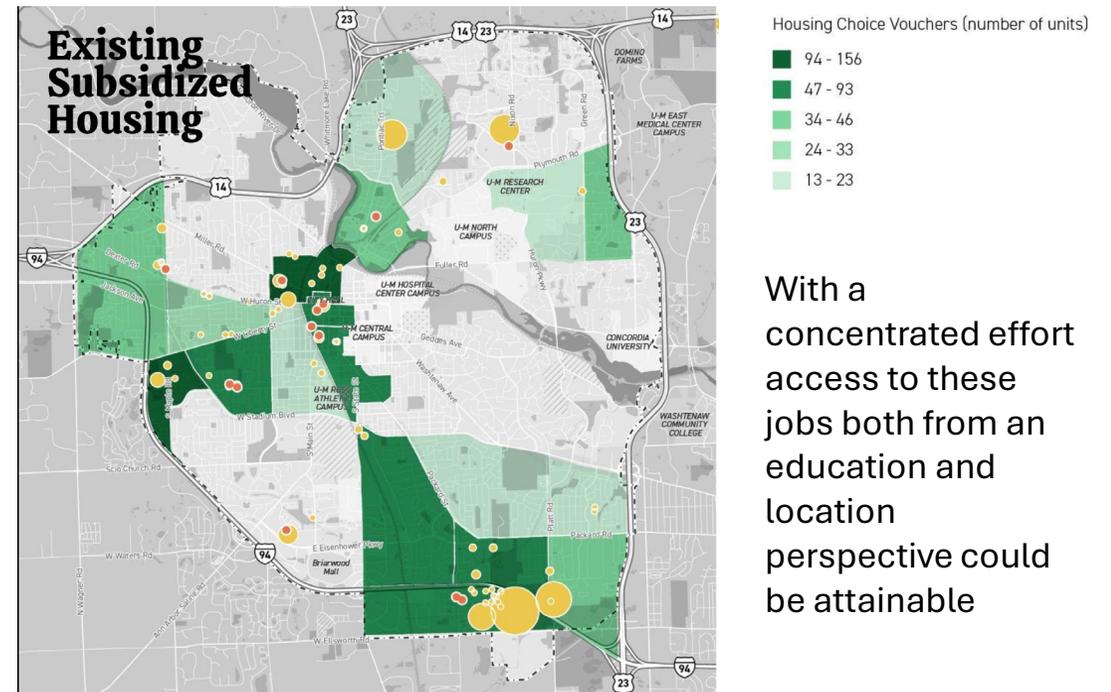
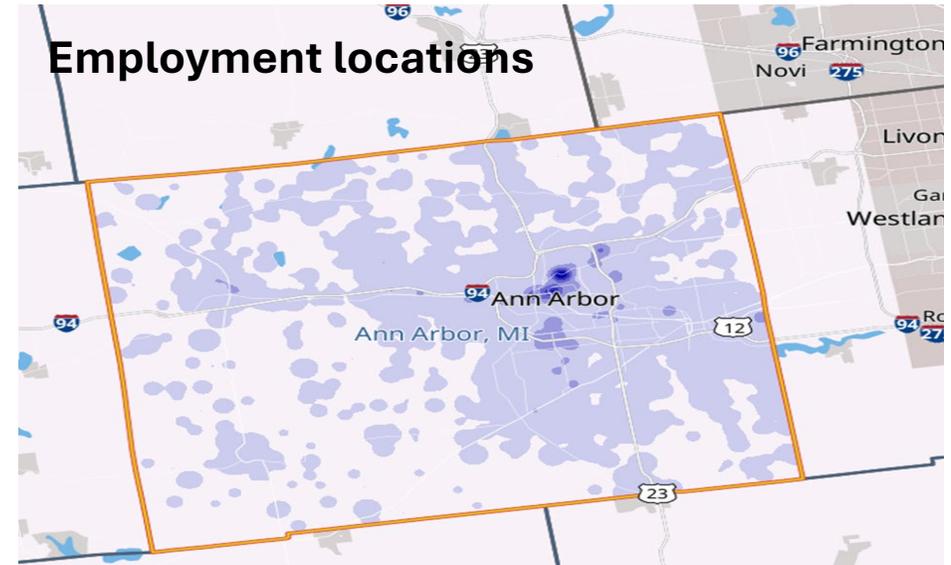
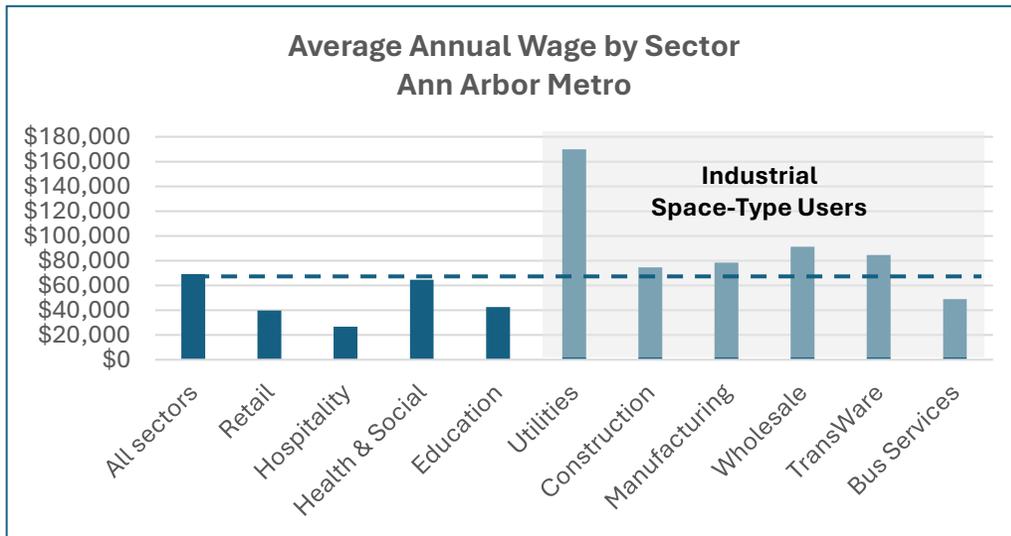
- Smart Zone Incentive District
- Incubators, Accelerators, Coworking Spaces
- Future UM Innovation District and Arts Network (In Active Planning)
- University of Michigan School of Engineering
- University of Michigan Hospital Center Campus + Medical Area
- Hospitals
  - 1 University of Michigan Hospital
  - 2 Lieutenant Colonel Charles S. Kettles VA Medical Center
- Opportunity Zones
- Noted Engineering and Tech Companies
  - 1 Google
  - 2 Toyota Research Institute
  - 3 Forsee
  - 4 Siemens
  - 5 MCity Test Lab
  - 6 APharmasyn Chemistry
  - 7 Mercedes-Benz Research and Development
  - 8 Zomedica
  - 9 Bio-Rad Laboratories
  - 10 Cayman Chemical
  - 11 Sartorius
  - 12 Treetown Tech
- Land Zoned for Research
- Parcels with Industrial Buildings (by Use Code)

# SUSTAINABILITY

- City has interest in building a circular economy as part of the A2 Zero plan – does this include all the components including repair/recycle? If so inside the city?
- VMT is one the largest contributors for GHG – reducing the amount of commuting through a combination of housing and job location can be impactful.

# THE EQUITY FACTOR

- Ann Arbor is 53% of the primary jobs in the metro – jobs are already sprawling across the metro
- 21% of the “industrial space” type jobs are in Ann Arbor
- 20% of employment in these industries are BIPOC/Latino (1)
- 29% of the jobs in the region are held by people with high school or less education, construction (40%) and manufacturing (36%) (1)
- Wages in goods producing sector (manufacturing and construction) are also substantially higher than many of largest sectors in Ann Arbor (1)



(1) Based on LEHD 2021 QWI indicators for metro Ann Arbor

# EMERGING OPPORTUNITIES

- City is in the process of hiring an Economic Development Director charged in part with protecting the tax base of the city
- University of Michigan's increased investment in innovation / tech transfer / entrepreneurship
  - Since 2021 the university has been averaging 23 startups per year
  - 2024: 28 startups launched, \$514m in venture capital raised – some will succeed where will they scale? Inexpensive space is critical to manage the “burn rate”
  - These companies are a combination of biopharma, med devices, physical non life science products, and digital – a combination of facilities will be needed as they scale
- Without space inside the city moving to the townships or out of the county may be necessary if they want to stay local

# BUT WE NEED HOUSING...

- There are more than **4k** MFH units in the pipeline
- One proposed basic build out scenario for this plan shows **16-17k** potential additional units with the proposed changes\*
- 54% of resident homeowners are over the age of 55 meaning that over the next 20 to 30 years **7k-12k** single family units will be hitting the market
- State housing plan says Ann Arbor has a current gap in over 3,000 units. More than half of those units are in demand as rental units in the downtown area.
- Key question: how much housing can be added without attendant step function increases in city services and infrastructure spending?

<b>Current Household Makeup</b>	<b>A2 City</b>	<b>Ann Arbor Metro</b>	<b>Detroit Metro</b>
Owner occupied:			
Family households:	30%	44%	49%
Nonfamily households:	15%	17%	21%
Renter occupied:			
Family households:	13%	12%	13%
Nonfamily households:	42%	26%	16%

<b>Estimated Housing Need to 2030</b>	<b>Owner</b>	<b>Renter</b>	<b>Total</b>
2022 State of Michigan Housing Plan	424	2684	3,108

\*This scenario assumes moderate growth of about 25% redevelopment over 20-30 years with the greatest gains in mixed use districts.

# CONFLICT ISSUES

*For goods producing (manufacturing and construction), bio, med devices, circular economy segments, and hard tech uses:*

- trucks of all sizes
- smells (especially with food businesses)
- noise / vibration
- visual / curb appearance
- land economics vs business economics

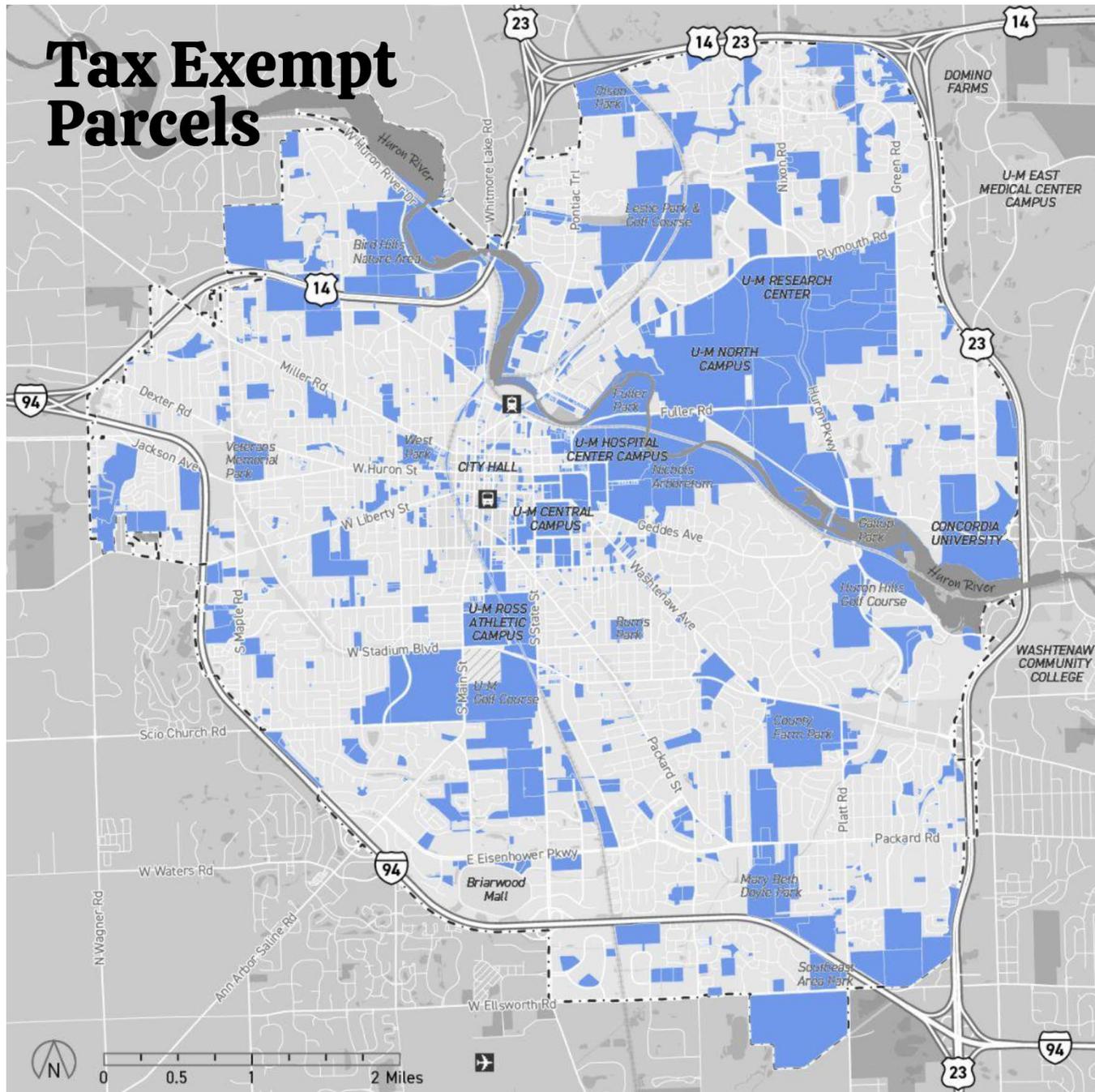
*Considerations:*

- Conflict policies – for example not unusual for city to impose conditions on proposed residential such as sound deadening
- Examples exist of cities allowing some residential in particularly long abandoned sites that do not meet contemporary industry needs
- Ann Arbor has so little industrial land to begin with and there is a significant amount of upzoning in the proposed land use changes

# Fiscal Sustainability

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# Tax Exempt Parcels



“University of Michigan’s growth costing Ann Arbor millions in lost taxes, city says”

- mlive

# 42%

of parcel acreage is tax exempt

**Parcel Area** (excludes condos from area calculation)

Tax Exempt Acres: 6,151 (42%)

Total Acres: 14,593

UM Acres: 1,751 (28% of exempt parcels)

**Parcel Number** (excludes condos from parcel calculation)

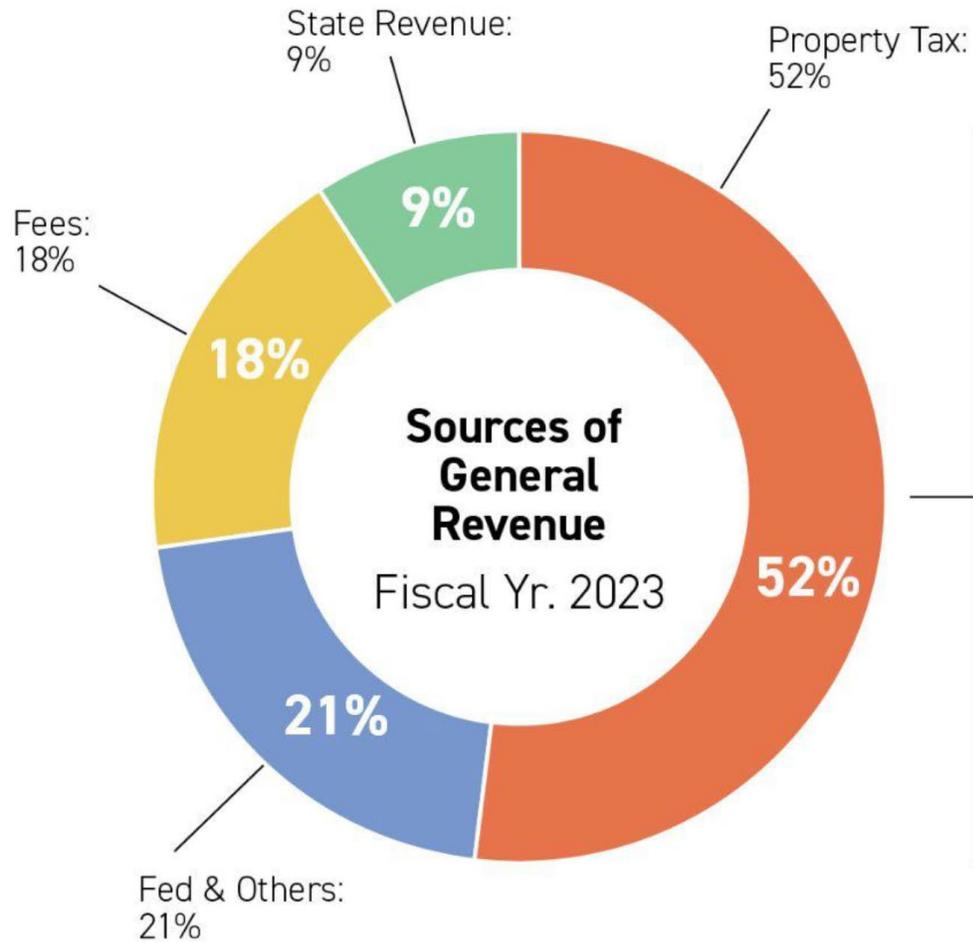
Tax Exempt Parcels: 963 (4%)

Total Parcels: 23,415

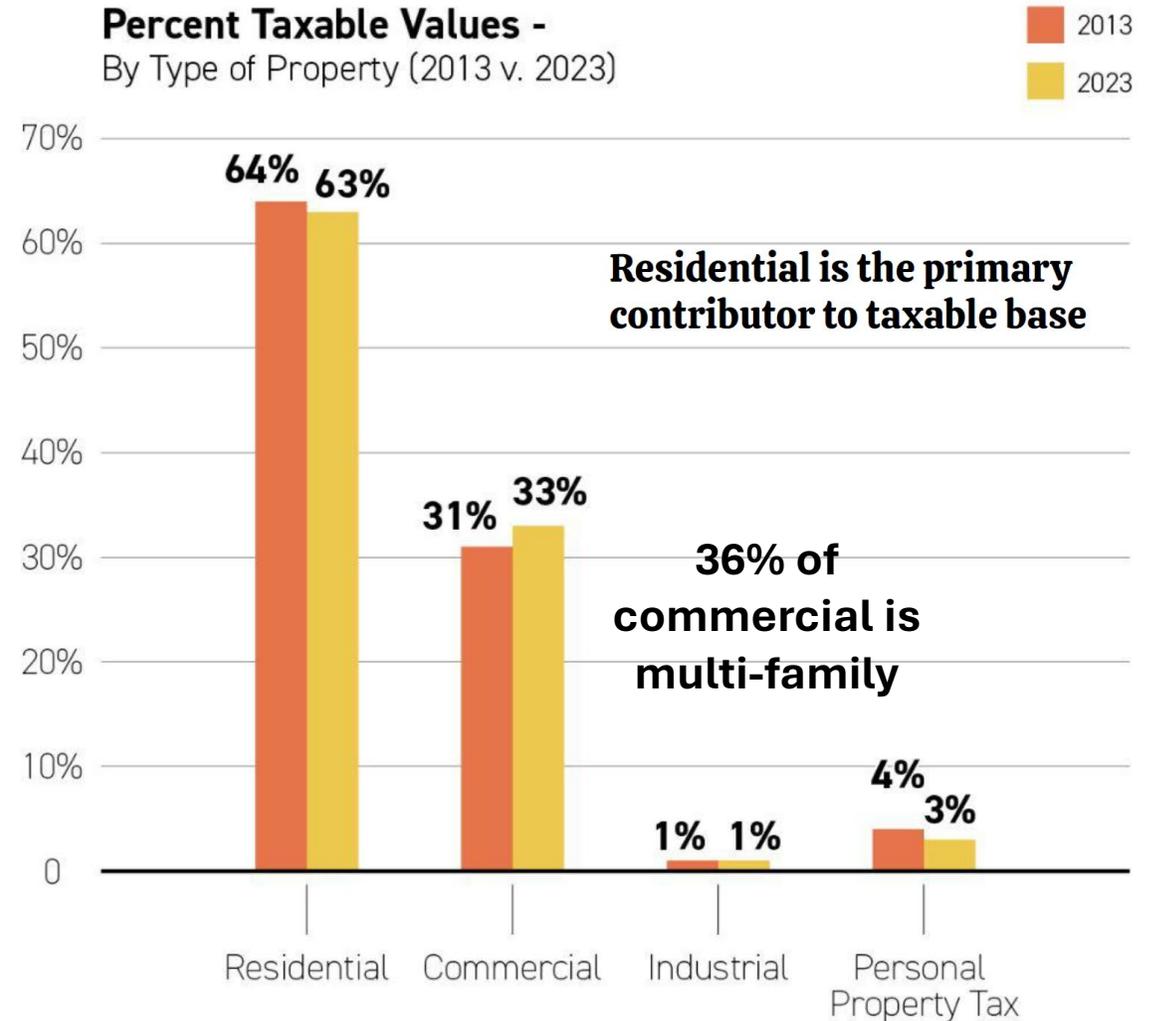
## Legend

■ Tax Exempt Property

# Ann Arbor Budget Revenue Basics



**Percent Taxable Values -**  
By Type of Property (2013 v. 2023)



Source: NP analysis 2023 CAFR and Ann Arbor Municipal Disclosure form downloaded from MSRB EMMA database

# THE TAX BASE

- MFH is 12% of the total tax base
- 22% of the tax base is all other commercial (retail, office, etc)

<b>CITY OF ANN ARBOR</b>		
<b>MAJOR TAXPAYERS</b>		
<u>Taxpayer</u>	<u>Product/Service</u>	<u>2023 Taxable Valuation</u>
Detroit Edison	Utility	\$79,839,600
CCSHP Ann Arbor I & II, LLC	Apartments	56,181,169
GEDR Landmark LLC 1300 S. University	Apartments	49,896,108
Briarwood Arborland LLC	Shopping Center	44,733,809
BVK HSRE Ann Arbor, LLC	Apartments	43,865,000
CPI Foundry, LLC	Apartments	41,202,600
Briarwood Shopping Complex*	Shopping Mall	40,794,100
The Standard at Ann Arbor, LLC	Apartments	36,233,200
Northstar Fund IV LLC	Apartments	31,709,308
MI-UM Holdings, LLC	Apartments	30,501,800
<b>TOTAL</b>		<b>\$454,956,694</b>
2023 Taxable Value		<b>\$7,506,560,375</b>
Top 10 Taxpayers as a % of Total Taxable Value		6.06%
<i>*Appeal pending with the Michigan Tax Tribunal</i>		
<i>Source: City of Ann Arbor</i>		

Source: City 2023 Bond Disclosure – sourced from EMMA

# WHILE ANN ARBOR IS FISCALLY HEALTHY....

- There is less margin for error on the general fund relative to other Michigan communities (based on 2023 data – latest available)
- Ann Arbor already has one of the highest property tax levels in the state
- Declines in retail demand and office demand will put more pressure on the primarily single-family residential property base to offset valuation declines
- Over the next 20 years as owned single-family homes go through generational shifts, property tax resets will play a significant role in the cost of this type of housing
- Consideration needs to be given to MFH in terms of the balance between supply and impact on property tax base from a boom / bust perspective - the only offset is the residential base
- If non-residential base disappears or loses value the tax burden falls on residential, both traditional & commercial multi-family. This impacts housing affordability and the financials of new multifamily developments - potentially slowing construction without subsidies or abatements.
- Development is also likely to be opportunistic and gradual, particularly in the office & industrial areas given parcel ownership, but also for "urban" walkable neighborhoods and likely require substantial infrastructure investment. If it comes from the developer affordability will be impacted.



## MI Community Financial Dashboard

Michigan Department of Treasury

Analytics		Pension Health	
<i>Percentiles are calculated by ranking all local units of the same type that submitted data for the given year on a scale of 1-100, with a higher percentile value (or lower ranking) indicating a stronger position in that measurement.</i>			73rd of 244 70th percentile
General Fund Health	193rd of 278 31st percentile	Taxable Value Per Capita	41st of 280 85th percentile
General Fund Ratio	191st of 278 31st percentile	Debt Health	210th of 275 24th percentile
General Fund Cash Ratio	150th of 277 46th percentile	Governmental Net Position Ratio	7th of 275 97th percentile

<https://micommunityfinancials.michigan.gov/#!/dashboard/CITY/2603000?lat=42.283394005413044&lng=-83.76753097266442&zoom=9.545763435795541&showSidebar=yes>