Subject: Feedback on Sections 1, 2 , and 3.

From: Will Leaf
Sent: Monday, April 14, 2025 3:59 PM
To: Planning <Planning@a2gov.org>
Subject: Feedback on Sections 1, 2 , and 3.

Hello members of the planning commission,

Thank you for all your hard work in getting to this point.

On the whole, I think the first three chapters of the plan are pretty good. However, on pages 17-19, there are a few unfounded claims and an argument that does not make sense. I suggest removing these claims and the argument.

The Unfounded Claims

1. On page 17, the plan says:

"Commercial property values are rising faster than residential values and some commercial properties also generate more value per acre. To foster economic diversification, the city must balance the urgent need for affordable housing with strategic commercial development, creating opportunities for emerging businesses and reducing its reliance on the University."

I suggest removing this whole paragraph.

There is no evidence provided for the claim that commercial properties are rising faster than residential values, and in the aftermath of COVID, this claim is dubious. According to a Swisher Commercial report, the office and flex vacancy rate in Ann Arbor was at 14.3% last year. The rental housing vacancy rate was 3.61%. These vacancy rates don't prove a specific rate of change, but I don't see any reason to think that commercial rents are rising faster than housing costs.

The quote also implies that building housing is at odds with promoting commercial growth. The opposite is true. Housing provides customers and employees for businesses, and the housing shortage is a serious problem for the growth of Ann Arbor businesses.

2. On page 18, there is a diagram implying that tax revenue from commercial properties subsidize residential properties.

There is no evidence provided to support this claim. It seems likely to me that new housing developments provide far more net tax revenue per acre than commercial uses. For example, The apartment building The George provides more tax revenue than the 44 commercial and institutional properties along South Industrial.

Tax Map of South Industrial:
https://docs.google.com/document/d/1MNbKlcy5r4rIBNwpIK4DEhGmaCSNYgzgB6ZkEKOAPyo/edit?usp=sharing

In Massachusetts, where the Interface economic consultant has done previous work, school funding works differently, and residential properties might be a drain on a city's finances. But in Michigan, Ann Arbor Public Schools actually benefit when more students join the district, because the bulk of funding comes from a per-pupil state amount.

The Argument that Does Not Make Sense

On Page 18, there is this sentence:

"While new housing generates revenue for the city and helps capitalize the affordable housing trust fund, losing the non-residential tax base will shift an even greater burden onto residential properties (both traditional and commercial multi-family), further impacting affordability."

If a new housing development is built over a low-density commercial development, the city gains a substantial net-increase in tax-revenue. If this revenue is used wisely, the tax burden on residents will go down. The breakdown of the aggregate residential-commercial percentage does not matter when calculating the tax burden of each individual resident. To say it does is just a logical fallacy -- specifically the fallacy of composition. The aggregate burden on residential properties is not the same as the burden on each resident.

It would be best to remove this logical fallacy from the plan. The commission should not be claiming that new housing construction will harm housing affordability.

Why the Claims and Argument are Important

Aside from being unfounded, the claims and arguments attempt to justify the Flex District, a district designed to protect commercial development from housing development. Jonathan Levine and I have written a memo explaining how this district could hinder housing development. It is important to understand and remove the faulty justifications for this district, along with the district itself.

The memo: https://drive.google.com/file/d/1IyXI7IwtqhZxY6P113adGfkO3rzbbJQF/view?usp=sharing

The Specific Ask

Please ask city staff to remove the claims that compare commercial and residential property tax revenue on pages 17-19, along with the illogical affordability argument on page 18.

Thank you for your time,

Will Leaf

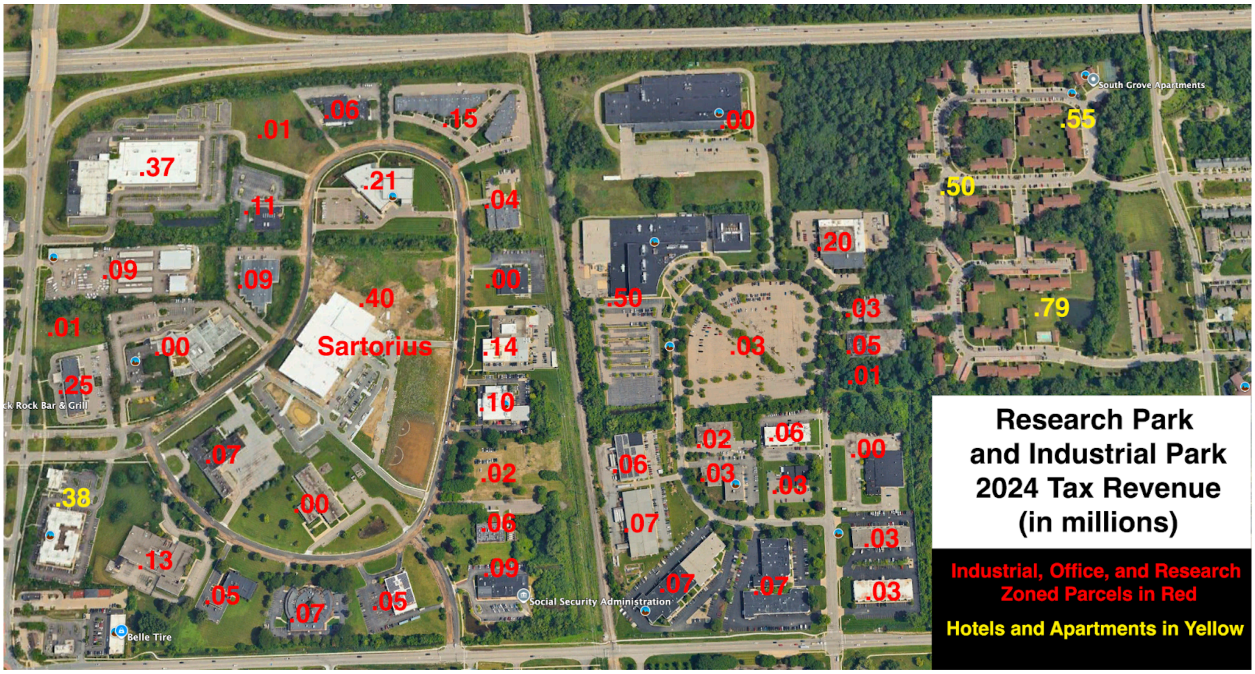
Summary

Industrial and research uses tend to generate far less revenue than nearby residential uses. These maps from South Ann Arbor show that trend.

South Industrial

The 42 parcels along South Industrial generated about $1.5 million in total, less than a single nearby apartment building "[The George](#)."

Research Park and Ann Arbor Industrial Park



In Research Park (left of the railroad), there are 25 parcels zoned industrial, office, and research, with total 2024 tax revenues of $2.48 million. In Ann Arbor Industrial Park (right of the railroad), there are 18 industrially zoned parcels with total tax revenue of $1.29 million. There are also some nearby hotels and apartments.

Pheasant Run Apartments

In the top-right corner of the map, east of Ann Arbor Industrial Park, you can see 3 parcels owned by Pheasant Run Apartments LLC, which seem to now be branded as South Grove Apartments. These apartments were built in the early 1970's. These properties are more than 50 years old, but they earn more than twice as much tax revenue per acre than the newest industrial development in Research Park.

Tax Revenue Comparisons

Sartorius vs Pheasant Run Apartments

In 2024, Pheasant Run apartments sections 1, 2, and 3 generated $1.84 million in tax revenue on a combined acreage of 35.3 acres, for a tax revenue per acre of $.05 million.

Sartorius's new facility generated 0.40 million in 2024, on a parcel that is 16.9 acres, for a tax revenue per acre of $0.02 million – less than half that of Pheasant Run Apartments.

Sartorius’s data is a little confusing, because it seems that its new facility and vacant land with the same address are listed as separate parcels. Since both parcels’ summer tax bills seem to have been paid, I combined the values. If the vacant land info is obsolete, then Sartorius generated only $0.31 million in 2024.

Sartorius Vs The George

The George, a residential apartment complex on packard, generated 1.9 million on a 6.6 acres parcel, for $0.29 million in tax revenue per acre.

That means the George is making more than 14 times the amount of revenue per acre as Sartorius. The difference will soon be greater, as new units and retail spaces are being planned within The George’s existing footprint.

Ann Arbor gave Sartorius a 50% tax break for 12 years, as part of a small industrial development district created a few years ago, so Sartorius’s tax revenue will double at that time, but it will still be less than 1/7th of the George’s.

Sartorius Vs Staybridge Suites

In 2015, city council rezoned a parcel in the southwest corner of Research Park from office to Mixed-Use (2CB), to allow the development of the 4-story Staybridge Suites hotel.

In 2024, Staybridge Suites generated $0.38 million on a 3.5 acre lot, or $0.11 million per acre, which is more than 5 times the 2024 revenue per acre of Sartorius.

The proposed Employment Non-Residential district would reverse city council’s 2015 upzoning and make Staybridge Suites a non-conforming use.

Zingermans Vs The George

The consultants pointed out that many Zingerman’s businesses are located in a township, just outside Ann Arbor, and therefore do not generate tax revenue for the city.

However, if the parcel that contains these Zingermans’ businesses was in Ann Arbor, it would generate far less revenue per acre than housing.

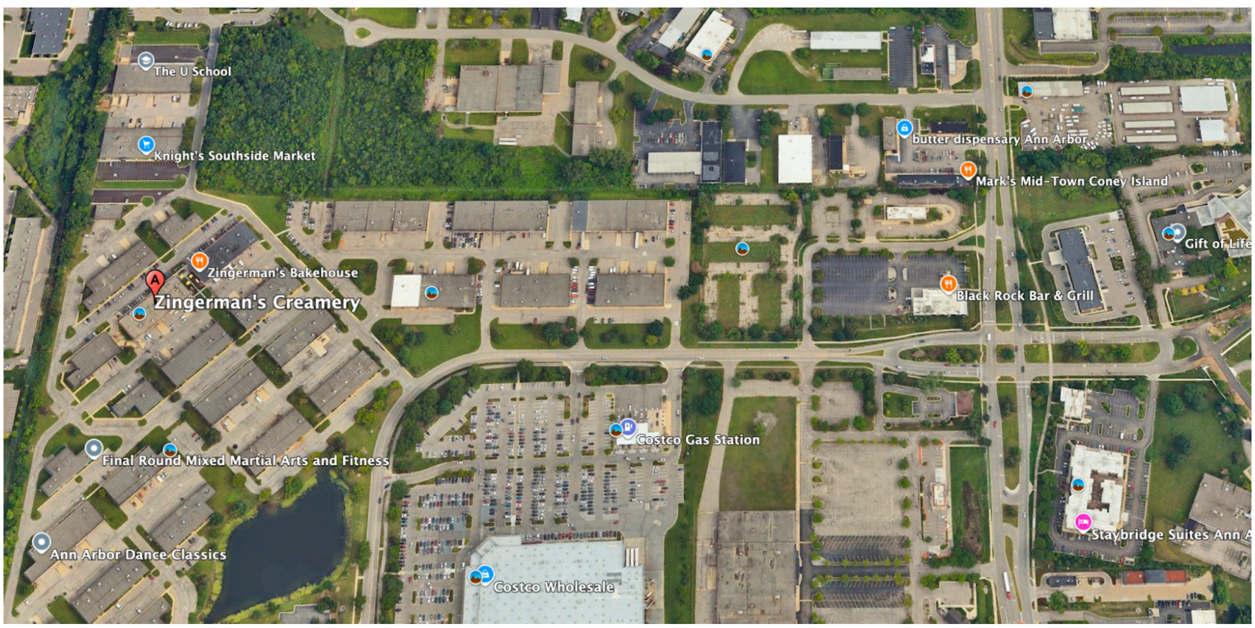
The parcel that contains the 13 buildings that house Zingerman's Creamery, Bakehouse, Coffee Company, Zingtrain, and a handful of unrelated businesses, has a taxable value of $5.1 million on a 17.0 acre lot. That works out to a taxable value of $0.3 million per acre.

[The George](), a residential apartment complex on packard, has a taxable value of [$27.6 million]() on a parcel that is 6.6 acres. That works out to a taxable value of $4.18 million per acre, or 16 times the rate of the parcel that holds the Zingerman' businesses.

Zingermans Vs Staybridge Suites

The George might be in a better location than the Zingermans' complex, so a better comparison to might be the Staybridge Suites hotel in research park. You can see the hotel in the lower-right of the map below. This hotel is one of the residential uses that could theoretically crowd out businesses like Zingermans.

Staybridge Suites has a taxable value of [$5.5 million]() on a 3.5 acre lot. That works out to $1.6 million per acre, which is more than 5 times the taxable value per acre than the parcel that holds Zingermans and many other businesses.



Tax Data Sources

The revenue totals on the map were generated like this:

1. I used [MapWashtenaw]() to click on each parcel.
2. Under the "External Links" heading, I clicked on "Detailed Parcel info (BS&A online)"
3. On the BS&A website, I clicked the "Tax Information" tab
4. I added together the Winter and Summer tax amounts for 2024.

Will Leaf – 1/2025

Summary

Creating a “Flex” zoning category that may permit housing is a step forward compared to current zoning for the designated areas, which bans housing outright. But the description of the district is ambiguous and could mean:

1. The city will not rezone the Flex areas until large, unspecified infrastructure improvements are made.

2. The new Flex zoning district will restrict residential uses for an unspecified period to reserve space for research and industrial uses.

This ambiguity could prevent housing construction in some of the potentially most housing-productive areas of Ann Arbor. To resolve this ambiguity, we suggest the Commission eliminate the Flex category and instead include the areas marked Flex in the Transition category.

This change is important because developers are currently planning hundreds of units of housing in the areas marked Flex. Oxford is planning to propose an ~800 unit mixed-use development in Research Park adjacent to S. State that would include both market-rate housing and subsidized housing managed by the Housing Commission. According to the developer, planning staff has been resisting the development, seemingly over claims about insufficient road infrastructure.

A Flex district would discourage developments like this one, while the Transition district would welcome them. Eight hundred units could be more new housing than gets built in the Low-Rise residential districts in a decade, so removing the Flex district is one of the most important changes needed in the plan.

Risks of Including a Flex District

1. Delays

Page 116 suggests that rezonings to Flex will be delayed until after the city makes large infrastructure improvements that are not described or planned for. The "gradual and strategic" language suggests selective rezoning in response to proposals, rather than proactive rezoning of these areas soon after the plan is completed. This reactive process fails to provide the certainty that is necessary to encourage housing production.

2. Residential Restrictions

The plan also endorses the argument that "employment-based" land uses should be protected from housing with zoning restrictions:

"Without intentional zoning, industrial and employment-based land uses struggle to compete with housing development, which commands higher land values. If left solely to market forces, the city risks losing valuable job-generating spaces" Page 116

The argument that housing will crowd out jobs has never made sense, for all the reasons we described in our Restrictive Districts Memo. Planning Commission vigorously rejected the concept of a district designed to protect employment from housing at its January 21st meeting. However, it appears that this same argument is being used to create a new zoning district that restricts housing.

On page 102, there is a table showing how these different categories will be zoned in the future.

The row for Transition says "New mixed-residential district that self regulates height when adjacent to established residential district," while the row for Flex says "Consolidate into new district that is more flexible and permissive."

The difference implies that the Flex district will get a separate zoning district that is not mixed-residential. A different row in the same table says the Flex district will allow "housing -- where infrastructure allows."

Taken as a whole, the table calls for a Flex zoning district that restricts housing unless some unspecified infrastructure standards are met.

The Safe Alternative

There is a simple way for the city to avoid vagueness, delays, and restrictions on housing and mixed-use development -- cut the Flex district from the plan, and instead put the affected areas in Transition. With this revision, South Industrial, North Main, and Research Park, and Industrial Park will be included in a flexible mixed-use zoning district that allows light-industrial uses -- an ideal outcome consistent with the plan’s affordability, equitability, and sustainability goals, public feedback, and the commission's clear instructions.

The city will continue to require developers to pay for whatever infrastructure improvements are needed to support their new developments. A lack of existing infrastructure is not a reason to exclude housing development but instead is a reason to encourage developments that pay for infrastructure improvements that benefit all residents.

One possible counterargument is that a separate Flex district would allow the city to enforce looser noise and nuisance standards than in other districts, and these looser standards would benefit certain industrial or government facilities. We feel that selectively loosening nuisance standards is not desirable—especially given the proximity of S. Industrial and Research Park to residential neighborhoods and schools – but if the City is set on this action, it could apply different districts with different nuisance standards within the category of Transition.

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