

Subject: Housing Appendix - Making the Case for Gentle Density - Ann Arbor's Declining Missing Middle
Attachments: Housing Appendix Outline Draft for CPC 6.10.2025.pdf

From: **Brian Chambers**

Date: Sun, Jun 8, 2025 at 8:50 AM

Subject: Housing Appendix - Making the Case for Gentle Density - Ann Arbor's Declining Missing Middle

To: Lenart, Brett <blenart@a2gov.org>, Planning <planning@a2gov.org>, Bennett, Michelle <MBennett@a2gov.org>, Derek <ddelacourt@a2gov.org>, Joseph <JGiant@a2gov.org>, Sara <SHiggins@a2gov.org>, Dohoney Jr., Milton <mdohoney@a2gov.org>, CityCouncil@a2gov.org <citycouncil@a2gov.org>

Cc: Stacey <stacey@interface-studio.com>, <jamie@interface-studio.com>, Carolyn Lusch <carolyn.lusch@smithgroup.com>, Oliver Kiley <oliver.kiley@smithgroup.com>

Dear Planning Commissioners: (I've kept Council on copy, as individual CMs have shared that they appreciate these technical notes)

I was heartened to see the Housing Appendix Outline Draft attachment for the Tuesday Planning Commission meeting. People have been asking for a 'deep' analysis of Ann Arbor's housing challenges be conducted, that supports the proposal for 2 - 4 unit homes in what are currently zoned R1 and R2. This Housing Appendix certainly directly answers that request.

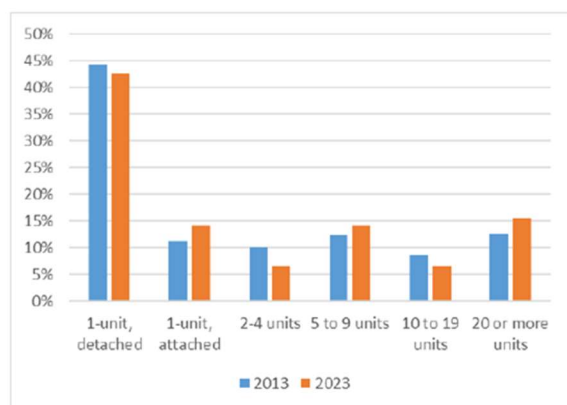
Thank you to those who conducted the research and compiled the report!

I found page 15 particularly illuminating, as it is clearly making the case for these Low Rise density provisions. As you well know, the Comprehensive Land Use Plan has additional housing density capacity for the Hub and Transition Districts, as well as Low-Rise Residential. The Low-Rise districts would allow for 2, 3, and 4 unit structures, where they are currently excluded.

However, page 15 of the Housing Appendix shows that there are fewer of these 2 - 4 unit structures in Ann Arbor, over the past decade, and yet they are significantly more affordable than the single family homes (page 16). These declines in 2 - 4 unit structures is the very definition of 'Missing Middle' that the CLUP is meant to address!

Here is an image of it, to save you looking it up:

Figure XX: Homes by Structure Type in Ann Arbor, 2013 & 2023



Note: Figures do not round up to 100% due to an "other" category, including RVs, boats, etc. Source: Census (1-yr ACS)

Two-to-four-unit homes offer advantages that may be appealing to smaller households with less need for space. They are generally easier and less expensive to maintain. Purchase prices of multifamily units are also generally lower than single family homes. Figure XX shows that as of early 2025, the median condo in Ann Arbor was nearly 40% less expensive than the median single-family home. While this discrepancy may partially reflect selection bias, as condos and single-family homes are often located in different neighborhoods, Figure XX shows that single family homes are generally still more expensive than multifamily options when controlling for the neighborhood.

Figure XX also shows that turnover for multifamily options is generally higher than single family homes, even as homeowners. From 1990 to 2024, 23 units in multifamily structures sold 35 times, whereas the 11 single family homes in the neighborhood sold 5 times. Higher turnover rates may indicate that households are using multifamily units, such as duplexes and condos, as starter homes to build equity before eventually moving on to their forever home. Multifamily homes might therefore be an important first step in helping households get on the property ladder.

Yes, the Housing Appendix should be read by everyone! It is critical that everyone understands and appreciates this housing analysis.

The summary conclusions are spot-on:

Overview of Policy Suggestions from Peer-Reviewed Research

While experts acknowledge that the housing market is subject to many forces that lay outside of a city's control, they also agree on the following:

Doing nothing is not an option. When cities decline to reform overly restrictive zoning codes, or when they add new restrictions, supply declines and housing becomes even less affordable.

Zoning is not enough.

Cities that value economic diversity cannot rely exclusively on zoning to address affordability concerns. They must also provide direct, immediate relief from rent inflation for the lowest-income households by funding the creation of income-eligible affordable housing and protecting those households against displacement. (Our Affordable Housing Millage does this!)

Additional measures beyond zoning include re-evaluating fees, building codes, and review processes that also slow housing production and raise costs that are passed on as rents or cost increases. (City Administration, Planning and Council are all pursuing these actions)

Increasing housing supply helps.

Increasing density is one way to increase supply. When more housing options are available, rents and housing prices stabilize. Even when new units are built at higher prices, they eventually age into affordability over time.

Change is slow: zoning amendments can make change possible but cannot make it happen. When cities zone for greater housing density, many fewer parcels see redevelopment than are rezoned for it, especially where parcels are already developed; when the costs of loans, labor, and material are high; and when building codes and permitting processes are not aligned with pro-housing policy.

Thank you for all of your work on the Comprehensive Land Use Plan!

Brian Chambers
3rd Ward

Ann Arbor Comp Plan: Housing Appendix DRAFT

June 2025

The Comprehensive Land Use Plan follows from a City Council directive to provide opportunities to develop new housing across the city, including single-family neighborhoods. In line with many other cities across the country, Ann Arbor is reviewing how its zoning has contributed to the housing shortage over time and what the research about residential densification says. This appendix shares empirical evidence about housing unaffordability, followed by a review of academic analyses of the problem. Peer-reviewed academic research, reports, and professional toolkits were consulted regarding supply side policy, filtering and chain vacancies, land reform and affordability, and city-specific case studies. While the housing market is subject to many forces that are outside of the city's control, the planning profession and many researchers agree that many zoning barriers should be removed.

Introduction to National, State, and Local Housing Context

The U.S. - A National Crisis

Nationally, the housing shortage can be traced to the Great Recession. In its aftermath, from 2008 to 2018, housing construction dropped to its lowest production since 1960. Just as the market was rebounding, the pandemic hit, and the cost of materials and labor made building housing more expensive.¹ As home values increased faster than households' incomes, housing markets across many American cities have become increasingly difficult to enter as either homeowners or renters. Due to a variety of economic, demographic, and social factors – including skyrocketing housing prices, increased time spent pursuing higher education, and delayed marriage and childbearing – millions have turned to renting, often for prolonged periods, which drives rental prices higher, making it difficult to save for a down payment.²

Michigan's Response

The Michigan State Housing Development Authority (MSHDA) developed its first ever statewide Housing Plan in 2022 with a housing target of 75,000 new or rehabilitated housing and 100,000 stabilized households.³ In fiscal year 2024, MSHDA dedicated \$2.15 billion to construct, rehabilitate, and purchase 12,421 homes.⁴ In the same year, Governor Whitmer signed a bill to amend the 2008 Michigan Planning Enabling Act to require a housing element in comprehensive plans to include a range of housing options, affordability, and attainability to serve the housing demands of a diverse population.⁵ At the time of writing, changes to the Land Division Act are under review to permit a 10-acre parent parcel of land to be divided into ten

¹ https://planning-org-uploaded-media.s3.amazonaws.com/publication/download_pdf/HOUSING-SUPPLY-ACCELERATOR-PLAYBOOK_v3.pdf

² <https://www.nmhc.org/globalassets/research--insight/research-reports/filtering-data/nmhc-research-foundation-filtering-2020-final.pdf>

³ https://www.michigan.gov/mshda/-/media/Project/Websites/mshda/developers/Statewide-Housing-Plan/MI-Statewide-Housing-Plan_Final-112723.pdf?rev=4f844882abac481faa8f3361138ec189&hash=9C67A0D64FF2CB5AAED6AE607F3B0689

⁴ <https://www.michigan.gov/mshda/-/media/Project/Websites/mshda/about/MSHDA-Year-At-A-Glance.pdf?rev=98f5045d24f4422b0da96c63a27d228&hash=65734EB38FCF6D84F1DCFD7E200AAD1C>

⁵ <https://www.legislature.mi.gov/documents/mcl/pdf/mcl-Act-33-of-2008.pdf>

parcels, as opposed to the current four.⁶ In the same vein, MSHDA funded the Michigan Association of Planning's Housing Toolkit which provides 15 zoning tools to increase the supply and diversity of housing types.⁷ These actions are made in the name of alleviating the housing crisis. Many of which the City of Ann Arbor also does or is proposing in this plan.

MAP's 15 Tools to Reform Zoning

Zone Districts

- Collapse zoning districts
- Rezone for mixed-use/multi-family in commercial districts
- Expand allowable uses
- Performance standards for uses

Form and Context

- Reduce minimum lot width and area
- Reduce or eliminate minimum dwelling unit size
- Reduce or eliminate minimum parking requirements
- Missing Middle housing (including ADUs)
- Density/Height bonuses

Processes

- Eliminate or reduce elected body approval
- Expand administrative review
- Pre-approve plans
- More flexible approach to nonconformities
- Police power ordinances for nuisances

Ann Arbor's Housing Tools

While the Governor's office has found some ways to respond to the housing crisis, actions available to local municipalities remain limited. Michigan still lacks other tools that other states employ, namely inclusionary zoning, mandated housing targets, and rent control.⁸ Moreover, municipal budgets are effectively capped by the 1978 Headlee Amendment and 1994 Prop A. The joint impact of these pieces of legislation limits property tax to the rate of inflation.⁹ Over time, revenue does not keep pace with rising costs of services. This makes it difficult to grow the city's general fund to meet emergent challenges like affordable housing.

The city has also found another way through zoning to produce more affordable units. Unlike other zones, the Planned Unit Development (PUD) is not required, but rather applied for, to accomplish

innovative developments. Therefore, for a PUD that includes housing that exceeds density limits from the current zoning or comprehensive plan recommendation, city code requires that 10%-15% of the additional units are affordable. The units can be built onsite or provide a payment in lieu contribution to affordable units (Unified Development Code (UDC) Section 5.29.F). Currently, the "payment in lieu" fund is expected to receive \$20 million over the next few years that can be used to support the development and/or maintenance of affordable housing units.

Fortunately, in 2020, Ann Arbor voters passed an affordable housing millage for our local government (with 73% approval) to try to fill the gap in state policy. Since 2021, 1,054 income-

⁶ <https://www.voicenews.com/2025/04/25/michigan-house-passes-proposal-to-expand-land-units-for-housing/>

⁷ https://www.planningmi.org/aws/MAP/asset_manager/get_file/886922?ver=0

⁸ <https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-123-411>, Public Act 226 of 1988.

⁹ <https://mmi.org/pdf/opp/FSHeadlee&Plus2021.pdf>

eligible affordable housing units for households that earn 60% or less of the 2024 area median income (\$71,700 for a four-person household) are in varying stages of the development process: 16 acquired, 363 under construction, 566 applying for site plan and funding, and 109 planned for a phase 3.¹⁰ Since 2021, income-eligible affordable housing not funded by the millage has produced a total 121 units to date.

The benefit of local funding is that the units remain affordable permanently; in contrast, affordable units built by private developers using the Low-Income Housing Tax Credit program can be rented at market rate after 15 years.

What does affordable mean?

The term refers to housing that can only be rented or sold to households meeting income eligibility requirements. The metric to determine eligibility is if a household earns below levels correlated to the area median income. In this plan, we will use the term "income-eligible affordable housing" when referring to housing that is legally restricted to income qualified households. Due to high housing costs, many households earning more than median incomes struggle to find housing in Ann Arbor. In this plan, the term "affordable housing" will refer to the City's goal to provide housing options for every income bracket.

Other Contributors to the Ann Arbor Housing Market

Property Taxes

In Michigan, due to the passage of Prop A, growth in property taxes is limited to the rate of inflation or 5%, whichever is less, until ownership of the property is transferred. When ownership is transferred, the property's taxable value is uncapped, and property taxes often increase to reflect the assessed value in the year following the sale.¹¹ For those who have lived in their homes for a long time, the prospect of paying property taxes at the full rate on a new, even smaller home disincentivizes downsizing. If empty nesters stay in their current homes to avoid paying the "uncapped" taxes on a newly acquired property, generational housing turnover is stifled. If appropriate housing options don't exist for residents as they move through their life cycle, they often remain stuck in their home, which prolongs the scarcity of housing for those who would like to enter the market.

University of Michigan School Enrollment

The University of Michigan's popularity abounds as evidenced through increasing enrollment rates. After years of steadily growing enrollment, it set a record in 2024 at 52,855 students.¹² And while the university is spending \$631 million on 2,300 beds on the former Elbel Field, this is its first new residence hall for first-year students since 1963. While the investment in new development is heartening, this new construction occurs in tandem with demolitions of older housing units, thereby partially offsetting these gains.¹³ According to the Director of Housing,

¹⁰ Housing Commission

¹¹ https://www.canr.msu.edu/news/a_refresher_on_proposal_a_and_local_property_taxes

¹² <http://michigandaily.com/news/administration/umich-student-enrollment-reaches-record-high-in-fall-2024/#:~:text=The%20University's%20fall%202024%20enrollment,decrease%20from%20the%20year%20prior.>

¹³ <https://record.umich.edu/articles/regents-approve-site-prep-for-student-housing-historic-home-relocation/>

Rick Gibson, demand for student housing continues to exceed supply. This leaves the city to house many students after their guaranteed first year housing ends. As many as 72% of students currently live off-campus.¹⁴ In effect, they compete for limited housing supply in the Ann Arbor area that drives up rents and removes units from the market for non-students.

Developable Land

The city's development pattern has reached its physical borders. While previous generations could develop outward with fewer potential conflicts, present-day development must be built on infill parcels, in or near established neighborhoods. Herein lies the tension of a mature city and major employment center: most new development will have established neighbors with varying levels of interest in change.

Some regional land use decisions contribute to the development pressure on the city's infill lots. The Greenbelt Millage authorized a 30-year, 0.5 mil tax to fund the preservation and protection of open space, natural habitats, and agricultural lands outside of the city's boundaries. Since going into effect, it has protected over 7,700 acres of working farmland and open space.¹⁵ While this serves important goals of protecting local farmland, natural areas, and the watershed, it reduces the supply of residential land in Washtenaw County and forces Ann Arbor to grow up, not out, to accommodate this demand. The townships adjacent to the city have planned for many of their residential areas to continue with lower densities with one dwelling per one or two and half acres that will likely not have a significant impact on supply. Under current zoning code, when township islands, historic districts, floodplains, public land and right of ways, and current single family and duplex zoning are removed from consideration, less than 13% of land is available for major new housing development.

History of Zoning in Ann Arbor

Zoning impacts housing supply. While not everything that is permitted by zoning is built, it is true that if it is not permitted through zoning, it cannot be built. In that sense, zoning is an enabling tool that does not guarantee outcomes. For example, in 2021, the City created and rezoned over one square mile of area along major corridors to a new Transit Corridor zoning designation that intends to provide wide use flexibility, transit-supportive forms of development, and unlimited floor area (restricted by contextually mandated high limits). This zoning framework is intended to limit auto-centric forms of development, while providing flexibility to reimagine surface parking lots into places for people. To date, just one site plan has been submitted (not yet approved) and no development has been constructed in these areas. Although, other factors have a significant influence over whether a project is completed: cost and availability of land, design and engineering, construction, materials, labor, capital; infrastructure; and profitability,

Historically, zoning was a tool to separate land uses of different kinds to avoid conflicts or nuisances caused by incompatible combinations. During the early part of the 20th-century cities used zoning rules to separate residences from the sounds and odors produced by heavy industry. But cities also used zoning provisions to establish distinctions *within* the residential

¹⁴ <https://www.michigandaily.com/opinion/housing-from-the-daily-build-santa-build/>

¹⁵ https://www.a2gov.org/media/43idqnza/fy24_annual-report.pdf

category—effectively setting apart land uses of the *same* kind. Multi-family housing was separated from single-family housing and areas of more- and less-expensive single-family homes arose by establishing larger and smaller minimum lot size requirements. These various provisions proved to segregate households by income, race, and housing tenure status. Zoning in Ann Arbor is included in this broader national trend.

Ann Arbor's first zoning ordinance and map was adopted in 1923 creating four zones, two residential and two nonresidential. Both residential zones allowed single-family homes and two-family homes (duplexes). The height limit in the residential zones was 40 feet. By 1941, the zoning ordinance expanded to include six residential districts: two exclusive single-family districts and four allowing single-family and two-family homes. The height limit in the residential zones was reduced to 35 feet and a minimum lot size of 5,000 square feet was introduced.

In 1963, the original zoning ordinance (as amended over the years) was repealed and a new zoning ordinance was adopted. This ordinance included distinctions *within* single-family residential districts as well as two-family and multiple-family districts. At the time of its adoption, the zoning ordinance provided four single-family residential districts (R1A, R1B, R1C and R1D), two two-family residential districts (R2A and R2B), and four multiple-family residential districts (R4A, R4B, R4C and R4D). As popular at the time, restrictions were hierarchical. For example, a single-family home could be built in a multiple-family district, but not the other way around. But the pyramid-style hierarchy only worked one way and there were three separate pyramids – one for residential, one for commercial, and one for industrial. Residential uses were not permitted at all in the commercial or industrial districts.

Although over time the strict hierarchy was loosened as outlined below, the fundamental principles of segregating land uses into distinct districts across and within categories can still be seen today. This is because the current Unified Development Code has its roots in the 1963 Zoning Ordinance, consolidating that ordinance (as amended through 2019) with all or part of nine previous chapters of city code plus certain adopted regulations¹⁶, all concerning land use and land development. Significant evolutions in zoning regulations and planning efforts impacting residential development since the adoption of Chapter 55 in 1963:

- 1963: Four single-family zoning districts established, requiring minimum lot sizes of 5,000 square feet, 7,200 square feet, 10,000 square feet, and 20,000 square feet. Height limits were, and remain, 30 feet.¹⁷
- 1960's: "Slash R" districts established to permit residential uses in previously exclusive commercial districts. C1A/R (Campus Business Residential), C2A/R (Commercial Residential), and C2B/R (Business Service Residential) were created as companions to the C1A (Campus Business), C2A (Central Business) and C2B (Business Service) districts.

¹⁶ Sections of Chapter 47 (Streets and Curb Cuts), Chapter 56 (Prohibited Land Uses), Chapter 57 (Subdivision and Land Use Controls), Chapter 59 (Off-Street Parking), Chapter 60 (Wetlands Preservation), Chapter 61 (Signs and Outdoor Advertising), Chapter 62 (Landscaping and Screening), Chapter 63 (Soil Erosion and Sedimentation Control), Chapter 104 (Fences), and the Land Development Regulations including Attachments A, B, C and D.

¹⁷ 1963 Zoning Ordinance

- 1987: R4C (Multiple-Family Dwelling) district, heights were reduced from 60 feet to 30 feet, and increased front setbacks increased from 15 feet to 25 feet. R4A (Multiple-Family Dwelling) district minimum lot area expands from 30,000 square feet to 43,560 square feet.¹⁸
- 1992-1994: Portions of Belize Park/Summit Street the Old West Side, Hoover/Davis, Dewey/Packard/Brookwood, Prospect/Wells, Krause/Third and Golden Avenue were studied for rezoning from R4C to R2A as recommended by the Central Area Plan. Of these, Belize Park/Summit Street was rezoned.
- 1994: Premiums first offered (bonus floor area in commercial districts) when residential use is provided.
- 2008: “Lower Burns Park” studied for rezoning from R4C to R2A as recommended by the Central Area Plan and directed by City Council resolution following neighborhood petition. Golden Avenue area rezoned.
- 2009: Premium options expanded when residential use or affordable housing provided.
- 2011: R1E (Single-Family Dwelling) district created.
- 2016: Accessory Dwelling Units (ADUs) permitted with special exception use approval and significant use restrictions. One proposed and approved.
- 2019: Premium options revised for only when affordable housing provided.
- 2021: Restrictions on ADUs amended. Over 60 have been approved to date.
- 2022: Premiums no longer offered.
- 2022: R2A (Two-Family Dwelling) district minimum lot size reduced from 8,500 square feet to 5,000 square feet, reducing the number of nonconforming lots and expanding opportunities for duplexes while still maintaining low density single family character.

Infrastructure

During the comprehensive planning process, the city is also embarking on two other studies: sanitary sewer collection study and a water distribution study. Because the comprehensive land use plan is a visionary document, its future land use map was designed to be unconstrained by potential infrastructure limitations. Wherever development is proposed for an area where infrastructure capacity is determined to need upgrading to accommodate growth, investments will be programmed into the capital improvement plan as appropriate.

Current estimates of sanitary sewer and water plant capacity were calculated based on growth estimates that represent two to three times the City’s current growth rate of about 650 units per year. The model shows that the city water plant capacity would be reached by 2035 for the low-end scenario of 1,200 new units per year, and by 2034 with the high-end scenario of 1,800 new units per year. For the wastewater treatment plant, there is more time. The low-end scenario would reach capacity in 2050 and the high-end scenario in 2042. As is already the case, the city will review utility capacity for each site prior to approval and when rezoning properties to greater densities will have to account for how the property can be serviced.

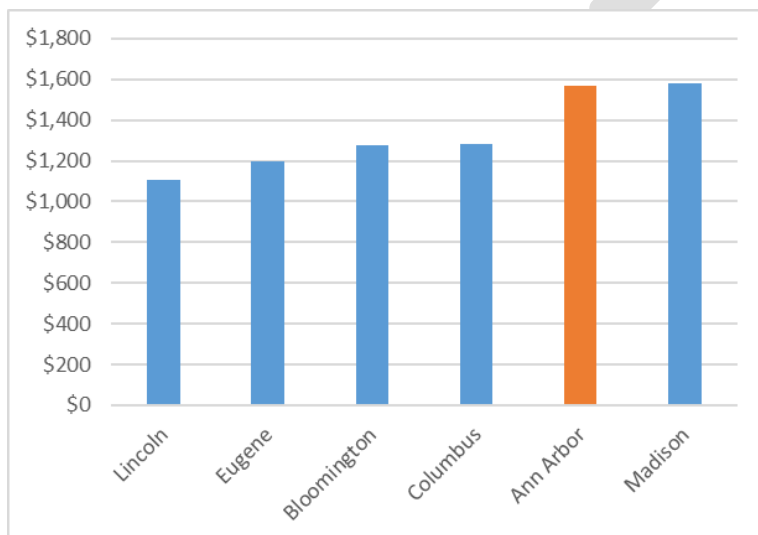
¹⁸ 1987 Memorandum to the Planning Commission “Analysis of C1A/R, C2A/R, and C2R/B Zoning Districts in the Downtown Area.”

Spotlight on Ann Arbor's Housing Market

Rising housing costs are contributing to a demographic shift in Ann Arbor (as in other college towns) from an economically diverse community to an increasingly older, wealthier population. The fact that Ann Arbor is fast becoming a place where working and middle-class families cannot afford to live is an affront to the City's core values of equity, sustainability, and affordability.

Compared to similar-sized college towns across the Big 10, the median rent in Ann Arbor is higher. Ann Arbor is also one of the most expensive cities within the state of Michigan. As one measure of the extent of the crisis for households that qualify for income-eligible affordable housing, the Grove housing development received a staggering 7,000 applications for only 20 available income-eligible affordable rental units in December 2024.¹⁹

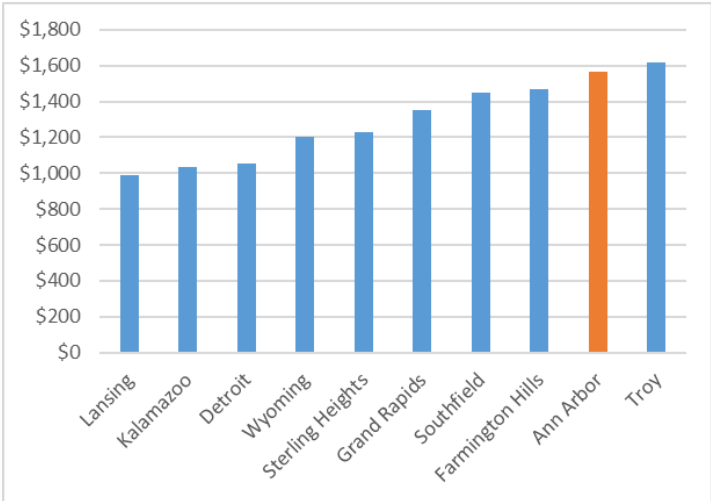
Figure XX: Median Rent for New Leases in Selected Big 10 College Towns



Note: Rental figures are based on the median rent for new leases; latest data as of February 2025. Data was not available for all Big 10 communities. Source: ApartmentList

¹⁹ <https://www.mlive.com/news/ann-arbor/2025/01/nearly-7000-people-apply-for-20-new-affordable-housing-units-in-ann-arbor.html>

Figure XX: Median Rent for New Leases in Michigan Cities

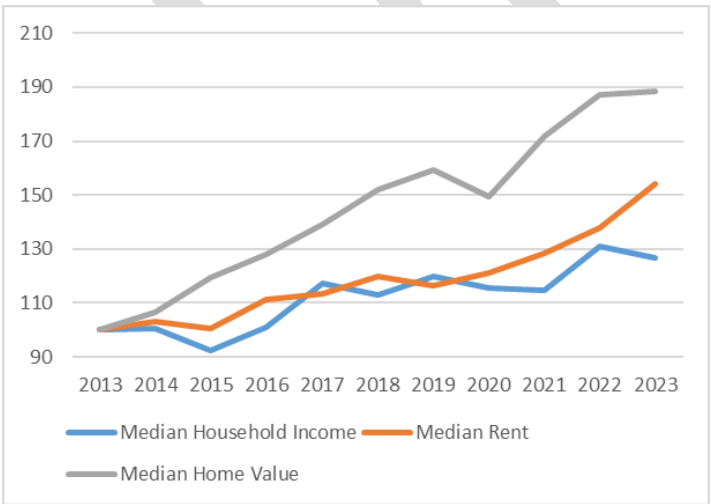


Note: Rental figures are based on the median rent for new leases; latest data as of February 2025. Source: ApartmentList

Cost-Burden

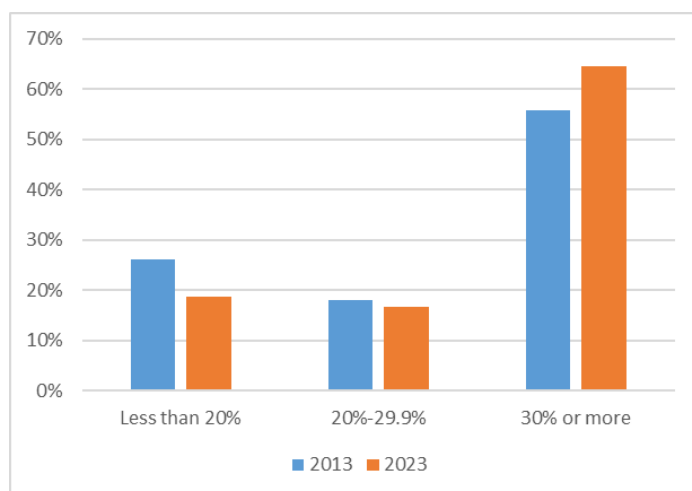
During the past decade, particularly after the onset of the pandemic, housing affordability has worsened. From 2013 to 2023 (the most recent data available), the median household income in the City of Ann Arbor increased by only 27%, while the median apartment rent grew by 54% and the median home value skyrocketed by 88%. As housing costs outstripped income, an increased share of the population struggled to afford rent. Nearly two-thirds of renters in the City of Ann Arbor were considered cost-burdened (defined as spending 30% or more of their income on housing costs) in 2023, an increase of approximately 10 percentage points over 2013. Cost-burdened renters may struggle to save for a future down payment, prolonging the period of renting and preventing the transition to homeownership altogether.

Figure XX: Growth in Income vs. Housing Costs in Ann Arbor, 2013- 2023



Source: Census 1-Yr ACS except 2020, which uses the 5-yr ACS data due to data collection issues during the pandemic

Figure XX: Renters, Percent of Income Spent on Housing Costs, 2013 & 2023



Note: Figures do not round up to 100%, as units where GRAPI cannot be computed were excluded. Source: Census (1-yr ACS)

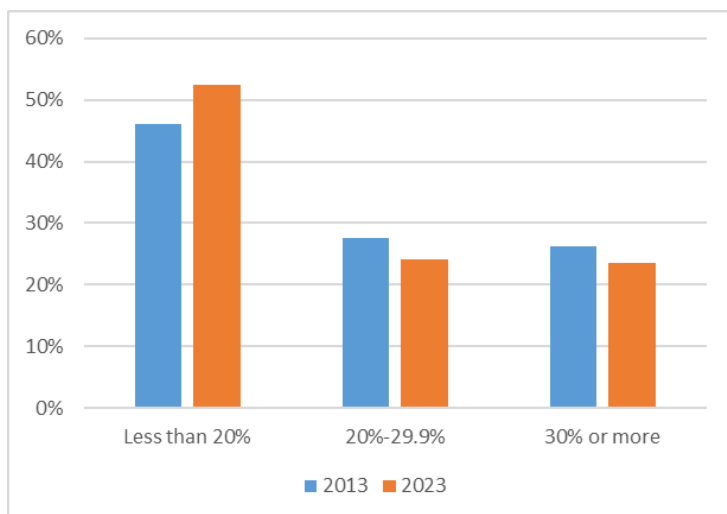
By contrast, homeowners were much less likely than renters to be cost-burdened. Slightly less than one-quarter of homeowners with an active mortgage were spending 30% or more of their income on housing costs. This likely reflects the fact that many homeowners purchased their homes when prices and interest rates were lower. Households attempting to purchase a home in the current environment face significantly steeper monthly costs and are more likely to become cost-burdened. For example, consider a family who purchased a home in the summer of 2019, when the average price was \$400,000²⁰ and the average 30-year mortgage rate was 3.80%.²¹ After a conventional 20% down payment, their monthly payment would be approximately \$2,100. In the current environment, the average home price is \$530,000 and the average mortgage rate is 6.80%, leading to an estimated monthly payment of \$3,600.²² In less than six years, the monthly cost of the same home grew more than 70%, by \$1,500 per month, while the down payment also increased by \$26,000.

²⁰ <https://www.zillow.com/home-values/8097/ann-arbor-mi/>

²¹ <https://fred.stlouisfed.org/series/MORTGAGE30US>

²² <https://smartasset.com/mortgage/mortgage-calculator#g5MSXchXMO>

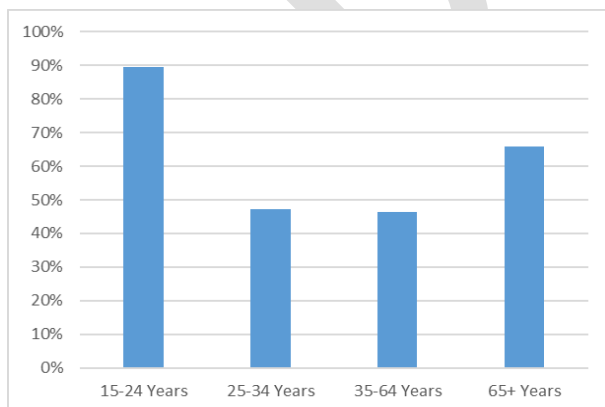
Figure XX: Homeowner, by Proportion of Income Spent on Housing Costs, 2013 & 2023



Note: Figures may not round up to 100%, as units where SMOCAPI cannot be computed were excluded; data only includes homeowners with a mortgage. Source: Census (1-yr ACS)

A common perception is that most cost-burdened households in Ann Arbor are students, who may have family support, scholarships, or student loans to help them with living costs. Notably, however, cost-burdens are high across all age categories. Even among households in their peak earning years (35-64), nearly 50% of renters struggle to afford their housing. Two-thirds of senior citizen renters are cost-burdened.

Figure XX: Share of Cost-Burdened Renter Households, by Age, 2023



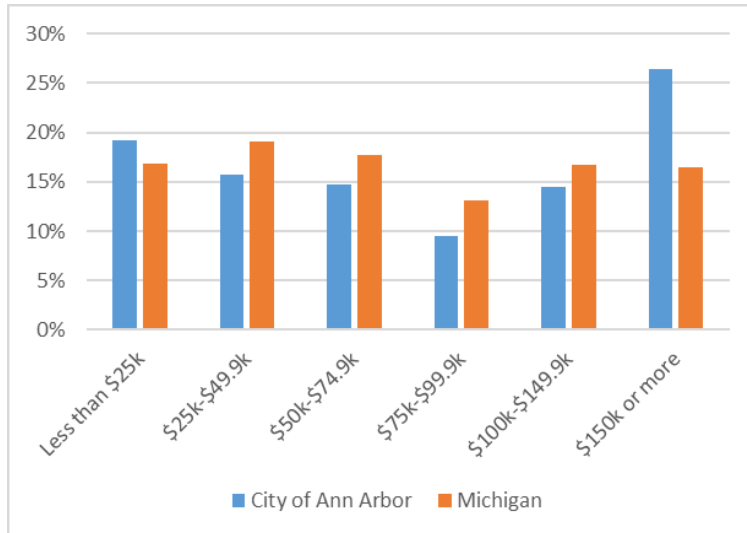
Source: Census (1-yr ACS)

Missing Middle Income

Ann Arbor has become financially unfeasible for many working and middle-class families. Relative to the state average, residents in Ann Arbor are disproportionately likely to be very low income (earning less than \$25k per year), or very high income (earning more than \$150,000 per year). While this inequality may partially be explained by the university's higher wages and the large student population, the trend has worsened over time. Since 2013, the number of households in each income category declined or stagnated, except the highest-income bracket

of \$150,000 or more, which nearly doubled in size, increasing by more than 6,000 households. However, despite these workers being the backbone of the local economy, and providing vital services to the community, many households in this income category cannot afford to live where they work.

Figure XX: Income Distribution, 2023



Source: Census (1-yr ACS)

Figure XX: Change in Households by Income Category in Ann Arbor, 2013-2023

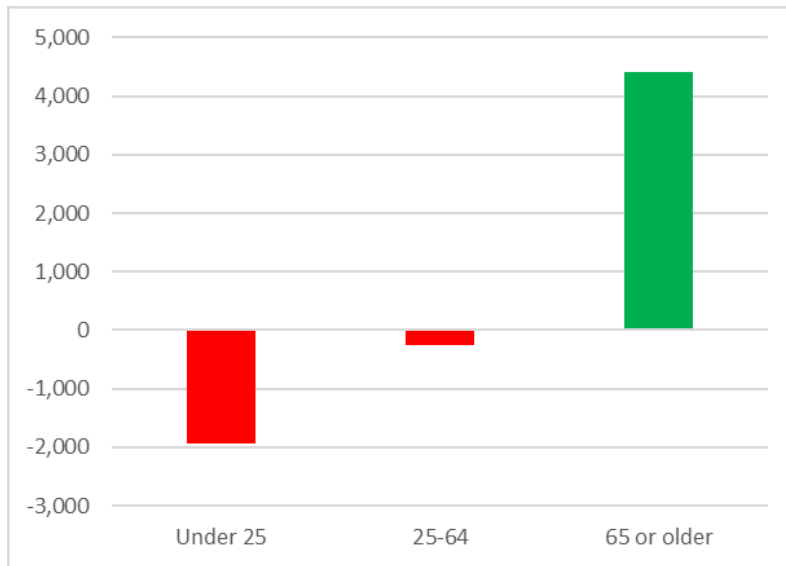


Source: Census (1-yr ACS)

As middle-income households are increasingly priced out of Ann Arbor, there is a risk that this income category could hollow-out over time. Already, many individuals in the prime “working age” category (25-64) are leaving Ann Arbor with their families, some for an attainable housing market. This is a likely factor in population stagnation and may be a contributor to the enrollment

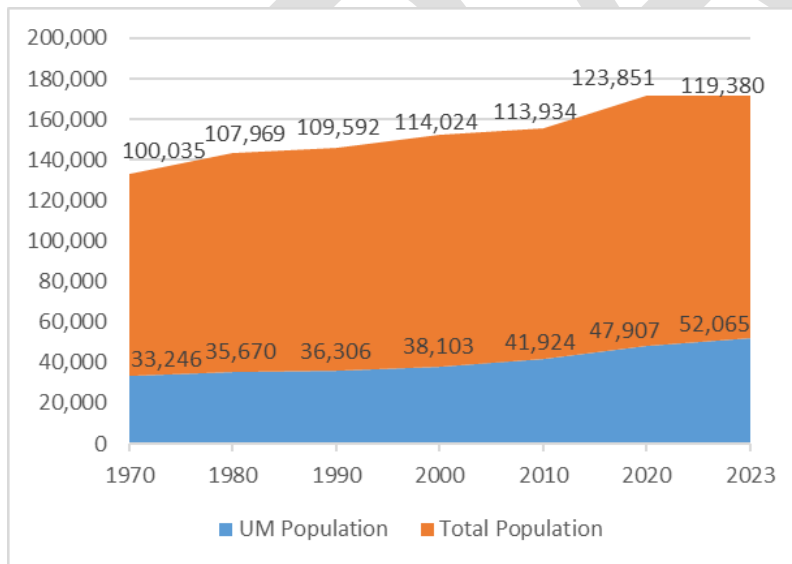
decline in Ann Arbor Public Schools.²³ If this trend continues, the loss of essential workers could skew the population towards the retirement-aged cohort could result in economic stagnation.

Figure XX: Residents by Age Category in Ann Arbor, 2013-2023



Source: Census (1-yr ACS)

Figure XX: Ann Arbor Population Over Time, 1970-2023



Note: UM enrollment data includes undergraduates, graduates, and professional degree students. Sources: Census (1-yr ACS), Decennial Census, University of Michigan Enrollment Reports

https://obp.umich.edu/wpcontent/uploads/pubdata/factsfigures/enrollment_uma.pdf

While there are some housing options available for the very lowest and highest income brackets – through the City’s affordable housing millage and the market’s propensity to build at the very

²³ <https://www.mlive.com/news/ann-arbor/2024/12/enrollment-decline-slowing-in-ann-arbor-schools-now-they-want-to-know-why-families-leave.html>

top end of the market – there are a dearth of middle-range, market-rate options for middle-income households. These middle-income households (defined as those earning \$46,000 to \$138,000 annually for the state of Michigan)²⁴ are those who could benefit the most through the development of missing middle housing.

What is Missing Middle?

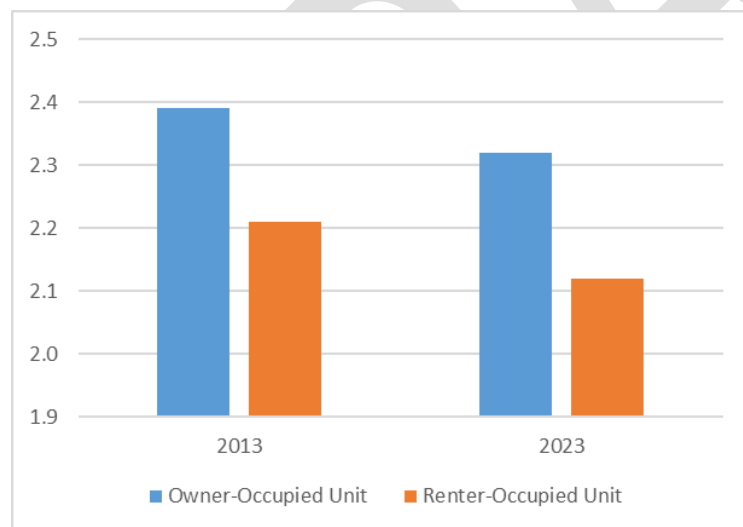
Missing middle refers to housing structures that fill the gap between single-family detached homes and high-rise buildings. These are often market-rate units that are compatible in scale and form to detached single-family homes. They may include structures such as duplex, triplexes, quadplexes, ADUs, cottage housing, row houses, garden apartments and other smaller single-family homes.

Source: <https://missingmiddlehousing.com/>

Housing Type and Household Characteristics

Not only is there a shortage of housing, but the existing housing stock is misaligned with demographic realities. As of 2023, the average household size was only 2.1 for renters and 2.3 for homeowners, a decline from previous years. Changes to household size and composition in recent years partially reflect young adults opting for smaller family sizes compared to previous generations and households becoming empty nesters.

Figure XX: Household Size in Ann Arbor, 2013 & 2023



Source: Census (1-yr ACS)

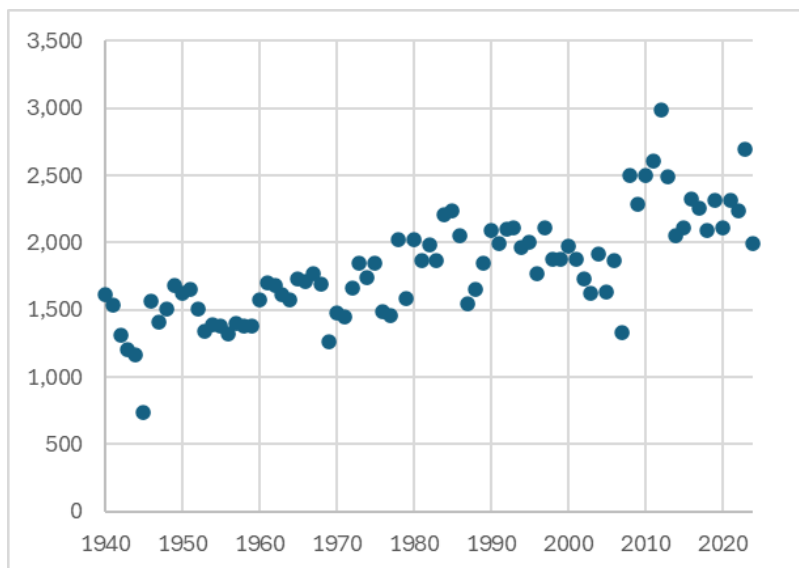
Despite that household size for both homeowners and renters has been shrinking over time, home sizes have increased during the same period. The highest proportion of housing stock in Ann Arbor remains detached single-family homes, and the average size of those homes has increased by several hundred square feet between 1940 and 2024.²⁵ As household composition

²⁴ <https://smartasset.com/data-studies/middle-class-2025>

²⁵ Ann Arbor Assessing Data

changes, different types of housing units are needed to suit a household's needs, for example, the type and size of unit, lot size and maintenance, stairs, proximity to different services, among many other factors, based on age, income, ability, and household composition.

Figure XX: Average Size of Single-Family Homes, 1940-2024

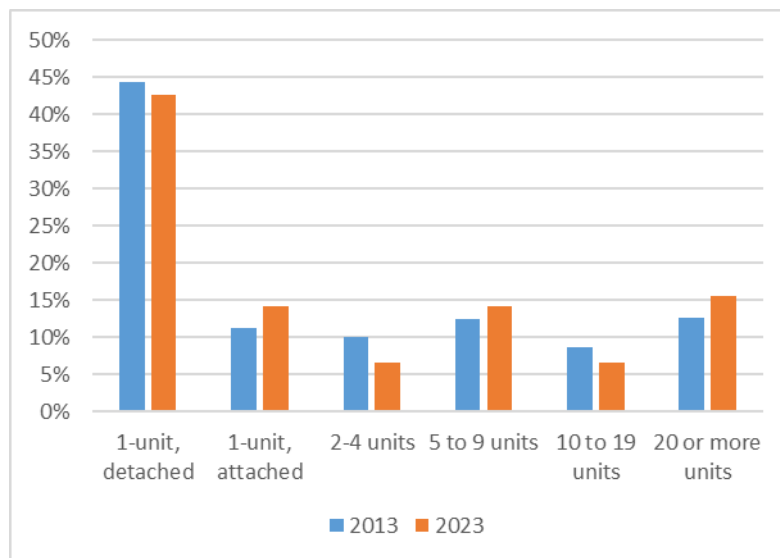


Source: City of Ann Arbor Assessor's Office

Shrinking household size often stems from household growth. Imagine, when a child leaves his/her/their family home for college. Two units are now needed to house three people, instead of one unit. This is known as household formation. Census data shows that since the onset of the pandemic, the number of households in Ann Arbor increased by 7.1%. Yet during the same period (2019-2023), the number of housing units built in a year declined by 2.3%. Even as population growth stagnates, household formation continues to put pressure on the housing market. Figure XX illustrates two-to-four-unit homes have shrunk as a percentage of the city's housing stock. Under the current zoning regulations, three or more units are considered multi-family and are permitted in only about 14% of the city's land.²⁶ This is a trend moving away from the missing middle options that could be more favorable to smaller households.

²⁶ City of Ann Arbor, Land Use Zoning – Zoning and FLU Breakdown Spreadsheet

Figure XX: Homes by Structure Type in Ann Arbor, 2013 & 2023

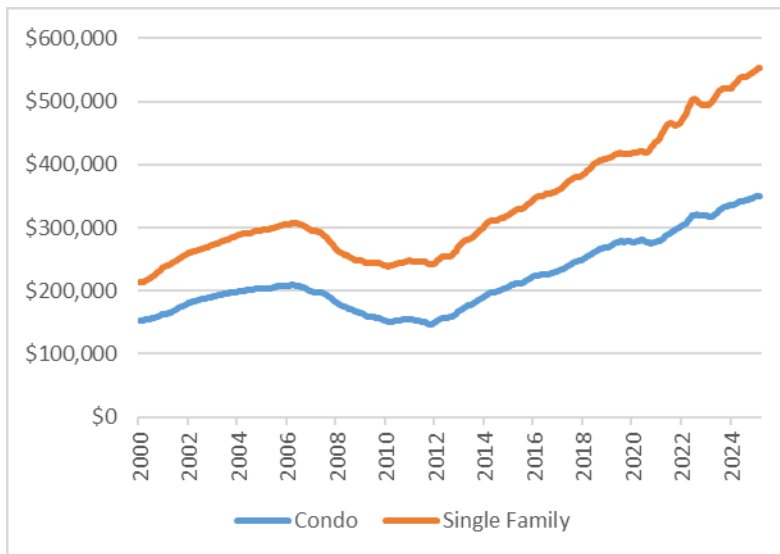


Note: Figures do not round up to 100% due to an "other" category, including RVs, boats, etc. Source: Census (1-yr ACS)

Two-to-four-unit homes offer advantages that may be appealing to smaller households with less need for space. They are generally easier and less expensive to maintain. Purchase prices of multifamily units are also generally lower than single family homes. Figure XX shows that as of early 2025, the median condo in Ann Arbor was nearly 40% less expensive than the median single-family home. While this discrepancy may partially reflect selection bias, as condos and single-family homes are often located in different neighborhoods, Figure XX shows that single family homes are generally still more expensive than multifamily options when controlling for the neighborhood.

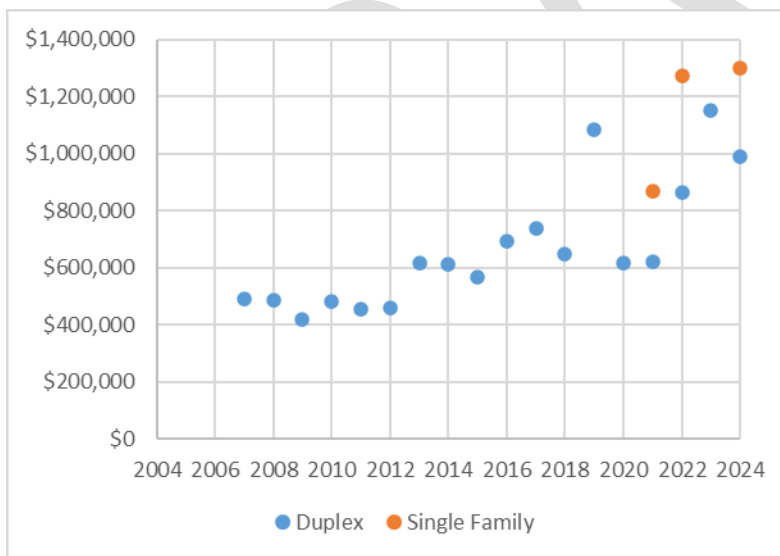
Figure XX also shows that turnover for multifamily options is generally higher than single family homes, even as homeowners. From 1990 to 2024, 23 units in multifamily structures sold 35 times, whereas the 11 single family homes in the neighborhood sold 5 times. Higher turnover rates may indicate that households are using multifamily units, such as duplexes and condos, as starter homes to build equity before eventually moving on to their forever home. Multifamily homes might therefore be an important first step in helping households get on the property ladder.

Figure XX: Sales Prices of Condos and Single-Family Homes in Ann Arbor, 2000-2024



Source: Zillow

Figure XX: Average Duplex and Single-Family Home Sale Price in the West Side, 2004-2024



Source: City of Ann Arbor Planning Department

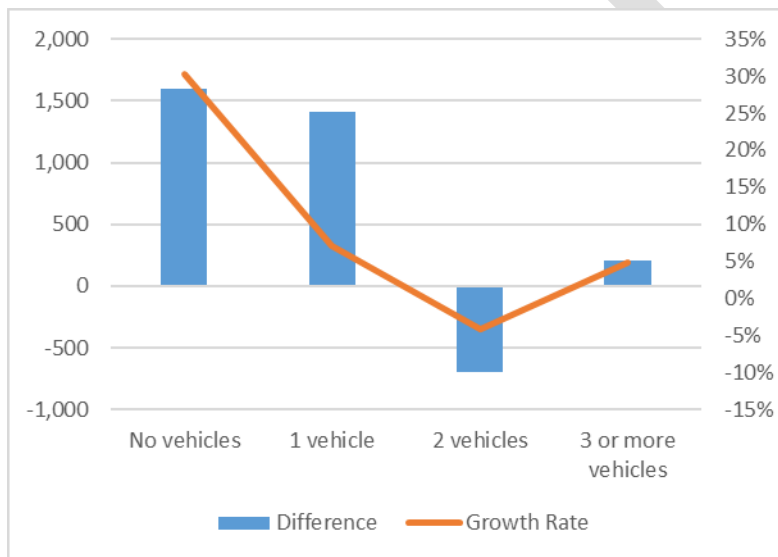
Transportation Preferences

In addition to household size and structure, other preferences have also changed. A growing number of households in Ann Arbor have zero or one car. The number of households with two cars has decreased and the number of households with three cars has remained stable. This change partially reflects generational preferences, as Millennials and Gen Z are growing more

interested in car-free or car-minimal lifestyles.²⁷ In fact, more teenagers and young adults are eschewing driver's licenses altogether; in the state of Michigan, only 56% of age-eligible teenagers had a driver's license in 2021, compared with 66% in 2000.²⁸

While the transition away from cars is driven by the younger generations, it is also true that a significant portion of this population stop driving as they age (11% of those over age 65, and 41% of those over age 85).²⁹ Worse, there may be some individuals who can no longer drive safely but continue to do so, potentially due to lack of alternative transportation options. An excessively car-centric environment can immobilize elderly and disabled people. To ensure that the City remains accessible to all residents, it is important to offer a variety of transportation options, including driving, walking, cycling, and public transit, that suit a variety of needs, ages, and preferences.

Figure XX: Households in Ann Arbor by Number of Vehicles Owned, 2013 & 2023



Source: Census (1-yr ACS)

Emissions

There are also environmental concerns related to suburban style development. Due to high housing costs, workers employed within the City are increasingly seeking housing outside the city limits with longer commutes. These long commutes result in higher emissions. According to data from the Housing + Transportation Affordability Index from The Center for Neighborhood Technology (CNT), the average household in Ann Arbor emits 4.05 tonnes annually from auto use.³⁰ In comparison to cities that generate the most commuters to Ann Arbor, Ann Arbor households have the lowest emissions, except Detroit. Table XX emissions are commonly lower in larger cities largely due to the availability of other transit modes and shorter commutes. In

²⁷ <https://theweek.com/tech/gen-z-cars-driving-less>

²⁸ <https://www.bridgemi.com/talent-education/more-michigan-teens-hit-brakes-learning-drive#:~:text=More%20Michigan%20teens%20hit%20the%20brakes%20on,be%20disproportionately%20impacting%20Black%20and%20low%20income%20teens.>

²⁹ <https://www.nhtsa.gov/book/countermeasures-that-work/older-drivers>

³⁰ <https://htaindex.cnt.org/fact-sheets/?lat=42.281424&lng=-83.748499&focus=place&gid=13121#fs>

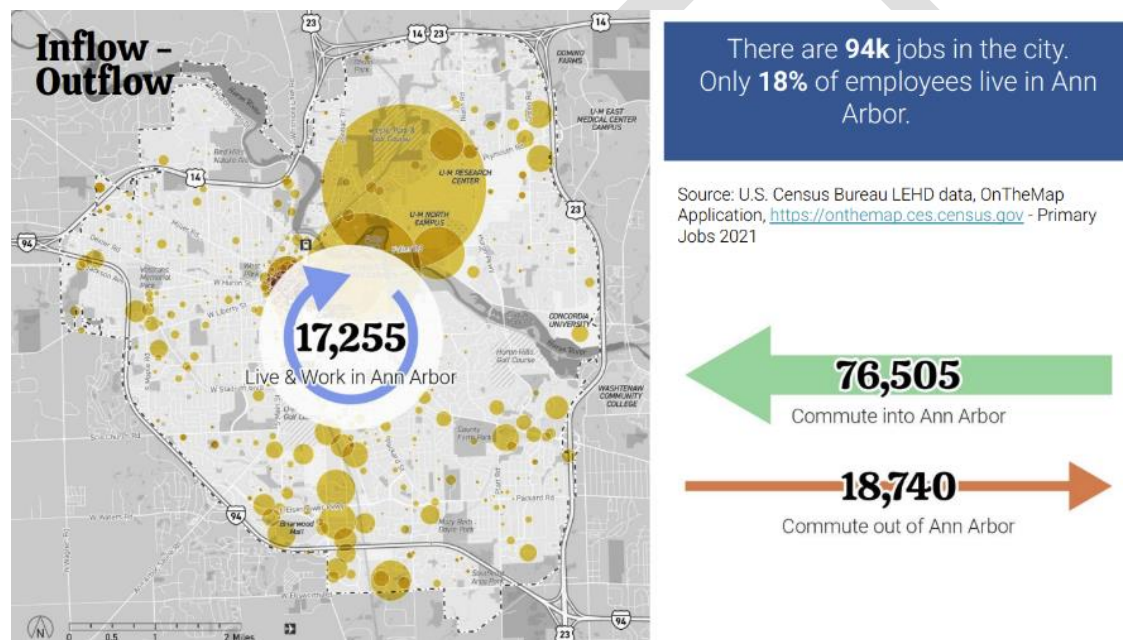
accordance with the A2ZERO goals of reducing vehicle miles traveled by 50%, increased density helps achieve that.

Table XX: Emissions from Auto Use

Commuter Cities	Emissions from Auto Use, by Tonnes
Ann Arbor	4.05
Detroit	3.53
Livonia	6.00
Saline	6.36
Westland	4.81
Ypsilanti	4.15

Source: On the Map and Center for Neighborhood Technology Fact Sheet

Figure XX: Ann Arbor Commuters, 2021

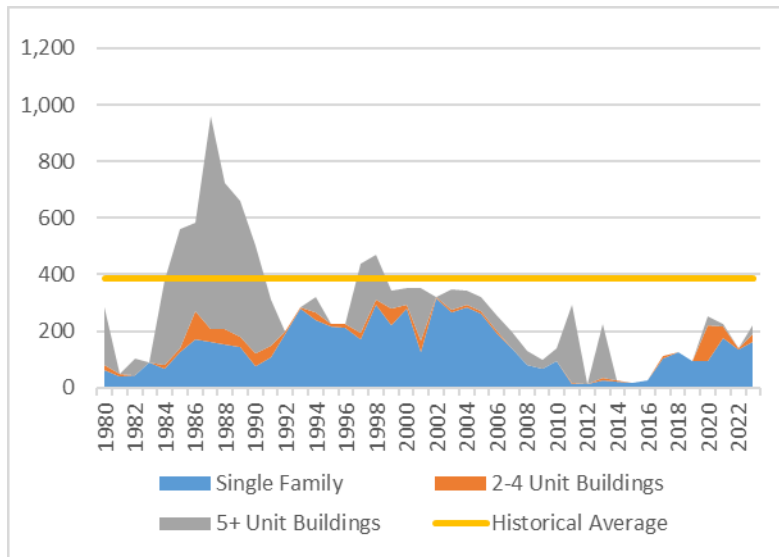


Housing Permits

Currently, the vacancy rate for owner-occupied units is only 1.1%; for renter-occupied units, the vacancy rate is 3.1%. Tight market conditions contribute to rapid cost growth, as prospective buyers and renters have to compete to access the limited number of available homes. In a healthy housing market, vacancy rates are typically between 5%-8%.

Looking at the City's development history, residential permit issuance in Ann Arbor began to drop off after the turn of the 21st century, with a steeper decline after 2008. From 1980 to 1999, the City of Ann Arbor permitted an average of 385 new housing units per year; from 2000 to 2023, the City permitted an average of only 193 units, leading to a deficit of about 4,000 housing units. While permitting has increased somewhat in the past decade, the pace of permit issuance is still far below the historical average.

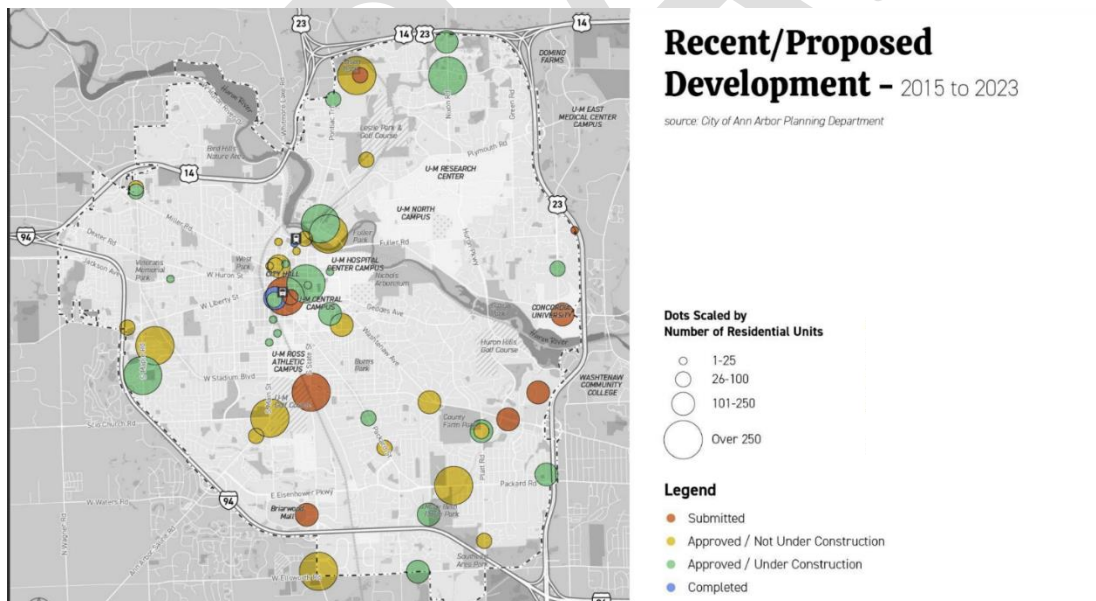
Figure XX: Permitting History in Ann Arbor, 1980-2023



Note: "Historical average" refers to 1980-1999 Source: HUD

Recent development activity has primarily been concentrated in the downtown area near the University of Michigan campus, with some additional activity in hub areas. There is still opportunity to add new housing units throughout the entire City.

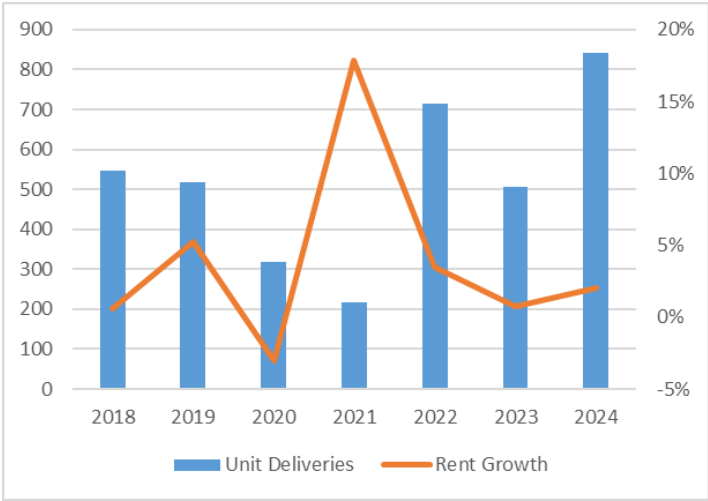
Figure XX: Recent/Proposed Development, 2015-2023



New housing units will likely, at first, be priced higher than the average market-rate unit. Due to financial feasibility concerns of low-end and middle-range projects, developers have typically prioritized building high-end units. Subsequently, when communities experience an increased rate of new development, many of these new units are likely to be concentrated in the high-end market, which may lead to higher average housing costs in the short-term. Even still, recent

history has shown that more housing construction of *all types* – from single family homes to luxury apartments – is associated with a slower pace of rent increases. While there are many other factors that influenced rental pricing in recent years, including pandemic-related changes to demand, higher supply generally helps moderate housing costs, holding all else equal.

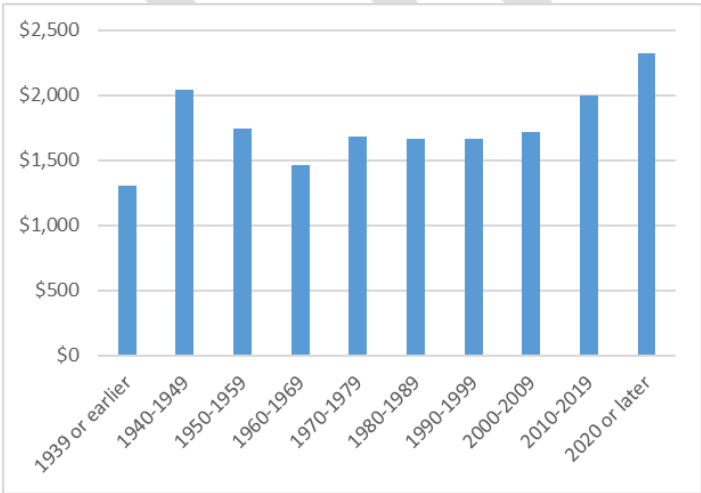
Figure XX: Annual Number of Units Built and Apartment Rent Growth, 2018-2024



Sources: ApartmentList, City of Ann Arbor Certificate of Occupancy data

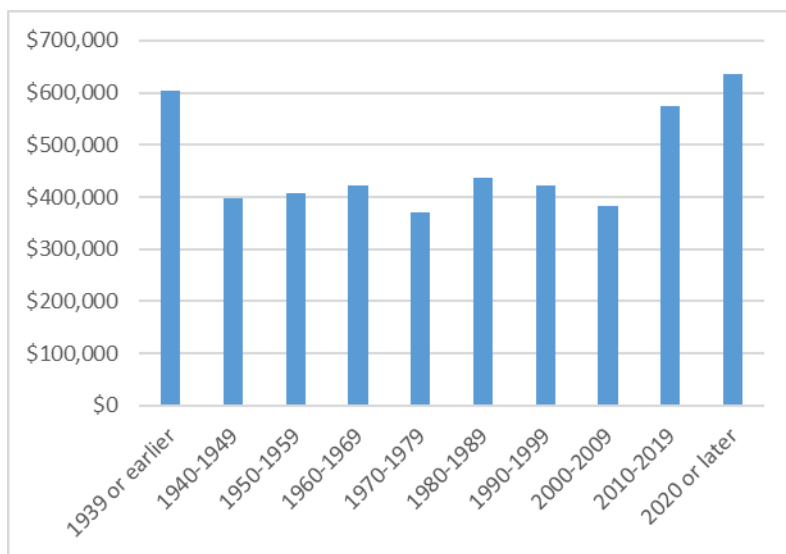
As these high-end units age, they tend to become less expensive over time. Notably, according to 2023 Census data, rental units that were built between 2010-2019 were, on average, 14% less expensive than units built after the year 2020. In fact, one of the reasons why housing costs are so high in Ann Arbor is that very few units were built in the 2006 to 2016 period. Some of those units would by now have aged into financial attainability for differing income groups. Ultimately, creating more development now is a long-term investment in the affordability of the City.

Figure XX: Median Gross Rent by Year Structure Built



Note: Renter-occupied housing units only. Source: 2023 1-yr ACS (Census)

Figure XX: Median Value by Year Structure Built, 2023



Note: Owner-occupied housing units only. Source: 2023 1-yr ACS (Census)

Proposed Action

As a part of the Comprehensive Land Use Plan, a set of recommendations are outlined to achieve the plan's goals. The recommendations will be based on data, best practices, studies, and community input. Below is a summary of studies and reports; for a more detailed summary, please visit the [Draft Summary of Housing Literature Review](#).

Literature Review

The evidence is clear. Housing in Ann Arbor is out of reach for many people who would like to live here. Questions remain: Is housing unaffordability a land use problem? How have zoning and other land use policies contributed to creating it? How might rezoning and other reform help mitigate it? According to the most up-to-date research, overly restrictive land use policies have increased the cost of housing in the US by keeping cities smaller than they would otherwise have been. As cities experiment with lifting those restrictions, those experiments have sparked a burst of scholarship on important questions that come up in community conversations over land use reform:

- Does building additional housing supply at market rates make housing more affordable?
- How does the addition of housing supply at various scales—duplexes, triplexes, or row-house style in detached single-family districts, or taller apartment buildings along transit corridors—affect the surrounding neighborhood?
- Are today's skyrocketing housing costs an effect of overly restrictive zoning codes? If they are, why assume that reducing zoning restrictions would *reverse* those effects?

Overview of Research Findings

This literature review surveys recent, frequently cited US-based research on housing affordability and land use reform. There is widespread, evidence-based agreement among researchers that building new market-rate housing commonly stabilizes and sometimes reduces housing prices *across a metro area*. The neighborhood-level effects of supply-side housing policy require further study; researchers have only recently developed sufficiently fine-grained data and complex models to observe them. Studies of different contexts have yielded varying results.

Overview of Policy Suggestions from Peer-Reviewed Research

While experts acknowledge that the housing market is subject to many forces that lay outside of a city's control, they also agree on the following:

Doing nothing is not an option. When cities decline to reform overly restrictive zoning codes, or when they add new restrictions, supply declines and housing becomes even less affordable.

Zoning is not enough. Cities that value economic diversity cannot rely *exclusively* on zoning to address affordability concerns. They must also provide direct, immediate relief from rent inflation for the lowest-income households by funding the creation of income-eligible affordable housing and protecting those households against displacement. Additional measures beyond zoning include re-evaluating fees, building codes, and review processes that also slow housing production and raise costs that are passed on as rents or cost increases.

Increasing housing supply helps. Increasing density is one way to increase supply. When more housing options are available, rents and housing prices stabilize. Even when new units are built at higher prices, they eventually age into affordability over time.

Change is slow: zoning amendments can make change possible but cannot make it happen. When cities zone for greater housing density, many fewer parcels see redevelopment than are rezoned for it, especially where parcels are already developed; when the costs of loans, labor, and material are high; and when building codes and permitting processes are not aligned with pro-housing policy.