

Summary

City Council's [goals](#) for the comprehensive plan focus on simplifying the zoning code and addressing Ann Arbor's acute housing shortage. [Experience from other cities](#) shows that arterial corridors, rather than established neighborhoods, hold the greatest potential for increasing housing supply. In Ann Arbor, these corridors include West Stadium, South State, South Industrial, Washtenaw, Plymouth, and North Main. However, the [current version](#) of the future land use map suggests that in three of these six potentially productive corridors, housing would either be completely banned or face stricter restrictions than current zoning.

For these reasons, we suggest asking the consultants to remove the three proposed districts that limit housing: "Hub-Innovation" (which limits housing to 30 percent of the district), "Hub-Retail," (which limits housing by imposing ground-floor retail requirements), and "Employment Non-Residential" (which bans housing entirely).

Why Eliminate these Districts?

Since we wrote our [Employment District Memo](#), the consultants have [argued](#) that banning housing in the "Employment Non-Residential district," and restricting it in the "Innovation" and "Retail" districts, will make the economy of Ann Arbor more diverse by preventing housing from crowding out jobs.

We believe these arguments are contradicted by the evidence, and that allowing housing without these restrictions will—in addition to adhering to City Council's mandates—attract employers, increase the economic diversity of Ann Arbor, and enlarge the tax base.

Space For Jobs

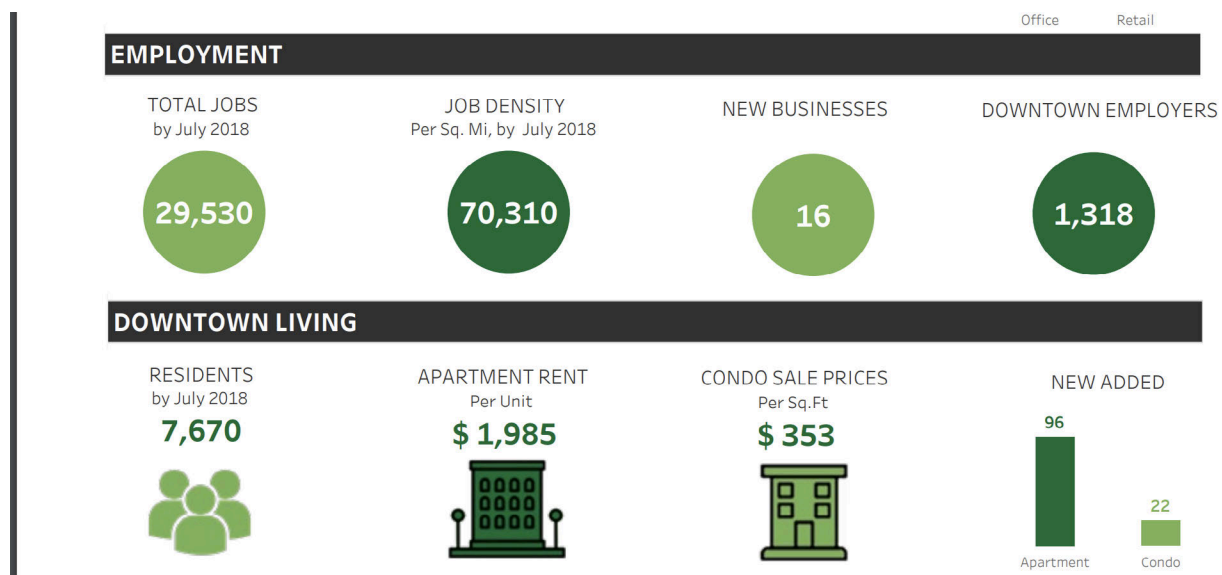
The consultants have [argued](#) that allowing housing without restriction in commercial and industrial corridors will lead to so much housing construction that there won't be any space left for jobs, and residents will have to do a "reverse commute" out of the city to their workplaces.

This prediction is inconsistent with the last several decades of Ann Arbor history, in which very little housing was built in our commercial corridors, despite both the C and TC-1 zones allowing housing by-right.

The argument also assumes that new housing destroys jobs by taking up space that would otherwise be used by businesses. But housing also provides customers and employees for businesses. Which effect is more important: The competition for space effect, or the customers and employees effect?

If the competition for space effect were more important, then areas with high population densities would have low job densities, because housing would crowd out space for jobs. But in fact, the opposite result can be seen in Ann Arbor. The area with the highest density of residents—downtown—has the highest density of jobs.

The Ann Arbor Downtown Development Authority's [2019 report](#) states that there are about 7,600 residents living downtown, and roughly 29,500 jobs. An earlier [2017 report](#) states that roughly half of these jobs are non-university jobs.



From the DDA's 2019 State of the Downtown Report

This [SEMCOG map tool](#) shows that the employment density in the heart of downtown is about 4-5 times higher than in South Industrial and Research Park, even though the latter two areas forbid housing, supposedly freeing up space for jobs.



After excluding Education and Healthcare services—sectors that the University of Michigan likely dominates—downtown still provides 3-7 times more jobs per acre than South Industrial and Research Park.

The comparison shows that dense mixed-use areas can provide more jobs per acre than districts that ban housing. This possibility should not be surprising, since people move to cities to find jobs, and employers tend to open businesses where there are already customers and employees.

Economic Diversity



If housing were built on some of the vacant lots in Research Park (left), or in place of storage lockers on South Industrial, the area would be more attractive for employers, not less.

Office parks in the proposed employment district already advertise their closeness to neighborhoods and retailers as a selling point. More housing, shops, and daycare centers would make South Ann Arbor an even more attractive place to locate new businesses.

Class A Office Space



LISTING DETAILS

100 Phoenix Dr, Ann Arbor

PROPERTY TYPE: **OFFICE**

SALE OR LEASE: **LEASE**

AVAILABLE SPACE: **5,000-50,000 SF**

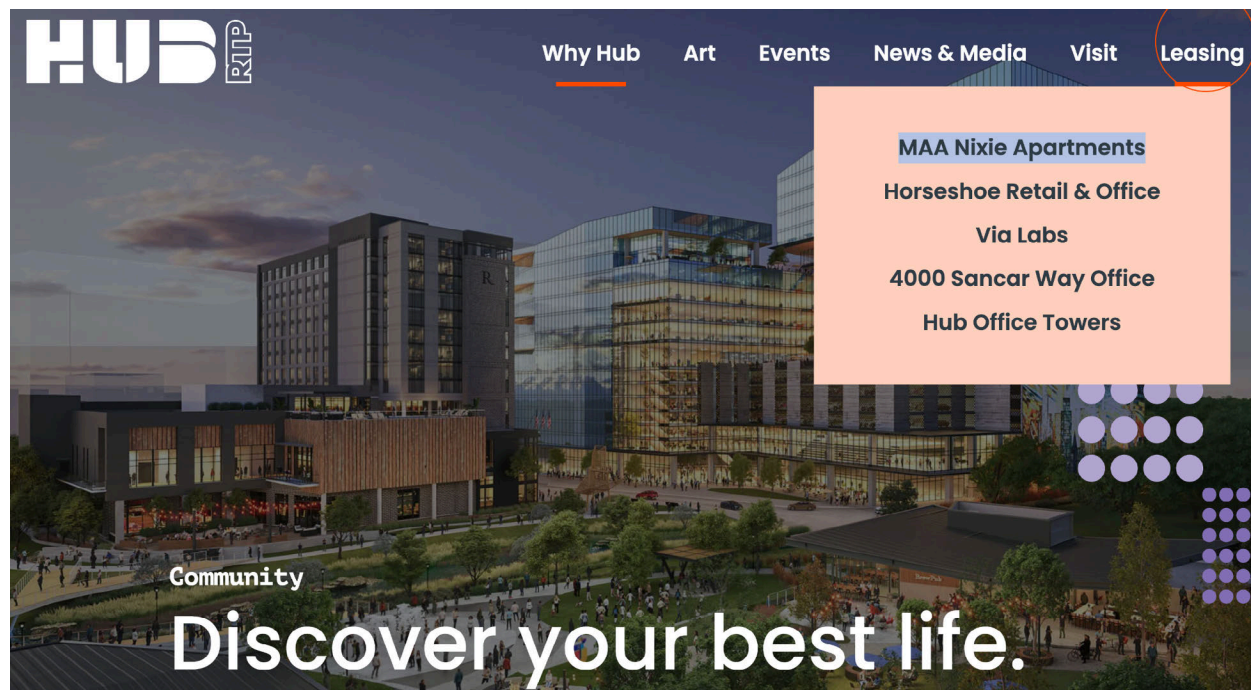
PRICE: **\$18-25 PSF**

The Wickfield Center is a Class A office building in a great location surrounded by established businesses, retail, restaurants, and neighborhoods. Just minutes to I-94, State Street, downtown Ann Arbor, and surrounding communities.

Cafeteria, fitness center, daycare center & snack shop for tenants on the main floor.

An advertisement for office space in Ann Arbor Industrial Park

Many research parks in the United States advertise housing and retail within the park as a selling point. For example, [HUB](#) at [Research Triangle Park](#), the largest research park in the United States, sells itself as a complete “downtown” with retail and housing and is currently adding [hundreds of new residential units](#).



Research Parks [near Stanford](#), [Iowa State University](#), [University of Utah](#), have also recently welcomed new housing. [University Park at MIT](#) has had housing for many decades.

Interface’s economic consultant [pointed out](#) that the city of Cambridge realized that it needed to allow residential uses in the [Kendall Square Redevelopment District](#) to make the development more attractive to workers.

If Ann Arbor followed these examples and allowed housing in its research park, employers would benefit, because potential workers would have more places to live near their workplace, and the park itself would be more lively and attractive.

Aside from making it easier to attract employers, allowing housing on South Industrial and Research Park would increase economic diversity in a second way: It would encourage the redevelopment of vacant and underused land, and therefore discourage the University of Michigan from buying more properties in south Ann Arbor, eroding the city’s tax base and increasing its dependence on anchor institutions.

Messy Industrial Uses

The consultants have [argued](#) that bad-smelling or “messy” industrial uses should be located in a centralized employment district on the south side of the town, ignoring the fact that this district already contains uses that would be particularly incompatible with noxious industrial uses.

The South Industrial area contains several [schools](#) and a city-owned [affordable housing site](#). It also directly abuts a residential neighborhood. Research Park already contains a [hotel](#) and a [school for children with severe emotional and mental problems](#).

Intentionally locating noxious industrial uses next to these uses would be unjust and unwise.

Blue Collar Jobs

Another argument is that even if mixed-use areas generate more overall jobs than single-use ones, these jobs are all low-paying service jobs, or else jobs that require a college education, rather than high-paying blue-collar jobs.

However, the consultants have not provided any evidence for this claim. Dense mixed-use areas are dense job sites for plumbers, electricians, carpenters, welders, and other tradespeople, while low-density office parks and storage lockers create relatively few blue collar jobs.

Allowing new housing construction will create more blue-collar construction and maintenance jobs and help more blue-collar workers afford to live in Ann Arbor.

Tax Base Diversification

The planning manger has [said](#) that one reason to ban and restrict housing is to promote “tax base diversification.” He has claimed that if we “shift to residential” then we are “putting more and more of the tax base onto the shoulders of residential land uses.”

The consultants have [explained](#) this argument with an analogy: “Like an investment portfolio for the City, diversification of the tax base provides improved community stability and resiliency”

This argument assumes that the city will be more financially resilient if it achieves some unspecified tax ratio between land use categories, when in reality, enlarging the tax base in each category, regardless of the ratio, will increase the city's financial resiliency and diversity.

For example, suppose a developer built a large mixed-use development in south Ann Arbor, and the residential buildings generated \$5 million a year in tax revenue while the retail and office components generated \$1 million. Clearly these developments would enlarge the city's tax base in multiple sectors and support the city's financial diversity and resiliency. But according to the planning manager's argument, these developments would make the city's tax base less diverse and resilient, because the residential percentage of the tax base would go up. This argument does not make sense.

To use the investment portfolio analogy, a financial planner would never tell his client to turn down millions of dollars in free stocks, just because the client already has stocks in the same sector. Refusing the gift would be particularly foolish if the gift was likely to lead to further gifts in different sectors, similar to how accepting housing is likely to encourage commercial and research development.

[These maps and figures](#) show that even a few new apartments buildings on South Industrial and Research Park would probably generate millions of dollars a year in tax revenue. Currently, The George, a single apartment building, generates more revenue than all 42 parcels along South Industrial combined.

2024 Tax Revenue (in millions)



Housing and hotels also yield large tax revenues in and near Research Park. The hotel in the southeast corner of the park is [generating four times as much tax revenue per acre](#) as the new Sartorius Building and has a tax valuation more than [5 times greater](#) than the 13 buildings nearby that hold multiple Zingerman's businesses. City council [rezoned](#) part of Research Park to a mixed-use C district in order to allow this hotel, and the proposed employment district would take a step backwards and downzone it.

Allowing housing in South Industrial and in Research Park would be a financial boon for the city. On the other hand, if the city suppresses development in these areas by creating an Employment Non-Residential district, the University of Michigan will probably continue to buy up properties in these areas, taking them off the tax rolls entirely.

To diversify the tax base of Ann Arbor, the city should encourage development in all land use categories including housing, not suppress housing to reach an unknown tax ratio target.

Sustainability and Equity

Ensuring that large sections of Ann Arbor remain low-density office parks and storage lockers, accessible only by vehicle, is not consistent with Ann Arbor's sustainability goals.

The consultants have argued that in order to have a circular economy, Ann Arbor must have recycling centers and other similar facilities. But banning housing in South Ann Arbor is an ineffective and damaging method for creating these facilities, because banning housing doesn't ensure that recycling centers will open where housing is banned. For example, the [Reuse Center](#) on South Industrial closed several years ago, even though it was fully protected from competition by housing. Recycling centers may require direct government subsidies, rather than the extremely indirect subsidy of banning one competing land use.

Forbidding housing to promote recycling centers is also wasteful and damaging, because only a tiny percentage of the land where housing is forbidden is likely to become recycling centers. Elsewhere, lots may sit completely vacant, like in Research Park, or half-empty, like the lawns and parking lots on South Industrial.

Conclusion

We ask that you allow residential uses without restrictions in all of our commercial and industrial corridors. Allowing housing in these areas will attract employers, increase the tax base, align with City Council's goals, and help remedy the city's severe housing shortage.

Please ask the consultants to remove the three districts that restrict or forbid housing – “Hub-Innovation,” “Hub-Retail,” and “Employment Non-Residential.”

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