

## MEMORANDUM

**TO:** Planning Commission  
**FROM:** Planning Staff  
**DATE:** June 6, 2019  
**SUBJECT:** Amendments to UDC Section 5.18.6 Premiums

### ***Background***

City Council [asked](#) the Planning Commission to recommend changes to Section 5.18.6 Premiums of the Unified Development Code to get more affordable dwelling units downtown. Staff opened the conversation at the Planning Commission's April 16 working session ([memo](#)). A few different approaches were presented to the Ordinance Revisions Committee on May 28 ([memo](#)). A public hearing was held for proposed amendments on June 4 ([staff report](#)), after which the Planning Commission postponed action so the amendments could be further discussed and revised, and more feedback could be provided.

### ***Amendment and Concerns***

The proposed amendment to Section 5.16.8 Premiums combined the residential use premium option and the affordable housing premium option into an affordable residential use premium option. Increasing blocks of additional floor area may be earned for increasing percentages of affordable dwelling units. A commitment of making 15% of all dwelling units in the building affordable to lower income households<sup>1</sup> would raise the maximum FAR allowed in the D1 district an additional 150% to 550% and, in the D2 district, an additional 100% to 300%. Commitments for 20% affordable dwelling units raise the maximum FAR in the D1 district to 700% and, in the D2 district, to 400%. Commitments for 30% affordable dwelling units raise the maximum FAR in the D1 district to 900%.

When 30% or more of the dwelling units in a building are affordable to lower income households in the D1 district, a payment in lieu option is offered for half of the affordable units.

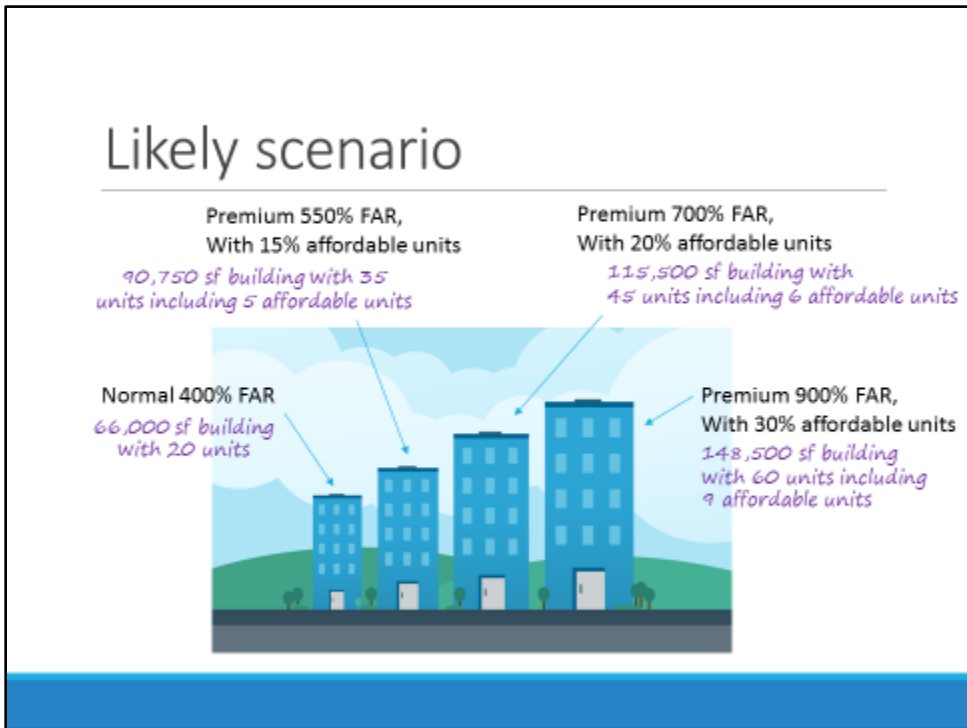
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<sup>1</sup> Lower income households are those earning 80% of the area median income for Washtenaw County. Affordable means households spend no more than 30% of their income on housing.

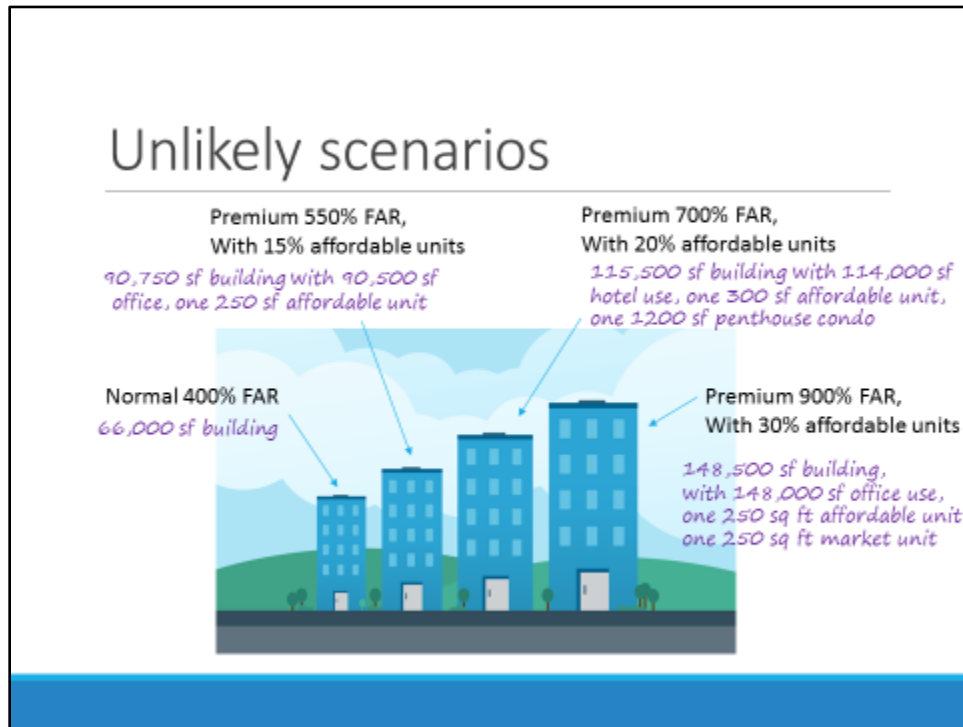
TABLE 5.18-1: AFFORDABLE RESIDENTIAL USE PREMIUM	
AMENITY	ADDITIONAL FLOOR AREA
15% of all Dwelling Units are Affordable to Lower Income Households	D1 District: 150% of Lot Area D2 District: 100% of Lot Area
20% of all Dwelling Units are Affordable to Lower Income Households	D1 District: 300% of Lot Area D2: 200% of Lot Area
30% of all Dwelling Units are Affordable to Lower Income Households	D1 District: 500% of Lot Area

- a. In the D1 district, when 30% of all Dwelling Units are Affordable to Lower Income Households, up to half of the affordable designated dwelling units may be offered at market rates when a payment in lieu for each has been paid to the Affordable Housing Fund. Payment in lieu shall be based on the formula adopted by resolution of the City Council.

With the proposed amendments, staff presented a likely scenario for a 16,500-square foot lot in the D1 district.



Staff also presented an unlikely scenario to ensure there would be no surprises and full transparency of the proposed amendments.



Planning Commission expressed concern about the unlikely scenarios, that there was no minimum threshold on the amount of floor area used for residential use. And concern was shared that perhaps the percentages of affordable units was too low.

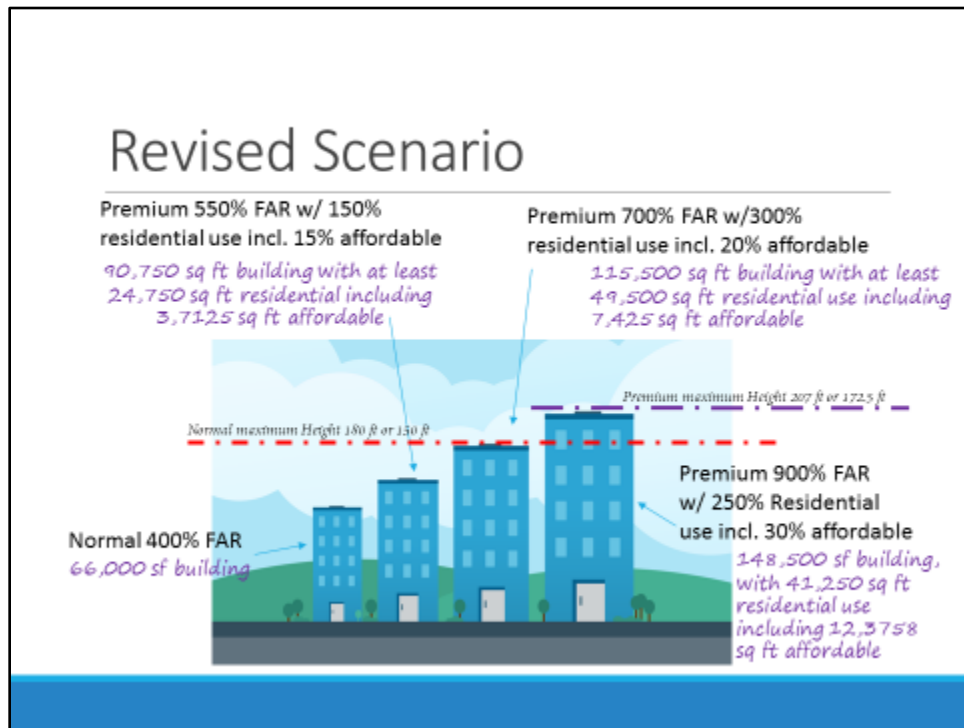
**Revision A: Minimum amount of residential use, height increase**

To address the concern that a relatively small number of affordable units could earn a large floor area bonus, specific standards for the amount of residential use could be required. The table below includes a requirement that all of the bonus floor area must be residential use. Except, in the D1 district, half of the super bonus floor area must be residential use.

Also now included, a premium height bonus of 15% when committing to 30% of all dwelling units being affordable.

**TABLE 5.18-1: AFFORDABLE RESIDENTIAL USE PREMIUM**

AMENITY	PREMIUM BONUS	SPECIFIC STANDARDS
15% of all Dwelling Units are Affordable to Lower Income Households	D1: Additional 150% FAR D2: Additional 100% FAR	At least 150% of Floor Area in D1, 100% of Floor Area in D2, must be used for residential
20% of all Dwelling Units are Affordable to Lower Income Households	D1: Additional 300% FAR D2: Additional 200% FAR	At least 300% of Floor Area in D1, 200% of Floor Area in D2, must be used for residential
30% of all Dwelling Units are Affordable to Lower Income Households	D1: Additional 500% FAR	<ul style="list-style-type: none"> <li>At least 250% of Floor Area must be used for residential.</li> <li>Maximum height limit for character overlay district may be increased by 15%</li> <li>Up to half of affordable designated units may be offered at market rates when a payment in lieu for each has been paid to the Affordable Housing Fund.</li> </ul>



### **Revision B: More Affordable Units**

Below are the inclusionary housing requirements for high cost markets, such as Ann Arbor, identified in the Housing Affordability and Economic Equity – Analysis prepared for the Washtenaw County Office of Community and Economic Development in 2015.

- The City of Madison, Wisconsin required affordable dwelling units are part of all residential developments between July 2006 and December 2008. The ordinance in effect during this time period, which has since been repealed, required 15% of all dwelling units to be affordable.
- The City of Boulder, Colorado requires 20% of the total units to be permanently affordable housing.
- Montgomery County, Maryland offers a sliding scale of bonus density for “Moderately Priced Dwelling Units (MPDUs)” starting at 12.5% of all units up to more than 20% of all units.
- The City and County of Sacramento, California charge fees on commercial development projects and deposits the revenue into the City’s or County’s Housing Trust Fund. The City of Sacramento also requires an affordable housing impact fee for all new housing units and for large subdivisions to provide housing for a variety of incomes and family types through a Mixed Income Housing Ordinance.
- The Town of Barnstable, Massachusetts requires either inclusionary housing fees (\$500 per lot created, \$10 per \$1,000 of the building permit value of the units created, \$0.10-0.20 per square foot, depending on development type and size) or 10% of the residential units dedicated as affordable units.
- The City of New York, New York has several inclusionary housing programs. Voluntary programs offer optional floor area bonuses, mandatory programs require affordable housing as part of all residential development above a certain size. The mandatory inclusionary housing (MIH) program percentages varies based on AMI – 25% affordable for 60% AMI, 30% affordable for 80% AMI, 20% affordable for average of 40% AMI, 30% affordable for average of 115% AMI.

### **Reference Materials**

- [October 5, 2016 Planning Staff Report](#) on Amendments to the Zoning Ordinance related to Premiums
- City Council [Resolution 19-109](#)
- [April 16, 2019 Staff Memo](#) to Planning Commission on Downtown Affordable Housing Premium
- [May 28, 2019 Staff Memo](#) to Ordinance Revisions Committee on Amendment to UDC Section 5.18.6 Premiums

- [June 4, 2019 Staff Report](#) on Amendments to Premium Options