

# Feasibility Analysis of Affordable Housing on Underutilized City-Owned Property



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November 18, 2019

# City Council Resolution

**Goal 1:** The City will preferentially maintain ownership of the property (i.e. land lease)

**Goal 2:** Potential developers will offer a mix of unit types and rental levels

**Goal 3:** Developers will optimize the number of affordable units for those who make up to 60% of the Area Median Income (AMI)

**Goal 4:** Developers and their successors in ownership will accept Housing Choice Vouchers

**Goal 5:** Developers will provide adequate and appropriate space to accommodate the operations of the Ann Arbor Housing Commission

**Goal 6:** Developers will explore options with the City to provide dedicated space for other public uses and/or non-profit space



# PRESENTATION

## 01 Why are we doing this feasibility analysis?

- Market rate housing development compared to affordable housing

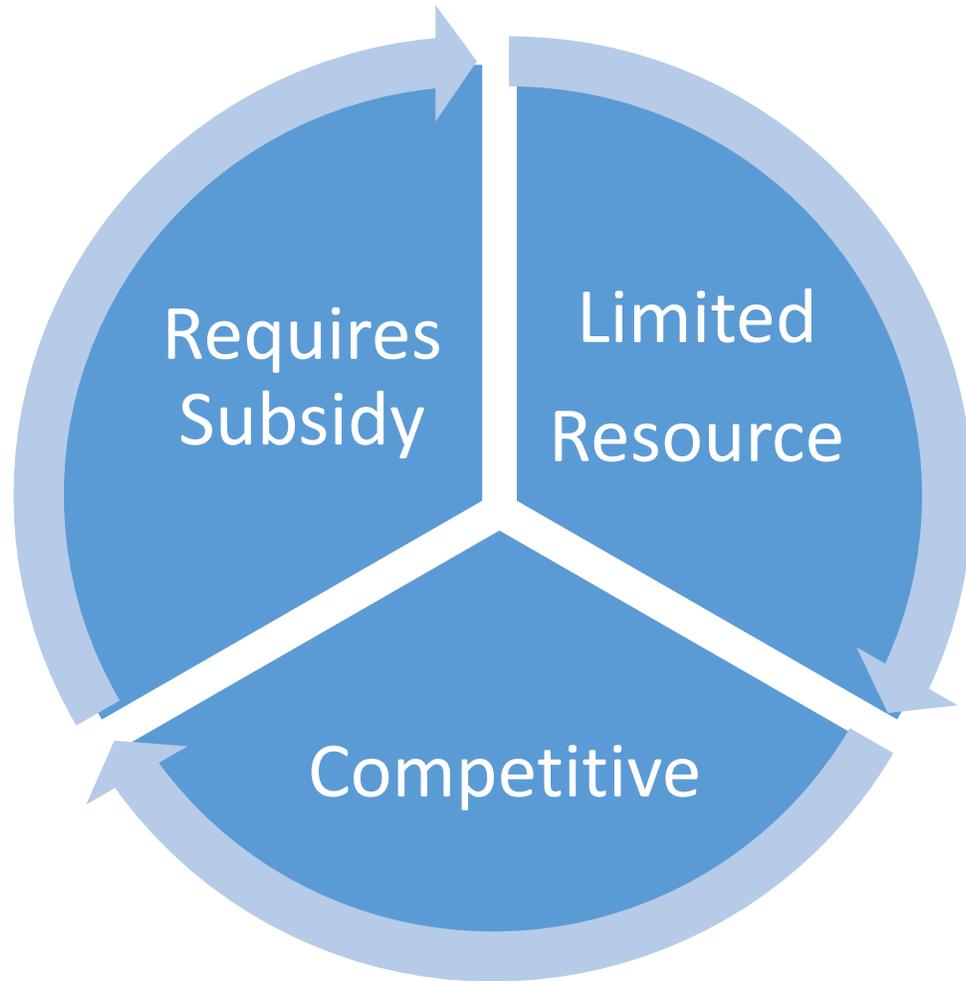
## 02 How was the feasibility analysis done?

- Land use restrictions
- Environmental constraints
- Financial Modeling
- Other site specific constraints

## 03 What are the recommendations?

- Develop right now
- Develop after community engagement process
- Develop after further study
- Not developable

If there is such a huge demand for affordable housing, why isn't the private sector building it?



# Operating Revenue & Expense Market Rate vs. Affordable

How rent revenue is expensed



ROI = Return on Investment

# SUMMARY of RECOMMENDATIONS



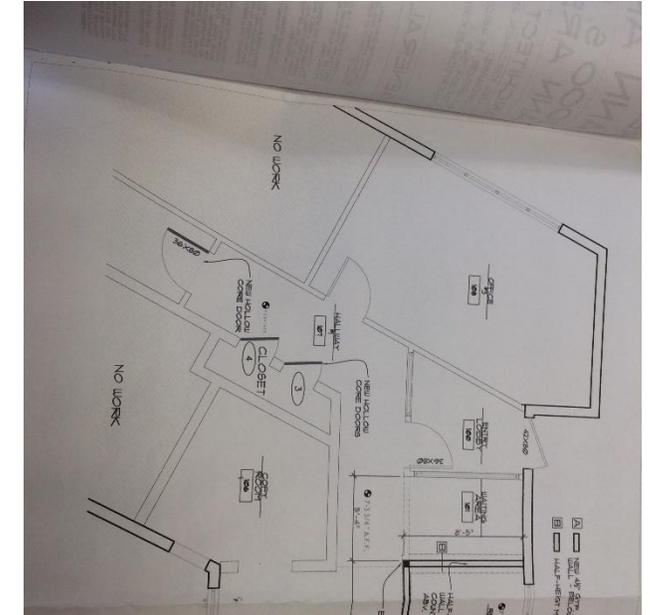
**Develop  
Start Right Now**

**Catherine/Fourth lot  
404-406 N Ashley**



**Develop  
With Community Engagement**

**S. Ashley (Kline's) parking lot  
Platt & Springbrook  
721 N Main  
415 W Washington  
350 S. Fifth (former Y)**



**Develop  
After Further Study**

**2000 S. Industrial  
1510 E Stadium**

**DO NOT DEVELOP AS HOUSING:**  
1320 Baldwin (Senior Center)  
1<sup>st</sup>/William Parking Lot

# Land Use Restriction

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- City Adopted Planning Documents or Council Resolutions
  - Greenways & Treeline Trail
- Zoning
  - Density & Height
  - Parking & Open Space
- Deeds or Covenants
  - FEMA (Federal Emergency Management Agency)
  - MDEQ (Michigan Dept. of Environmental Quality)
  - \* Park Property

Plans

Zoning

Legal

\* Park property requires ballot approval to convert to another use



# Environmental Conditions

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- Floodway/Floodplain
- Noise
  - \* Railroad within 300 feet of building
- Underground Storage Tanks
- Existing Buildings
  - Asbestos Containing Materials
  - Lead-based Paint
- Brownfield Eligibility

Local

State

Federal

\* Cannot use federal or MSHDA funds to build affordable housing within 300 feet of railroads

# Financial Modeling

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- Building Characteristics
  - Mixed Use
  - Amenities
- Tenant Characteristics
  - Income Targets
  - Number of Bedrooms & Unit Square Footage
- Construction Costs
- Financing Costs
  - Loan Terms
- Operating Cost Assumptions

Equity

Debt

Grants

# Financial Resources

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- \* Low Income Housing Tax Credits (LIHTC)
- Federal Housing and Urban Development (HUD)
- Michigan State Housing Development Authority (MSHDA)
- Ann Arbor Housing Fund (AAHF)
- DDA Affordable Housing Fund
- Brownfield Funding
- Housing Revenue Bonds
- Loans from Financial Institutions
- Millage
- Philanthropic Entities

Local

State

Federal

\* LIHTC is by far the single largest source of funding for affordable housing in the United States for new developments



# Other Considerations

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- Ownership Structure
  - Homeowner, Rental, Cooperative
  - For-profit, Non-profit
  - Single Owner, Condo with Multiple Legal Entities
- Market Demand
- City Disposition Process
  - Lease, Sell



# Catherine/Fourth Lot

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- ★ ✓ No Negative Site Issues
- ★ ✓ LIHTC Eligible
  - ✓ High Scoring
- ★ ✓ Perfect Size to Max Out Funding
  - ✓ 60 - 85 units
- ★ ✓ HUD and MSHDA Funding Eligible
- ★<sub>C</sub> ✓ DDA Funding Eligible
- ★<sub>C</sub> ✓ Minimal Local Resources Needed

**Recommend AAHC as Developer with Land Lease: Can Begin Design and Site Plan Approval Process Immediately**



# 404 - 406 N Ashley

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- ★ ✓ No Negative Site Issues
- ★ ✓ LIHTC Eligible
  - ✓ High Scoring
- ★ ✓ Perfect Size to Max Out Funding
  - ✓ 60 - 85 units
- ★ ✓ HUD and MSHDA Funding Eligible
- ★ ✓ DDA Funding Eligible
- ★ ✓ Minimal Local Resources Needed
- ▲ ✓ UM Dental Clinic Lease Expires 6/2021
  - ✓ Work with UM to Relocate

**Recommend AAHC as Developer with Ground Lease: Can Begin Design and Site Plan Approval Process Immediately**



# S. Ashley Lot (Klines)

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- ★ ✓ No Negative Site Issues
- ★ ✓ LIHTC Eligible
  - ✓ High Scoring
- ▲ ✓ LIHTC Quickly Maxes Out Funding
  - ✓ 400-600+ units
- ★<sub>C</sub> ✓ HUD and MSHDA Funding Eligible
- ★<sub>C</sub> ✓ DDA Funding Eligible
- ▲ ✓ Significant Impact On Downtown
  - ✓ Pair w/ Parking Deck 216 W William

**Recommend Community Engagement: Height, Density, Parking, Income Target, Uses, Developer, Sell or Lease**

# 721 N Main



- ✓ Floodway/Floodplain
  - ✓ FEMA Deed Restriction
  - ✓ Greenway, Treeline Trail Eligible Use



- ✓ NOT LIHTC Eligible
  - ✓ Adjacent to Railroad



- ✓ NOT HUD or MSHDA Funding Eligible



- ✓ DDA Funding Eligible



- ✓ High Local Subsidy Per Unit



- ✓ Northwest corner developable
  - ✓ 25-35 units

**Recommend Community Engagement: Greenway, Treeline Trail, Public Space, Income Target, Developer, Sell or Lease or Hold**



# Platt & Springbrook

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✓ No Site Issues



✓ LIHTC Eligible

✓ Scores Poorly Based on Location

✓ Too Small for Stand-Alone LIHTC

✓ 12-14 Units



✓ HUD & MSHDA Funding Eligible



✓ Expensive Infrastructure Per Unit

✓ Road

✓ Water and Sewer



✓ High Local Subsidy Per Unit

**Recommend Community Engagement: Developer, Density, Owner or Rental**



# 1510 E Stadium

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✓ No Site Issues



✓ LIHTC Eligible

✓ Scores Poorly Based on Location

✓ Too Small for Stand-Alone LIHTC

✓ 8-12 Units



✓ HUD & MSHDA Funding Eligible



✓ Demolition of Fire Station

✓ Or Potential AAHC Office/Maintenance

✓ Temporary or Permanent



✓ High Local Subsidy Per Unit

Recommend Further Study: Hire Architect to Design and Cost Estimate to Renovate & ADA Addition as Office/Maintenance Space



# 2000 S. Industrial

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✓ Underground Storage Tank



✓ NOT LIHTC Eligible

✓ Adjacent to Railroad



✓ NOT HUD & MSHDA Funding Eligible



✓ Large Site – High Potential

✓ 50-165 Units



✓ Test Site Revenue Bond Financing



✓ AAHC Office/Maintenance Relocation



✓ High Local Subsidy Per Unit

Recommend AAHC Develop after Further Study: High Site Potential if Able to Finance with AAHC Revenue Bonds & Local Subsidy

# 1<sup>st</sup>/W William Lot



✓ Entire Site in Floodway/Floodplain



✓ NOT LIHTC Eligible

✓ Adjacent to Railroad



✓ NOT HUD & MSHDA Funding Eligible



✓ DDA Eligible



✓ Council Resolution re Greenway

**Do Not Recommend Development as Affordable Housing**



# 1320 Baldwin Senior Center

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✓ MDEQ Development Restriction



✓ Park Property

✓ Requires Ballot Approval to Change Use

✓ Loss of Senior Center if Develop

**Do Not Recommend Development as Affordable Housing**

# 350 S. 5<sup>th</sup> (old Y)

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- ★ C ✓ No Negative Site Issues
- ★ C ✓ LIHTC Eligible
  - ✓ High Scoring
- ▲ ✓ LIHTC Quickly Maxes Out Funding
  - ✓ Large Number of Units
- ★ C ✓ HUD and MSHDA Funding Eligible
- ★ C ✓ DDA Funding Eligible
- ▲ ✓ Significant Impact On Downtown
  - ✓ AAATA Partner

# 415 W Washington

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- ⊘ ✓ Floodway/Floodplain
  - ✓ FEMA Deed Restriction
  - ✓ Greenway, Treeline Trail Eligible Use
- ⊘ ✓ NOT LIHTC Eligible
  - ✓ Adjacent to Railroad
- ⊘ ✓ NOT HUD or MSHDA Funding Eligible
- ★ C ✓ DDA Funding Eligible
- ▲ ✓ High Local Subsidy Per Unit
- ★ C ✓ Eastern Portion Developable
  - ✓ Moderate Number of Units

**Community Engagement Underway**

# SUMMARY of RECOMMENDATIONS



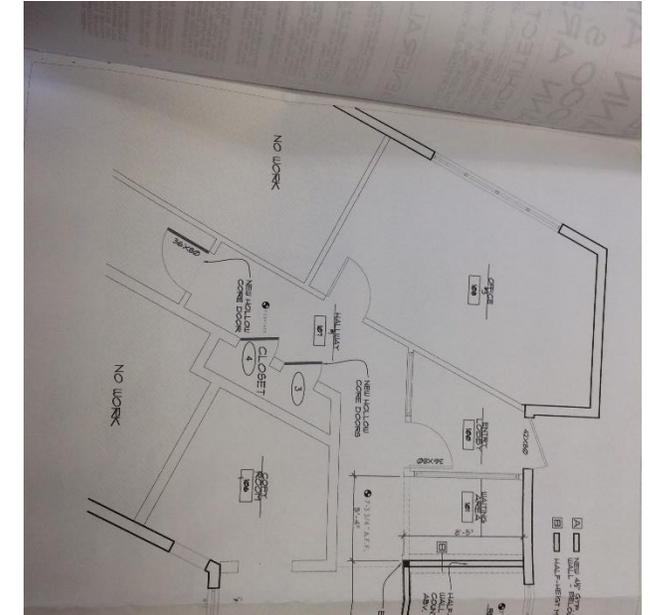
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Extra Slides Follow  
Background Information

# WHAT IS AFFORDABLE HOUSING?

**Housing that costs 30% or less of a household's gross annual income**

If housing costs exceed 30%, it is considered a **cost burden**.

(rent and utilities or mortgage, taxes & utilities)

# 2019 Ann Arbor Area Median Income

Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$21,270	\$24,300	\$27,300	\$30,360	\$32,790
50%	\$35,450	\$40,500	\$45,550	\$50,600	\$54,650
<b>60%</b>	<b>\$42,540</b>	<b>\$48,600</b>	<b>\$54,660</b>	<b>\$60,720</b>	<b>\$65,580</b>
80%	\$56,720	\$64,800	\$72,880	\$80,960	\$87,440
100%	\$70,900	\$81,000	\$91,100	\$101,200	\$102,200
120%	\$85,080	\$97,200	\$109,320	\$121,440	\$131,160

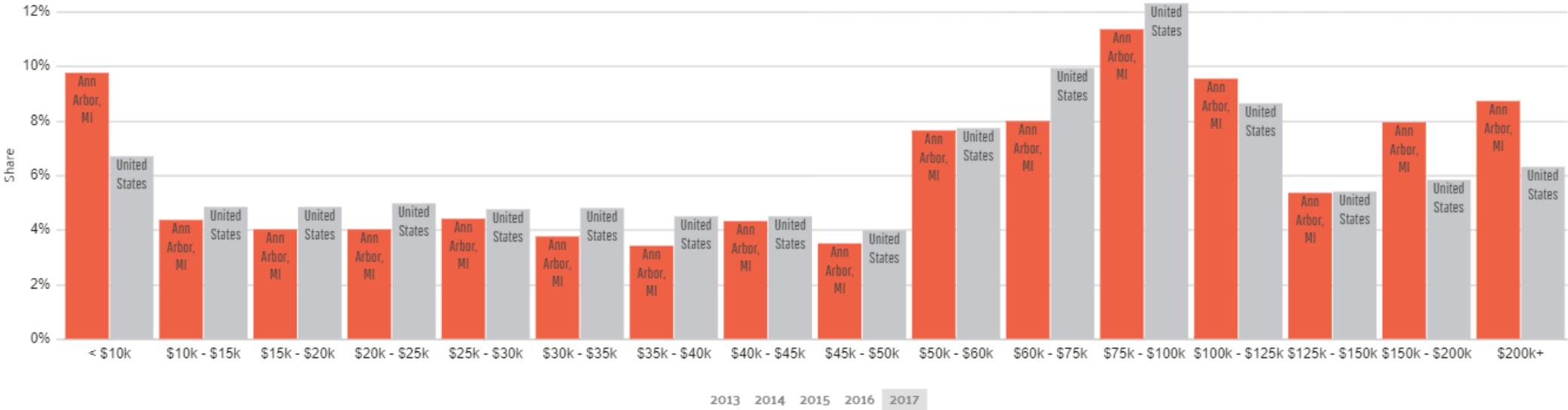
Ann Arbor Primary Metropolitan Statistical Area includes all of Washtenaw County – Median Family Income = \$101,200; State of MI = \$71,600

HUD places the Area Median Income into the 100% AMI 4 person household slot, and all other incomes are a formula based off that number

# Affordable Monthly Housing Costs Based on 30% of Income

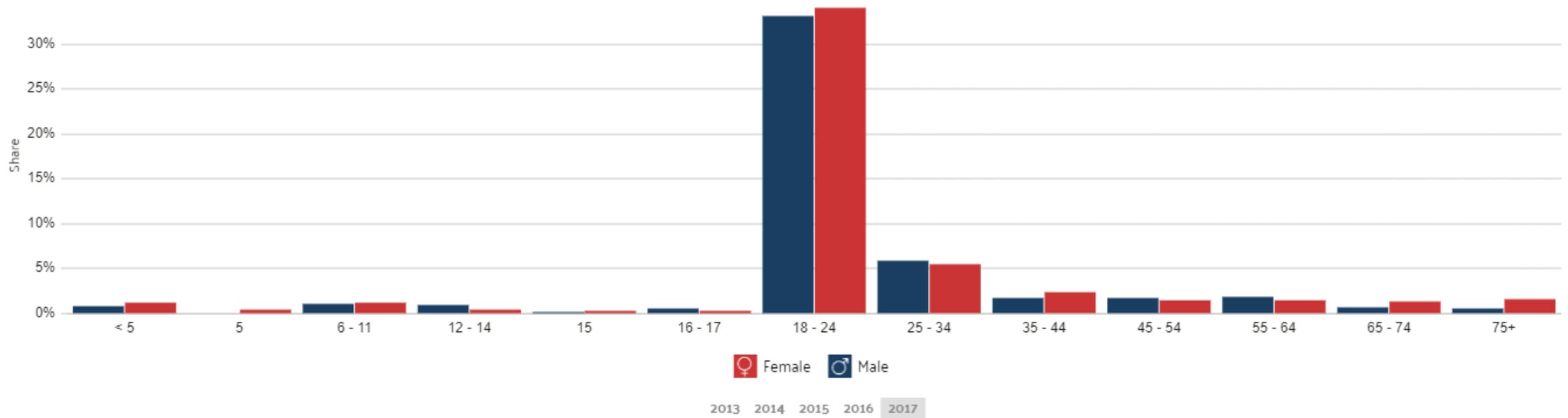
Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person
30%	\$531	\$607	\$683	\$759	\$819
50%	\$866	\$1,012	\$1,138	\$1,265	\$1,366
<b>60%</b>	<b>\$1,063</b>	<b>\$1,215</b>	<b>\$1,366</b>	<b>\$1,518</b>	<b>\$1,639</b>
80%	\$1,418	\$1,620	\$1,822	\$2,024	\$2,186
100%	\$1,772	\$2,025	\$2,277	\$2,530	\$2,732
120%	\$2,127	\$2,430	\$2,733	\$3,036	\$3,279

# Ann Arbor 2017 Household Income Compared to USA



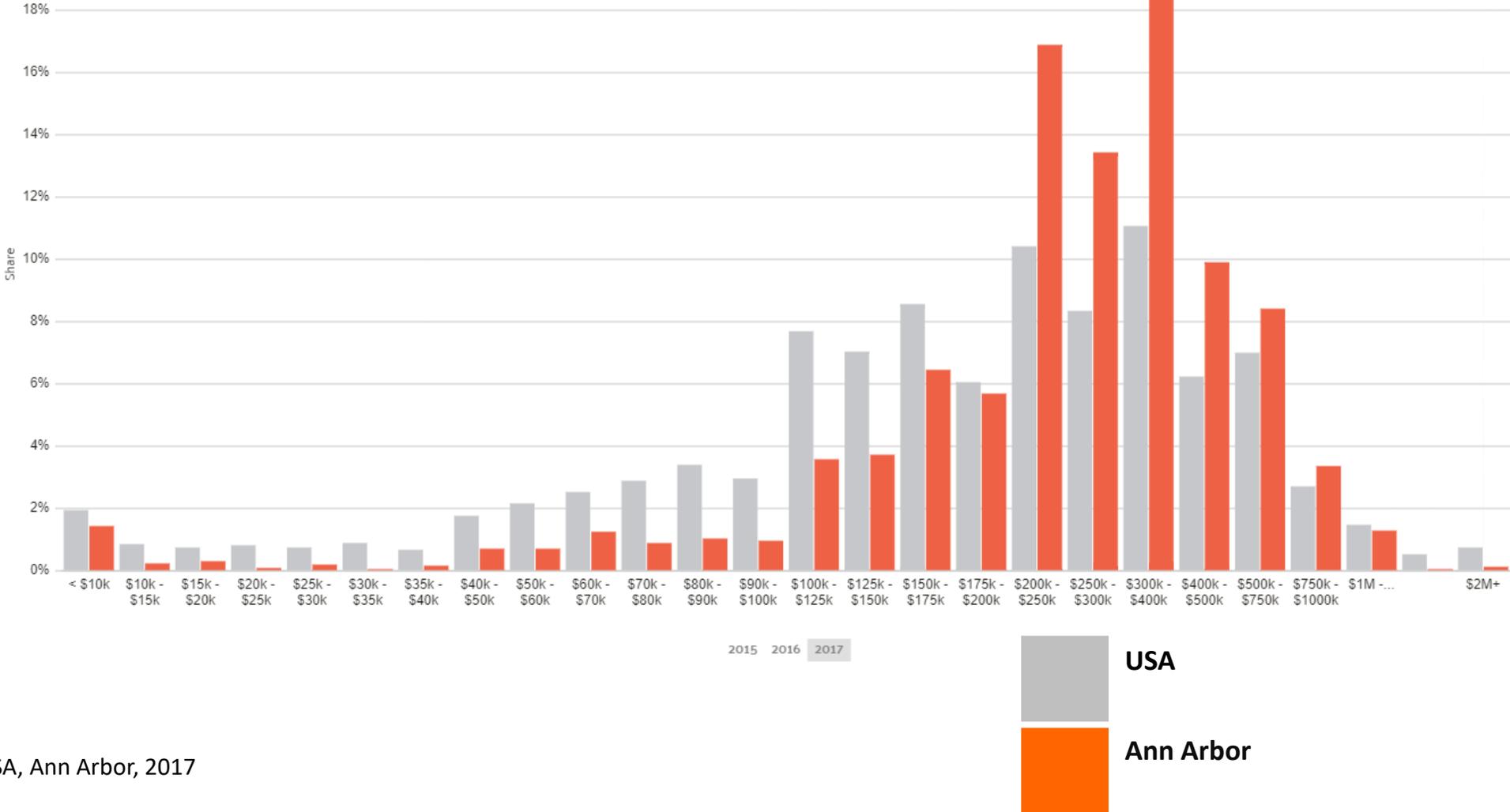
Source: DATA USA, Ann Arbor, 2017

# Ann Arbor 2017 Poverty by Age and Gender



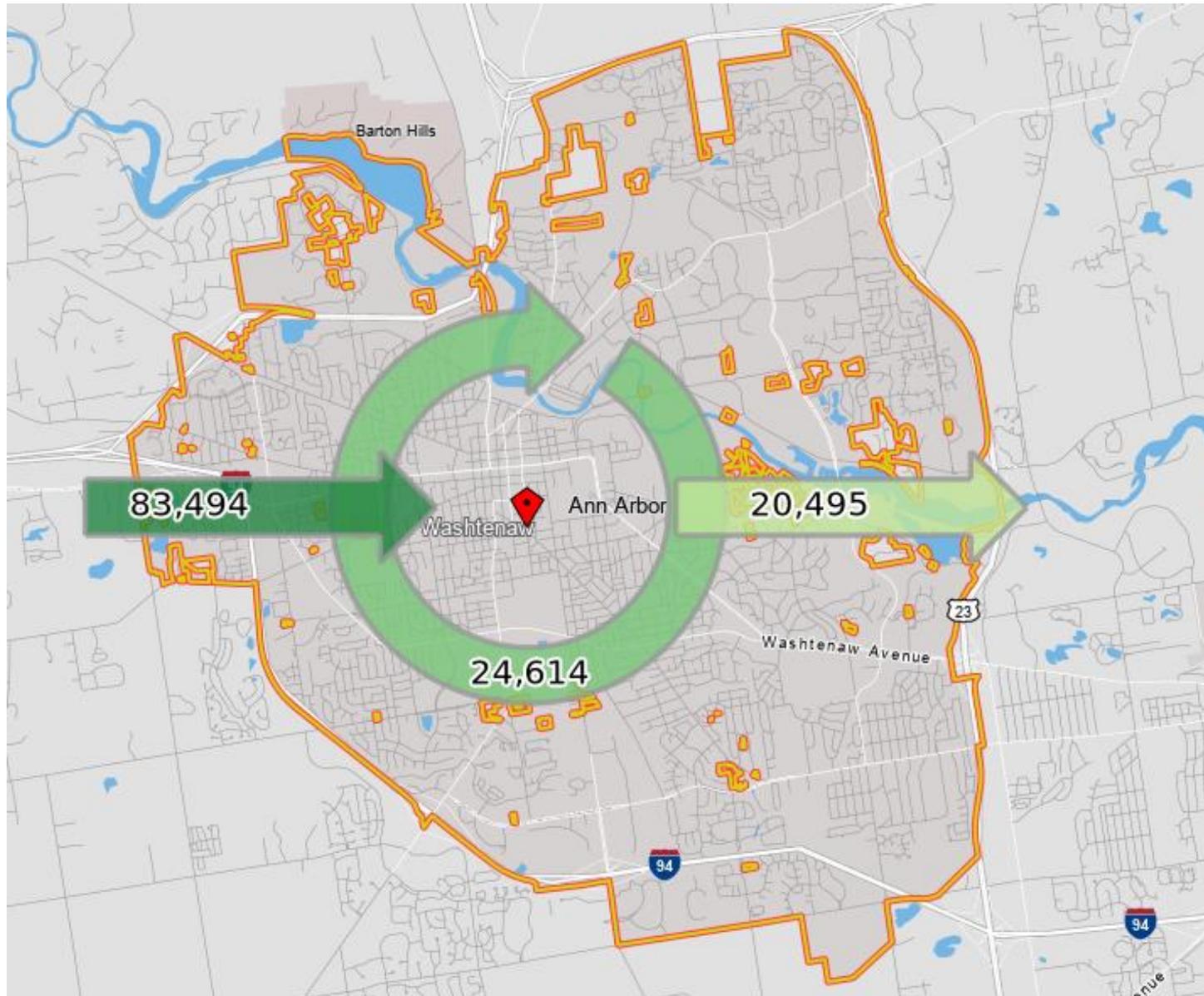
# Ann Arbor 2017

## Property Values Compared to USA



Source: DATA USA, Ann Arbor, 2017

# Ann Arbor – 2017 Commuting Patterns

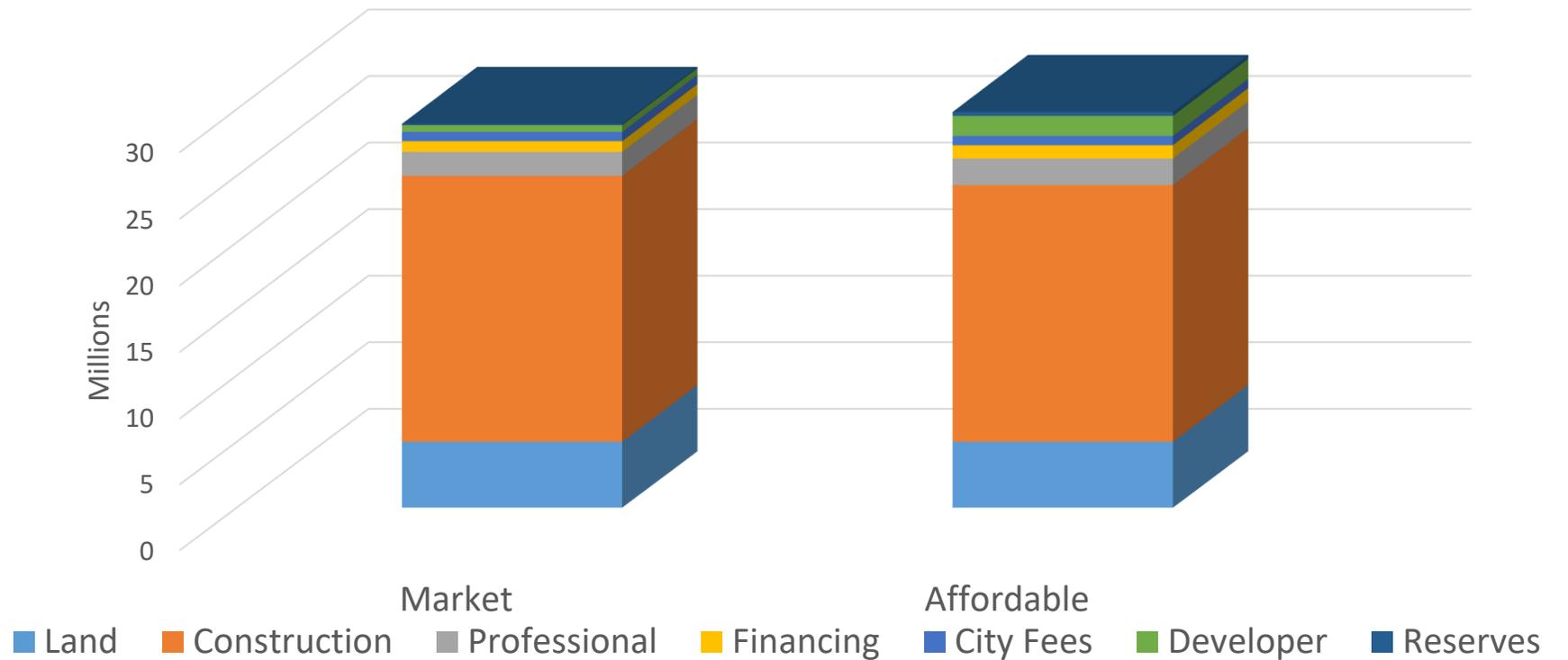


On the Map 2017

- 83,494 commute in for jobs
- 24,614 live and work in Ann Arbor
- 20,495 commute out for jobs

# Housing Development Cost

Example of Market Rate vs Low-Income Tax Credit Project



	Land	Construction	Professional	Financing	City Fees	Developer	Reserves	Total
Market	5	20	1.8	0.8	0.7	0.5	0.1	28.9
Affordable	5	19.3	2	1	0.7	1.5	0.3	29.8

# Typical Housing Development Financing Market Rate vs. LIHTC Affordable Housing

The biggest difference between market-rate development and affordable housing development is how it is financed

