



Legislation Text

File #: 20-0438, **Version:** 2

Resolution Directing the Planning Commission to Create a Transit Supported Development District
Whereas, Housing costs are typically a household's largest single expense, critically affecting quality of life;

Whereas, Ann Arbor has become unaffordable for 45% of households making \$35,000.00-\$49,999.00 a year, 87% of households making \$20,000.00-\$34,999.00, and 94% of households making under \$20,000.00 **[1]**;

Whereas, Ann Arbor is the least affordable city in Michigan with median rents 22% higher than the rest of the state **[2]**;

Whereas, Neighborhoods such as Arbor Oaks and Water Hill are seeing significant demographic shifts due to a lack of housing options city-wide;

Whereas, Results from the 2018 City Budget Prioritization Survey clearly indicate Ann Arbor residents believe affordable housing should be a policy and budgeting priority;

Whereas, Expanding the supply of affordable housing is a complex issue, requiring many strategies;

Whereas, Decades of research and experience show that allowing housing to be built, especially near transit corridors, improves affordability community-wide **[3] [4] [5] [6] [7] [8] [9]**;

Whereas, Additionally, the A2Zero Carbon Neutrality Strategy necessitates a reduction of vehicle miles traveled by a minimum of 50%;

Whereas, Housing people near bus lines and employment centers encourages residents to drive less;

Whereas, Ann Arbor's current Master Plan identifies transit corridors as Plymouth-Fuller, State, Jackson, and Washtenaw. Some of these corridors are under-utilized, often with single-story strip malls without any housing; and

Whereas, Multiple portions of the City's current Master Plan also call for increased density along certain transit corridors;

RESOLVED, That the Ann Arbor City Council refers the issue to the City Planning Commission;

RESOLVED, That the Ann Arbor City Council requests that the City Planning Commission forward a transit- supported zoning district to increase housing density and options along major corridors.

RESOLVED, That the Ann Arbor City Council encourages the City Planning Commission to examine solutions, such as:

- Increase allowable Floor Area Ratio (FAR) density along transit corridors;
- Decrease and/or eliminate parking requirements for new development along transit corridors;
- Require mixed use;
- Decrease height and increase setbacks near pre-existing residential areas; and
- Evaluate development aspects, such as sustainability measures, affordable housing, and public open space - as either requirements or incentives;
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RESOLVED, That these recommendations be accompanied by preliminary recommendations for geographic areas to consider for such designation;

RESOLVED, That the Ann Arbor City Council requests recommendations by June 15, 2020;

Citations:

[1] "Housing Affordability and Economic Equity Analysis - Washtenaw County, MI"

<https://www.washtenaw.org/DocumentCenter/View/2313/Housing-Affordability-and-Economic-Equity-Analysis-PDF>

[2] "Ann Arbor rent is up, see how that compares elsewhere" by Lauren Slagter

<https://www.mlive.com/news/erry-2018/08/43b03c409a1760/ann-arbor-rent-is-up-see-how-t.html>

[3] "Supply Skepticism: Housing Supply and Affordability" by Vicki Been, Ingrid Gould Ellen & Katherine O'Regan

Attached

Summary: This paper directly addresses the growing numbers of community members that question the premise that increasing the supply of market-rate housing will result in housing that is more affordable. The paper acknowledges that economists and experts have failed to take these supply skeptics seriously. This article is meant to bridge the divide, addressing each of the key arguments supply skeptics make and reviewing what research has shown about housing supply and its effect on affordability. The research concludes that adding new homes to a market with already-rising house prices will cause housing costs to rise by less than they would have in the absence of new construction. In doing so, this force makes housing more affordable to low- and moderate-income families. It is also important to note that the researchers emphasize that new market-rate housing is necessary, but not sufficient. Government intervention is also critical to ensure that supply is added at prices affordable to a range of incomes.

[4] "The Economic Implications of Housing Supply" by Ed Glaeser and Joe Gyourko

<https://pubs.aeaweb.org/doi/pdf/10.1257/jep.32.1.3>

Summary: This paper is more of a literature review but emphasizes that at the metropolitan level, there is a strong negative correlation between housing cost growth and the strictness of regulations on building new housing. For most of US history, local economic booms were matched by local building booms. Cities expanded into adjacent undeveloped areas and lower-density land closer to the urban core was redeveloped into higher density uses. Since approximately the 1960s, some cities, have instituted significant restrictions on land use. In cities that increased land use regulations (e.g., San Francisco), local booms now lead to higher housing costs, not more housing. However, in

cities without such regulations (e.g. Atlanta), local economic booms lead to more housing, not higher prices.

[5] "Why Have Housing Prices Gone Up?" by Glaeser, Saks, and Gyourko

https://scholar.harvard.edu/files/glaeser/files/why_have_housing_prices_gone_up.pdf

Summary: The supply of housing includes three elements: land, a physical structure, and government approval to put the structure on the land. Thus, rising prices will reflect rising physical costs of construction, increasing land prices, or regulatory barriers to new construction. Average house prices and construction costs rose together between 1950 and 1970. However, since 1970, the cost of putting up the physical structure has declined slightly while housing prices have continued to rise. This indicates that the rising cost of housing is due to policy-induced constraints which limit the supply of new housing. That said, this effect is not seen everywhere: it is concentrated in metropolitan areas that have enacted stringent zoning and other land use regulations over this time period.

[6] "THE GEOGRAPHIC DETERMINANTS OF HOUSING SUPPLY" by Albert Saiz

<https://mitcre.mit.edu/wp-content/uploads/2014/03/The-Quarterly-Journal-of-Economics-2010-Saiz-1253-96.pdf>

Summary: This paper estimates the "housing supply elasticity", a measure that is the percent change in housing supply induced by a 1% increase in housing prices. In a well-functioning market, this should be relatively large: as prices go up, developers build more housing to meet that demand. However, in constrained markets where it is very difficult to build new housing, the elasticity will be closer to 0. In places with low elasticities, an economic boom will lead to a bidding war for scarce housing and thus rising prices, not more construction. This paper calculates housing supply elasticities for a large number of cities. Unsurprisingly, it finds that highly-regulated metropolitan areas have low housing supply elasticities. It calculates that the Ann Arbor metro area has a relatively large housing supply elasticity, but this is misleading because it is for the entire metro area, which includes all of Washtenaw County and places like Brighton. The measure for the actual city of Ann Arbor is probably a lot lower.

[7] "Why Has Regional Income Convergence in the U.S. Declined?" by Peter Ganong and Daniel Shoag

https://scholar.harvard.edu/files/shoag/files/why_has_regional_income_convergence_in_the_us_declined_01.pdf

Summary: This paper explores trends in population movements. It used to be that people systematically moved from poorer parts of the US to richer parts, and increased their incomes as a result. For example, think of Appalachian- and African Americans from the South, moving to Detroit to take factory jobs. Since roughly 1980 this has ceased to happen. A major reason for this change is that richer places have stopped building new housing, so the gains to moving to these places are offset by higher prices.

[8] "Housing Constraints and Spatial Misallocation" by Chang-Tai Hsieh and Enrico Moretti

<https://eml.berkeley.edu/~moretti/growth.pdf> <https://eml.berkeley.edu/~moretti/growth.pdf>

Summary: Some parts of the US are more productive than others. Technically, that means otherwise similar workers produce more output and earn higher wages in some places than others. For example, New York and the Bay Area produce way more output per worker than other places - Ann Arbor falls in the "more productive" category too. As a note here, this is not necessarily a reflection of workers' abilities; rather some places provide better opportunity to amplify individuals' efforts.

Therefore, moving more workers to New York, Ann Arbor, or the Bay Area would directly benefit those workers who move. However, the high cost of housing due to regulation-induced supply constraints in productive places prevent people from moving in.

[9] “The Fight to Make Austin Affordable” by Megan Kimble

<https://www.texasobserver.org/the-fight-to-make-austin-affordable-housing/>

Summary: This article explores how places like Austin, TX and Minneapolis, MN are addressing housing affordability issues, utilizing supply as part of the solution. In 2019, the Austin City Council even directed its City Manager to develop a plan to increase its supply of housing by 405,000 units (8x Ann Arbor’s 51,000 units of housing at present).

Sponsored by: Councilmember Ackerman, Mayor Taylor, and Councilmembers Grand and Smith