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2/17/2015	1	City Council	Approved	Pass

Resolution to Adopt the Housing Affordability & Equity Analysis, Committing to Advance the Goals Set within, and Supporting the Designation of a Regional Workgroup

It is requested that the Ann Arbor City Council approve the attached Resolution to adopt and advance the Housing Affordability and Economic Equity Analysis.

Background

In 2012, City Council and multiple City Boards and Commissions adopted the *City of Ann Arbor Sustainability Framework*. This framework provides an organizing structure for city plans and goals, fitting into three key aspects of sustainability including environment, economy, and equity. *Diverse housing* was identified as a goal within this framework, with the specific charge to “provide high quality, safe, efficient, and affordable housing choices to meet the current and future needs of our community, particularly for homeless and low-income households.” One action item identified to meet this diverse housing goal was to conduct an analysis to better understand the current status of affordable housing in the community. With this charge, the Office of Community & Economic Development undertook a comprehensive analysis of housing and related equity indicators in Ann Arbor and across the urban core of Washtenaw County.

Since the beginning of the recent recession, the housing market has experienced significant cycles of change. A real estate bubble converged with the recession, and manifested locally in reduced housing values, high rates of foreclosure, and in some communities, significant changes in neighborhoods through high rates of conversion from owner-occupied to rental housing. The local housing market is starting to emerge from these changes and is showing signs of strength and weakness.

Housing is typically the largest household expense. As a point of measurement, households that spend over 30% of their household income are considered housing cost burdened. When this burden occurs, it places pressure on the remaining household income to sustainably support

transportation, healthcare, education, child care, and other critical quality of life expenses. Within in the urbanized area of Washtenaw County however, over half of all renters face this burden. In fact, nearly a third of all renters pay over 50% of their household income on housing, which makes the pressure of other household expenses more acute.

These market conditions impact great swaths of our residents and workforce. On average across the urbanized area, 96% of all households that make less than \$20,000 per year (~30% of Area Median Income (AMI)) face this burden. 75% of all households making \$20,000-\$34,999 (~50% of AMI) are housing cost burdened. These burdens have been present in our community for some time, and continue to increase. Since the year 2000, approximately 31% of all workers in the community made less than what it would take to access the average housing unit within the 30% housing cost limit.

A 2014 report by the Michigan Association of United Ways, with research conducted by Rutgers University, found that 37% of Ann Arbor households earned too little to afford basic necessities. The ALICE Report, an acronym for Asset Limited, Income Constrained, Employed, examines households that earn more than the U.S. poverty level, but less than the basic cost of living for the community in which they live. Combined, the number of poverty and ALICE households equals the total population struggling to afford basic needs such as housing, transportation, food, childcare, healthcare, and taxes. In Ann Arbor, a sampling of those among the 37% of households that can't afford basic necessities include office support staff, emergency medical technicians, bank tellers, childcare workers, retail line staff and supervisors, substitute teachers, restaurant wait staff and cooks, research assistants, tax preparers, security guards, library staff, news reporters, veterinary assistants, pharmacy technicians, and court clerks.

At the higher ends the real estate market, sales are close to or have exceeded pre-recession values. From 2005 to 2014, sales have demonstrated that housing priced at \$300,000 show strength in recovery. There is a counterpart to this. Housing values below \$300,000 have yet to recover to pre-recession levels, and the gap increases as a percentage of value the lower the housing value. To generalize, more of the strength occurs in Ann Arbor and more of the gaps persist in Ypsilanti. Washtenaw County not only has two distinct housing markets, but the markets are moving at different paces.

In strong markets, this momentum accelerates in the marketplace. Property values are strong, which creates demand to further drive prices upward. While this creates increased fiscal capacity, high quality of life amenities and level of support for public services, there are costs as well. The market becomes decreasingly affordable for greater proportions of the workforce. Economic and racial segregation increase. Retired residents face growing financial challenges to age in place, and children raised in the community have diminished ability to stay rooted in or return to the community in which they were raised. Taken together, these challenges hinder the community's long-term attractiveness and economic growth.

An expanding body of research identifies that equitable communities do better. By way of example, Policy Link, a national non-profit recently looked at the U.S. through a variety of lens on the National Equity Atlas. For Washtenaw County, this analysis indicates that the County's gross domestic product (GDP) would have been \$1.4 Billion dollars greater in 2012 if the County was more racially integrated. Unfortunately, the income gap in Washtenaw County, like the country, is increasing. This income gap can create segregation in our community, which compromises long term growth potential.

This segregation can lead to concentrations of poverty in lower performing markets, primarily in Ypsilanti in this analysis. In these areas, property values languish behind the trajectory of other areas, the opposite occurs. Communities face challenges in providing basic needs, funding quality of life amenities, and communities can face real or perceived quality of life challenges.

Without intervention, it is likely that the two housing markets will continue to diverge, creating greater challenges of access in one, and challenges of opportunity in the other.

Report Recommendations

The analysis presented here proposes that the City, municipal partners, and other public and private stakeholders can collaboratively impact these housing market forces in modest ways, to promote a greater balance in housing markets. The foundation of the report is to promote greater balance in the housing market. An early step toward this work will be to identify and/or create a housing policy workgroup that will be responsible for monitoring the goals and actions undertaken in the community to achieve these goals. A foundation for implementation efforts will include a few targets:

- The report supports the creation of new affordable units in Ann Arbor and Pittsfield Township to provide greater, closer access to jobs, high quality of life amenities, and opportunity. The report identifies the goal of an additional 3,139 affordable units by 2035 in these high performing markets. The specific recommended focus for Ann Arbor is to add units for households at 0-60% AMI.
- The analysis recommends growing demand to attract and foster a comparable 4,178 new middle class households in Ypsilanti through quality of life, opportunity, and neighborhood stabilization investments.

To be sure, the work will be difficult. There are numerous forces at play that drive markets, trends, and will impact the relative success of implementation measures. A rebalancing of the market will have positive impacts on opportunity for greater ranges of households, reduced traffic congestion pressures, and stabilization of challenged neighborhoods. Successes on these fronts will result in a less segregated, more equitable and resilient community.

Prepared by: Mary Jo Callan, Community and Economic Development Director

Reviewed by: Steve Powers, City Administrator

WHEREAS, In 2012 the City of Ann Arbor adopted a *Sustainability Framework* to organize and guide city plans and goals, including the goal of *diverse housing* to provide high quality, safe, efficient, and affordable housing choices to meet the current and future needs of our community, particularly for homeless and low-income households;

WHEREAS, Conducting an analysis to better understand the current status of affordable housing in the community was an action item within the above goal;

WHEREAS, The Washtenaw County Office of Community and Economic Development undertook an analysis of housing market conditions throughout the community, with support from the City of Ann Arbor, the U.S. Department of Housing and Urban Development and the Ann Arbor Downtown Development Authority;

WHEREAS, The report from that analysis provides information from stakeholder interviews, surveys, and data analysis describing a widening imbalance in the housing markets of Washtenaw County, and particularly the urbanized area;

WHEREAS, The report provides findings as well as targets and implementation strategies that can be considered to improve the balance of markets and the access of lower income households throughout the community; and

WHEREAS, The Ann Arbor City Council is committed to promoting those policies that create resiliency, promote equity, and improve opportunity for households of all income levels throughout the County.

RESOLVED, That the Ann Arbor City Council hereby adopts the Housing Affordability and Equity - Analysis for Washtenaw County;

RESOLVED, That the City Council commits to advancing the goals of this analysis to promote balance in the County's housing market through policy and resource allocations, partnerships and collaborations throughout the County, and through a goal of providing services to all County residents, inclusive of the most vulnerable; and

RESOLVED, That the City Council supports the identification and/or designation of a regional workgroup or structure that will advance and annually review the status of goals identified on this report and requests that the Office of Community and Economic Development regularly report on progress to the City Council and the community at large.