

# HOUSING AND AFFORDABILITY IN ANN ARBOR

COMMUNITY DISCUSSIONS ON REDEVELOPING THE  
FORMER Y-LOT AND 415 W. WASHINGTON

## FACT SHEET

### AFFORDABLE HOUSING & AREA MEDIAN INCOME

#### The definition of Affordable Housing is:

Housing that costs 30% or less of a household's gross annual income (including rent and utilities or mortgage, taxes & utilities)

#### What is Area Median Income (AMI)?

Household income includes all income of every resident of that house that is over the age of 15. Median Household income represents the mid-point of area incomes with, half of residents having income above that amount, and half having income below that amount.

For Ann Arbor, this includes all of Washtenaw County. The Area Median Income is currently \$101,200.

In Michigan, the AMI is \$71,600. Broadly, the United States AMI is \$63,179.

#### What is the relationship between AMI and Affordable Housing?

Affordable housing targets mandated by federal and state housing agencies are defined as a percentage of AMI. An example of a family of 4 in Ann Arbor:

For 2019:

30% of AMI is 30,360	This could be a single mother working as a dental technician
50% of AMI is 50,600	This could be a school teacher
60% of AMI is 60,700	This could be a family with a construction workers and someone in food service
80% of AMI is 80,960	This could be a police officer and a home health care aide.
100% of AMI is 101,200	This could be a professor and an artist with kids
120% of AMI is 121,440.	This could be a Psychologist and a stay at home parent

AMI is differentiated by the number of people in the household. Your household income can be \$50,000 and depending on your family size, you can be in the 80%, 60% OR 50% AMI (shown circled in green below.)

AREA MEDIAN INCOME	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON
30%	\$21,270	\$24,270	\$27,300	\$30,360	\$32,790
50%	\$35,450	\$40,500	\$45,550	\$50,600	\$54,650
60%	\$42,540	\$48,600	\$54,660	\$60,720	\$65,580
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

Therefore, Affordable Monthly Housing Costs in Ann Arbor, based on a family spending no more than 30% of Income for housing costs would be as follows:

AREA MEDIAN INCOME	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON
30%	\$531	\$607	\$683	\$759	\$819
50%	\$886	\$1,012	\$1,138	\$1,265	\$1,366
60%	\$1,063	\$1,215	\$1,366	\$1,518	\$1,639
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

Families with incomes at or below 60% AMI would qualify for housing developed under affordable programs administered by the State of Michigan and the Federal Government. The City of Ann Arbor also has incentives for developers who provide housing for families at or below 60% AMI.

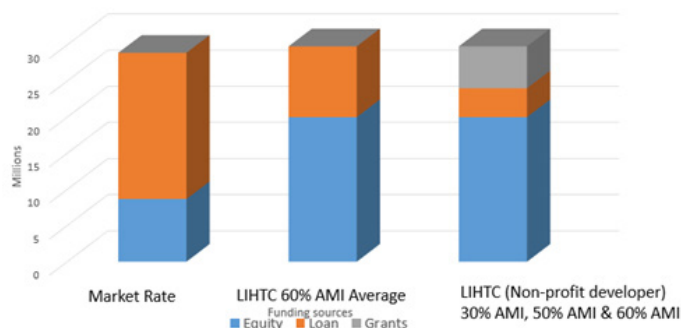




- In Ann Arbor, there was a goal to build more affordable housing by 2030 but less than 100 have been built in the last five years.
- In Ann Arbor, over 4,000 people applied to waitlist for housing choice vouchers with an average income of \$10,444.
- If there is such a demand for affordable housing, why isn't the private sector building it?
  - Private developers build to maximize profits and with high demand for higher cost housing they do not have an incentive to build housing that rents or sells for lower cost. If local codes and regulations don't require it, it won't be built.
  - Housing affordable to families below 100% AMI cannot be built without some kind of subsidy – either through free or low-cost land, grants, low-cost loans etc. or increased density to spread the costs among market rate housing
  - The existing funding programs for affordable housing are competitive and only cover a fraction of the need
- Studies show that increased supply of housing lowers overall prices and takes pressure off of buying existing lower cost housing to renovate for higher income renters or buyers, however Ann Arbor has not increased housing supply to meet demand.
- The majority of housing is developed by the private sector and typically involves a developer getting a loan that is paid back by the rents or sales prices from the property. This is called debt. Lenders will not provide all of the funds needed, so the developer either gets money from investors or puts in their own funds which get repaid from rents or sales prices. This is called equity.
- One method for creating affordable housing is a program through the Federal Government called the **Low Income Housing Tax Credit (LIHTC)** which provides a tax break from investors who provide equity to housing affordable to families below 60% AMI.
- The biggest difference between market-rate development and affordable housing development is how it is financed. The Low-Income Housing Tax Credits (LIHTC) can subsidize the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. **LIHTC is by far the single largest source of funding for affordable housing in the United States for new developments.**

Affordable housing is currently developed in Ann Arbor through a variety of ways including:

- Low Income Housing Tax Credits
- Rehabilitation and expansion of existing housing
- Incentives which give developers the ability to build more in exchange for affordable units
- Subsidy to developers if they provide units at affordable rents or sales prices.



#### What other financial resources exist for building affordable housing:

- Federal Housing and Urban Development (HUD)
- Michigan State Housing Development Authority (MSHDA)
- Ann Arbor Housing Fund (AAHF)
- Downtown Development Authority (DDA) Affordable Housing Fund
- Brownfield Funding
- Housing Revenue Bonds
- Loans from Financial Institutions
- Millage
- Philanthropic Entities

#### What other constraints must we consider when building affordable housing?

- Federal regulations, including Federal Emergency Management Agency (FEMA)
- State regulations, including the Michigan Department of Environmental Quality (MDEQ)
- Local regulations for:
  - Density & Height
  - Parking & Open Space
  - Deeds or Covenants
- Building Characteristics
  - Mixed Use
  - Mixed Income
  - Amenities
- Tenant Characteristics
  - Senior
  - Those needing supportive services
  - Families
  - Single Adults
  - Income Level
  - Number of Bedrooms & Unit Square Footage
- Development Costs
  - Land Acquisition
  - Construction and Labor Costs
  - Financing Costs
- Legal and specialists costs
- Taxes and fees
- On-going operating costs

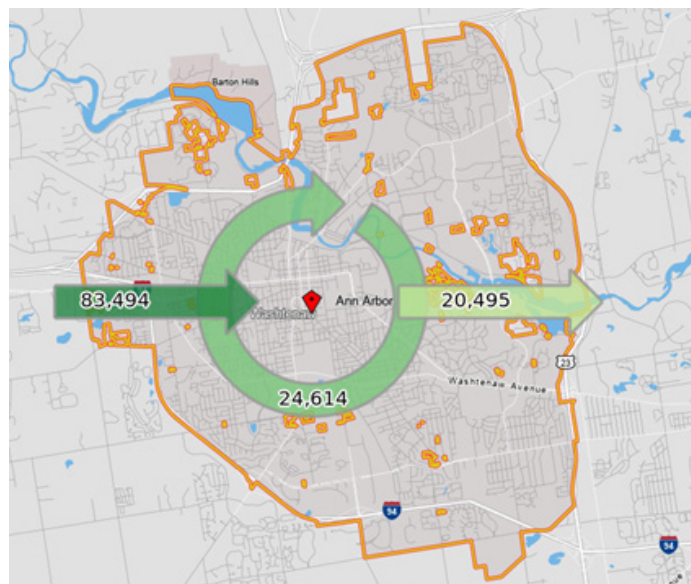
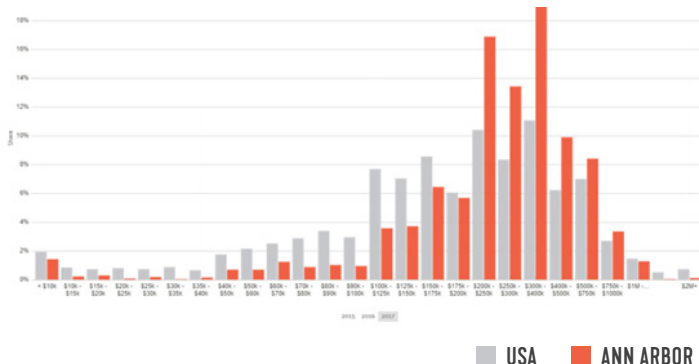


## HOUSEHOLD INCOMES & TRANSPORTATION

Ann Arbor household incomes generally match US averages, but Ann Arbor housing prices and housing demands from high income residents are driving up local housing prices as compared to US averages.

Transportation is usually the second largest household expense for families, after housing costs. As commuting expenses as a percentage of income are reduced, either by less costly transportation options or reduced spatial mismatches between jobs and housing, more will be available for housing, food, education, and health care. People who cannot afford to live in Ann Arbor are commuting and impacting traffic, parking and infrastructure. In Ann Arbor:

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



## HOUSING & JOBS

People want housing choices to exist throughout the region and believe they should be, ideally, close to jobs. This can become the undergirding for a regional housing policy. Ann Arbor provides the majority of jobs for the region and is growing at a faster rate than compared to other proximate centers. The greater the degree to which Ann Arbor invests in affordable housing for those working in Ann Arbor, and other areas make progress towards growing demand by investing in livability, the less the commuting pressures - and resulting congestion will occur.

