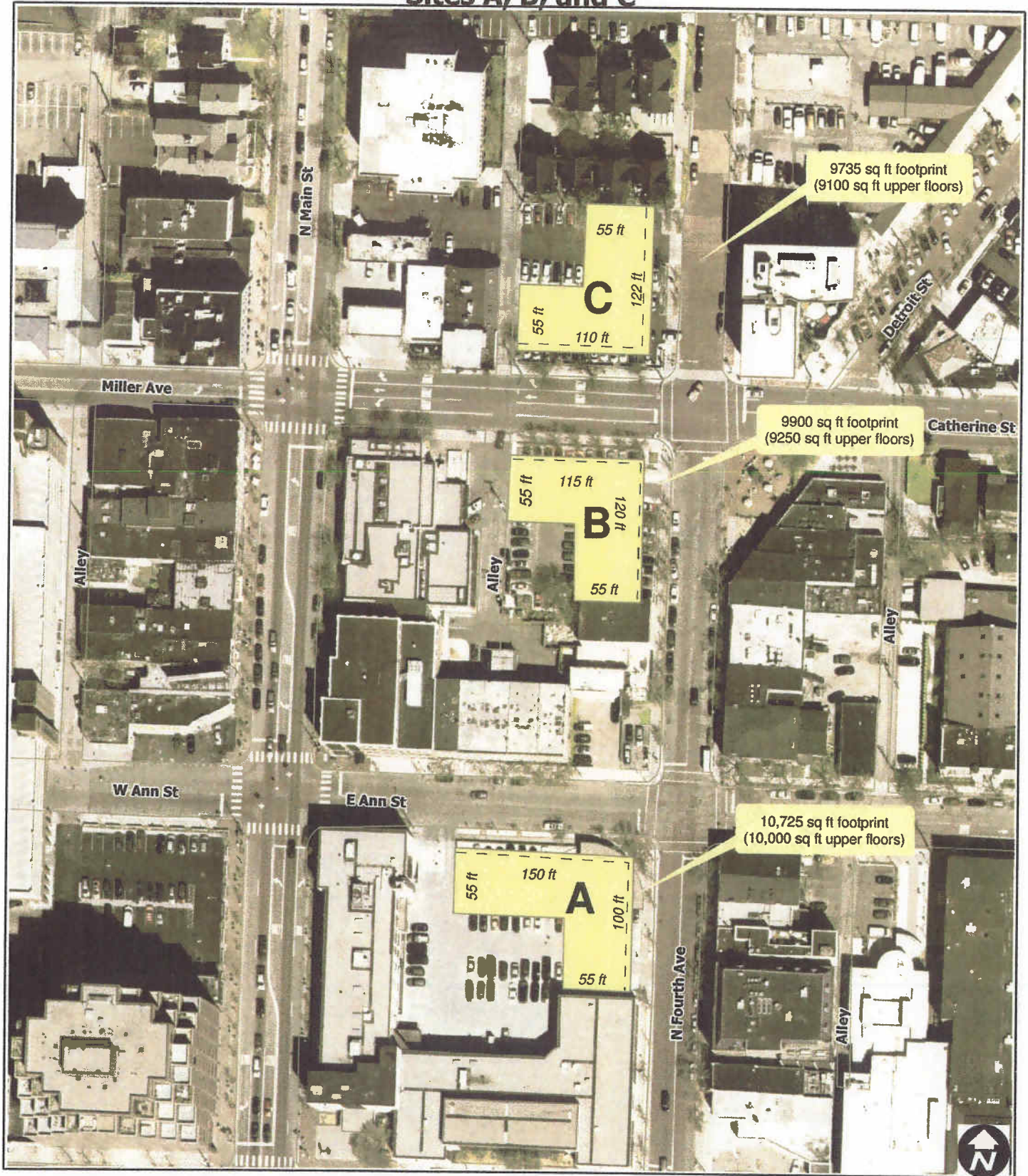


100 Units Replacement Housing: Sites A, B, and C



9735 sq ft footprint
(9100 sq ft upper floors)

9900 sq ft footprint
(9250 sq ft upper floors)

10,725 sq ft footprint
(10,000 sq ft upper floors)

Map Legend
→ Railroads

0 95 190 380 Feet



Maps available online:
<http://gisweb.ewashtenaw.org/website/mapwashtenaw/>

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Replacing the Former Y Housing Units in the Downtown: Key Assumptions about a Residential or Mixed-Use Tower Project

Site Development & Construction

- **Zoning:** The Courthouse is currently zoned PL (Public Land). Both 4th/Catherine sites are zoned C2B/R. The PL zoning has no restrictions on height, use, size, set-backs and floor area and therefore 60 – 100 units of affordable housing could be built on the site without rezoning. However, the C2B/R zoning would only allow 8 units to be built on either site. Consequently, it is recommended that the sites be rezoned to D2 as recommended by the A2D2 Recommendations. The attached financial scenarios assume the sites are zoned appropriately.
- **Courthouse:** If the Courthouse site is used, space is still available to expand the Courthouse at a future date or at the same time as the affordable housing.
- **Stick built vs. Steel Frame:** Wood frame construction is less costly to build than steel-frame construction. The typical local cost per unit to construct a residence or mixed-use tower ranges from \$110-\$135/square foot. Because the bathroom and kitchenette take up a significant proportion of space, the square foot cost for this calculation is \$120 - \$145/square foot. However, wood frame construction is permitted only up to 4-stories, above which steel frame with poured or pre-cast concrete is required. Steel frame cost per unit ranges from \$135-\$200/square foot. Again, due to the large proportion of kitchen and bath space, \$145 - \$210/square foot were used.
- **Energy Efficiency & LEED:** The higher end cost estimate includes energy efficient and renewable elements that would qualify the tower to be *Leadership in Energy and Environmental Design* (LEED) certified.
- **Land Cost:** All construction financing and cost scenarios outlined are based on a land acquisition cost of \$0 for the affordable housing. Extra points will be scored on the tax credit application by donating the land. For the retail space, the land cost is assumed to be \$100/sq foot. The City and County surface lot sites range from 16,700 sq feet to 20,000 sq feet, which would be a land value of \$1,670,000 to \$2,000,000. The land value for retail is a proportion of the estimated market value of the site.
- **Parking:** Scenarios presented have minimal or no parking added, though the Courthouse lot scenario would seek to preserve the existing underground parking and potentially 5 – 15 surface spaces for users of the building. All three proposed locations are located within 1.5 blocks of the Ann-Ashley parking structure, and proximate to numerous on-street parking. Further, the cost to add public parking to a project at one of these sites would be costly, and might lead to a project design that is less pedestrian-friendly. If needed, an additional level/floor could be added to the Ann-Ashley parking structure at considerably less cost per parking space.
- **Retail:** The inclusion of first floor retail/commercial/etc. will require more than 4 stories at all sites, and thus steel frame construction. The inclusion of first floor commercial space at the two sites on Catherine/4th will increase the building's consistency with the surrounding area. It

would, however, be more costly to develop than an all-residential tower with only four stories. If A2D2 recommendations are adopted, they recommend but do not require 1st floor active uses.

- **Unit Size:** Units could range in size from 400-550 square foot studios, with layout and amenities of individual units to be determined based on target tenant needs, financing options and related regulations, and cost. Tax investors in today's market may require larger units than are necessitated by the tenant needs, due to considerations for the marketability of the units after the tax credit compliance period has ended. A layout that includes a common kitchen, shared baths and individual bedrooms would be less expensive to build. However, that housing model is no longer supported as a best practice by MSHDA and would not get support from Tax Credit investors either.

Operating Costs and Financial Considerations

- **Project Based Vouchers:** Operating costs are based on the acquisition of HUD project-based section eight or other housing vouchers for all units, which provide additional rental income – up to fair market rate – over and above a prescribed percentage of tenant incomes. The incomes of the target population are expected to average close to 15% AMI, which means affordable rents will need to be around \$215/month. However, \$215/month will not provide enough revenues to cover expenses. Therefore, the project will need to set the income target at 50% AMI in order to secure project-based Section 8 vouchers with rents at the 50% AMI level of \$690/month. The tenants will pay 30% of their incomes and the project-based Section 8 vouchers will cover the remaining rent.
- **Qualified Census Tract:** The parcels are all in Qualified Census Tracts and therefore qualify for 130% of basis for tax credit purposes. This is a good thing and brings more tax credits to the project, despite an historic low credit market of 76 cents on the dollar used for these scenarios.
- **Soft Costs:** The soft costs (such as legal fees, application fees, rent-up reserves) of this development project will be greater than a typical traditional, market-rate project of similar size and character. This increased cost is due to the necessity of securing multiple public and private financing sources, and the corresponding staff time and complexity of regulatory requirements in this type of financing. Additionally, the development, design, and disposition of a project of this nature will bring varied input from the community, and specific stakeholders. And, while a high level of community input is consistent with the values of the City, and ultimately the success of this project, it brings with it additional design costs.
- **Commercial Revenue:** Including commercial space may include financial benefits associated with: **New Market Tax Credits and Brownfield funds.** (needs exploration) A phase I is needed to determine if the sites are eligible for Brownfield funds. This is not recommended unless it is determined that commercial space and a steel-frame tower is preferable. A Brownfield TIF does not make financial sense on a project that is 100% affordable housing because the taxes are less than \$1000/year. New Market Tax Credits can only be used if the project includes at least 20% of the revenue from non-housing related activities. NMTC's offer below-market rate loans, if the project is infeasible using private-sector market rate financing.

