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**AFFORDABLE HOUSING STRATEGY**

June 2020

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## OVERVIEW

As defined by the U.S. Department of Housing and Urban Development, households are considered cost-burdened when they pay more than 30 percent their income for housing. These households struggle with the cost of housing and may have difficulty affording other necessities such as food, clothing, transportation, and medical care. As cities move to encourage compact, transit-friendly infill development along these two corridors and land values continue to rise, it is imperative to ensure access to quality and affordable housing options along the Woodward Ave and Ann Arbor to Detroit Rail Corridors.

TOD/MOD station area planning in Southeast Michigan presents an ideal chance to capitalize on subsidized housing development opportunities to ensure that affordability is an integral component of station area planning efforts, and not an afterthought. Developable sites within the immediate station areas will likely become prime real estate, and without proper planning in place, reinvestment and market rate development could jeopardize the preservation of naturally occurring affordable housing stock and future affordable housing development opportunities. Proactive planning to increase the supply of affordable and subsidized units would allow for lower income and disadvantaged populations to live adjacent to transit stations, providing quicker access to employment opportunities, institutions, and commercial destinations.

Expenditures for housing and transportation can strain household budgets, especially for those with low-to-moderate incomes. Having access to a reliable transit alternative and attainable housing are major goals for some of the economically challenged municipalities along the corridors.

Proximity to quality transit with frequent service along with other mobility options can improve access to jobs and other destinations. The benefits are especially important to individuals and households without dependable access to a private vehicle or where the cost of auto ownership is an economic strain. Those with convenient access to transit may be able to forgo the high costs associated with owning a private vehicle. This document focuses on properties

and opportunities within a half mile of proposed station locations, as development within this distance is considered walkable to the station.

As part of this study, several organizations were engaged and interviewed to gain valuable insight regarding their current practices, challenges, and example projects. In addition to public agencies, representatives from Cinnaire, a prominent affordable housing developer active in Southeast Michigan, were interviewed. Cinnaire provided expertise on sources of gap financing, different types of partnerships, and successful TOD case studies with affordability components.

The following agencies/organizations provided the project team with data and important information that has informed the recommendations in this document:

- Cinnaire
- City of Detroit
- Michigan State Land Bank
- Oakland County
- Washtenaw County
- Wayne County Land Bank

Publicly owned property within a half mile of each of the station areas was identified, as public land is a powerful tool that local, county and state agencies may use to incentivize or require the development of affordable housing. These properties (or development rights on these properties) can be sold to developers at reduced cost or given away at no cost in exchange for a commitment to specific affordability requirements.

# WOODWARD CORRIDOR

The greatest potential for affordable housing along the Woodward Corridor is within the Cities of Detroit and Highland Park. Both cities have numerous vacant or developable publicly owned parcels in close proximity to station locations that would be ideal to reserve for affordable housing projects -- some of which have already been reserved for this purpose. In Highland Park, the Wayne County and State Land Banks own a significant number of sites within a half mile of the Woodward station locations. The Oakland County and State Land Banks also own a significant number of parcels in Downtown Pontiac that have potential to be developed into affordable housing.

## City of Highland Park

As of April 2020, there were approximately 60 sites owned by the City of Highland Park or the Wayne County Land Bank that are vacant or have blighted buildings in need of demolition. The City and the Wayne County Land Bank collaboratively work together and hold monthly discussions on strategies for addressing long term affordable housing plans. Affordable housing projects in Highland Park typically target specific communities like the homeless or veterans. A prime example of this is the forthcoming Veterans housing project on Church Street near the McNichols station (highlighted on Map 1). This project will house female veterans in a one ten-bed transitional housing unit and three duplex rentals. The project will also feature a greenway and pocket park along Brush Street and facilitate a connection to the planned Joe Louis Greenway.

## City of Detroit

The City of Detroit has two main strategies to work towards providing quality and affordable housing opportunities:

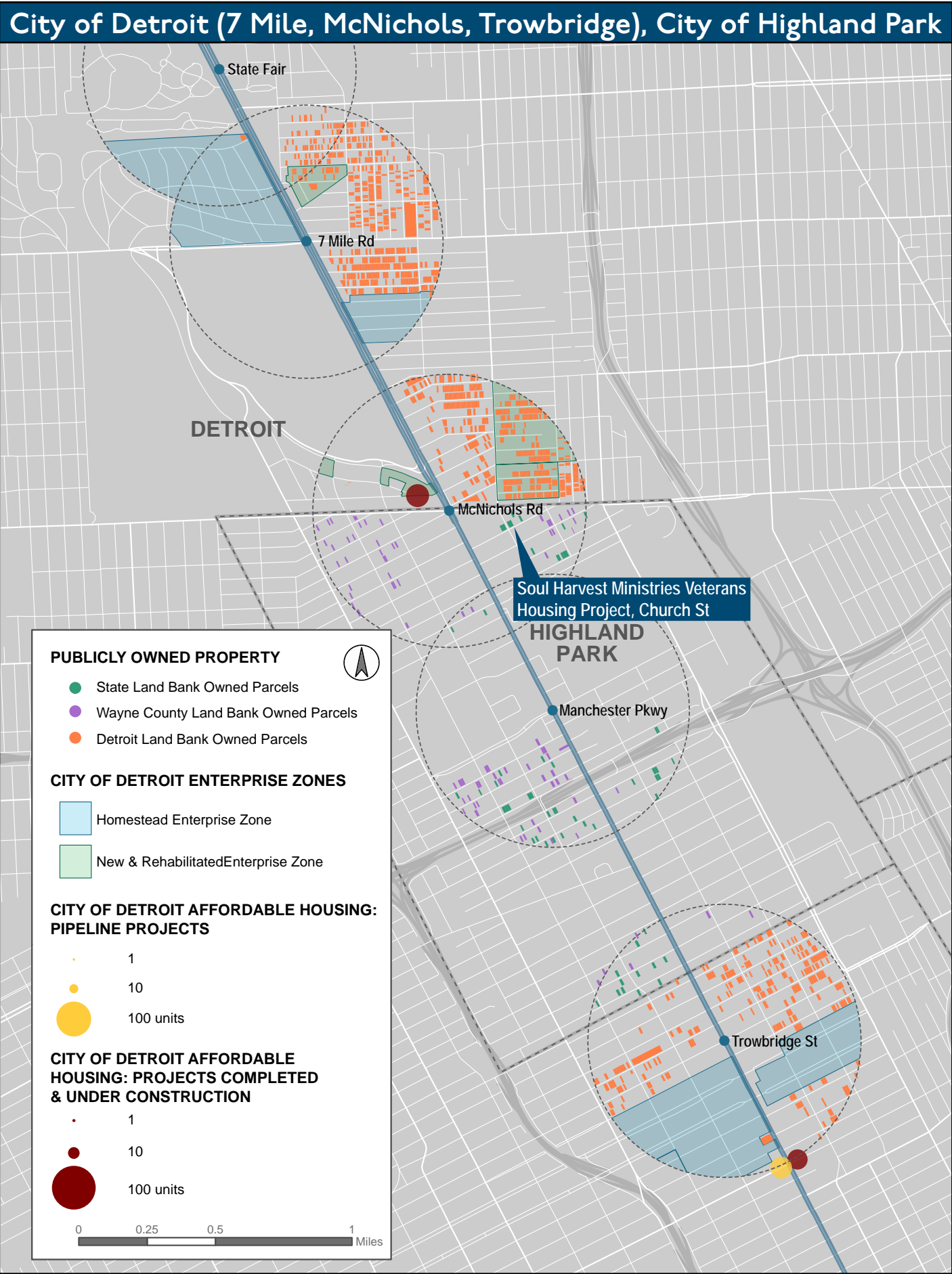
- 1) Preserve and invest in existing affordable multi-family housing, especially in desirable areas where tenants are being priced out;
- 2) Create new affordable housing units with a focus on ten Detroit neighborhoods identified by the Strategic Neighborhood Fund, which includes much of the Woodward corridor.

Subsidized housing projects in the region are financed through a variety of different mechanisms and feature different breakdowns of affordable units in terms of the number of units subsidized and different proportions of units made affordable to households making a certain percentage of area median income (AMI). According to the City of Detroit, the 80/20 market/affordable unit split is the most difficult type of project to secure gap financing for in the city. Navigating this process can be difficult for developers with little to no experience executing these types of projects.

However, the City has several projects in the pipeline and there are recent success stories to emulate. The Baltimore Station development (highlighted on Map 3), located on Woodward Ave across from the Detroit Amtrak station, is a multi-phase project that contains 20% affordable rental units. The COTS Peterboro Affordable Housing Project (highlighted on Map 3) at John R and Garfield contains 100% affordable units for residents making no more than 50% AMI. 100% affordable projects like the COTS project are often easier to finance than 80/20 projects like The Baltimore because of established financing and funding mechanisms in Southeast Michigan for projects that target specific vulnerable communities.

Existing and pipeline affordable housing projects in the City of Detroit are concentrated in the Midtown-Downtown core, where housing has become largely unaffordable. The Detroit Land Bank owns a handful of properties in these areas.

The Detroit Land Bank owns many properties around Detroit's northern Woodward stations including Calvert/Trowbridge, McNichols, and Seven Mile. There is great potential to capitalize





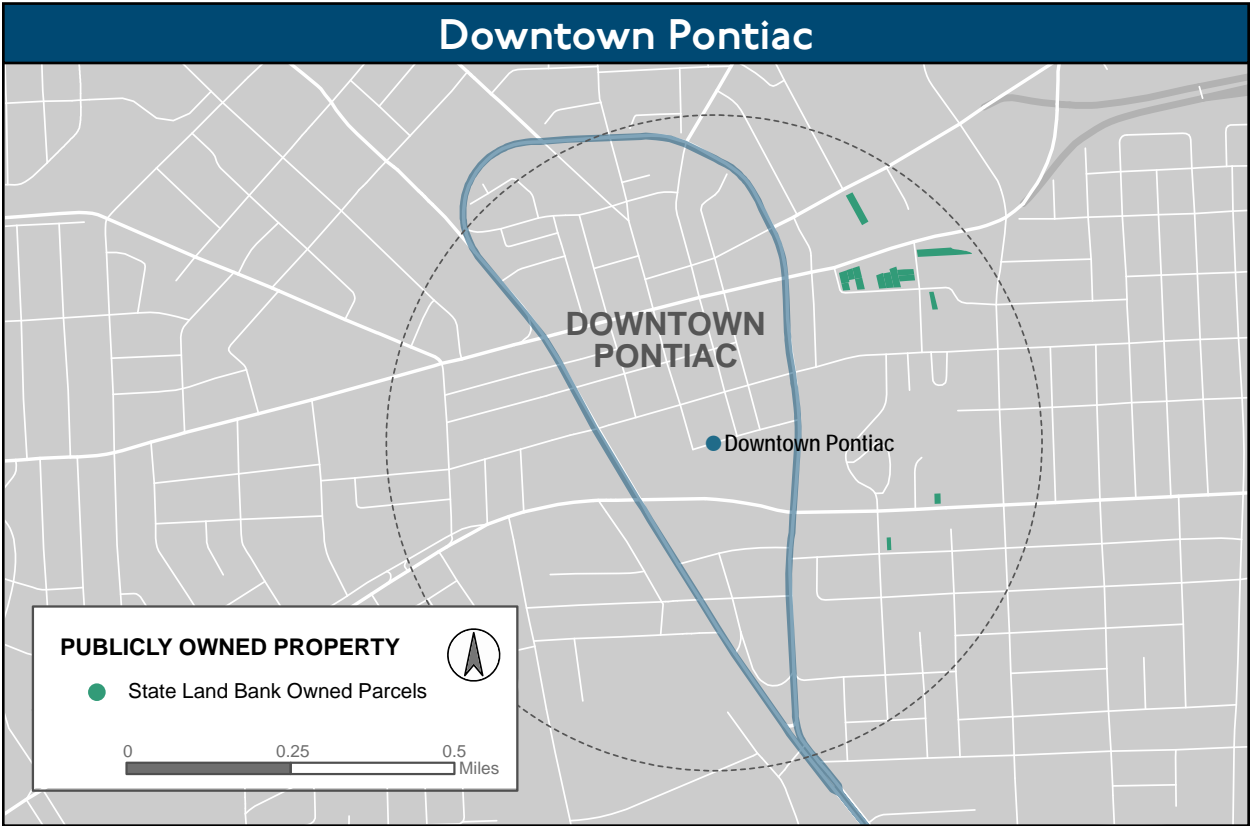
on public land ownership, increasing land values, and organized planning efforts in these neighborhoods to meet the growing need for subsidized and affordable units in close proximity to Woodward.

### Oakland County

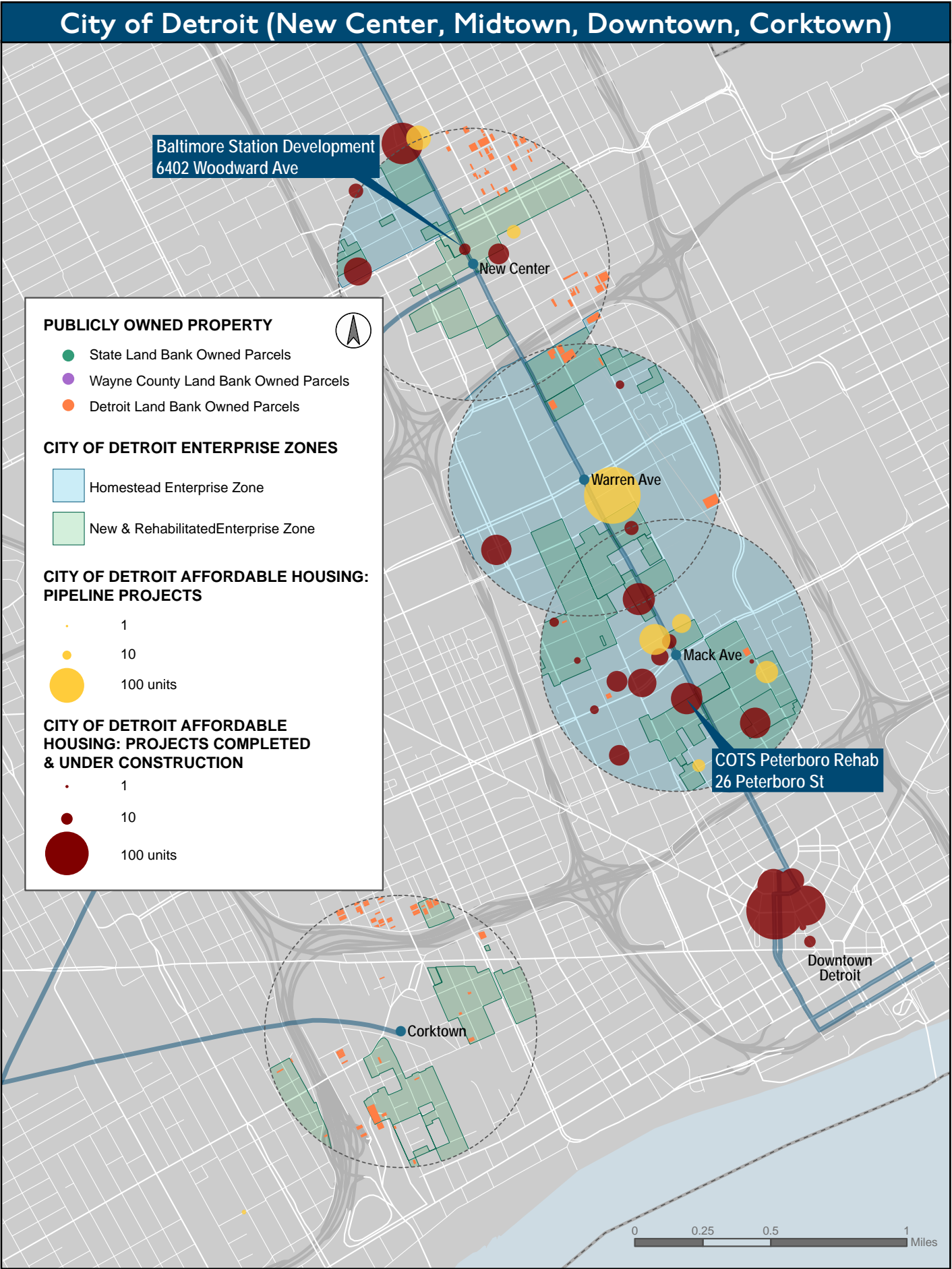
There is not as much developable publicly-owned property along Woodward Ave in the Oakland County communities as there is in Detroit and Highland Park. The main exception is within the City of Pontiac. The State Land Bank owns a handful of properties within the Downtown Pontiac station area, the majority of which are clustered outside the Woodward Loop in the northeast quadrant of the station area (highlighted on Map 2). Additionally, as identified in MOD Market Analysis, there are several future residential development opportunity sites located within the station area.

The lack of public ownership in Oakland County is due in part to higher land values and fewer properties that were acquired due to tax delinquencies. While average incomes are generally higher in the Oakland County communities compared to Wayne County, there is still a need for housing in some of those cities with prices that are attainable, especially for service and other employees who work in those towns. Several of the cities have a wide variety of existing housing, some that is more attainable in terms of the low-moderate income employees. Given the real estate and development costs in places like Birmingham and Royal Oak, developers are even less likely to provide affordable units without some level of public subsidy along with a significant boost to permitted density.

In early 2020, Oakland County announced that Division of Community and Home Improvement will be relocated to Downtown Pontiac with a renewed focus on providing quality and affordable housing opportunities to Pontiac residents utilizing HUD and HOME funding opportunities. Partnerships between the City, the County, and MSHDA are imperative to move projects forward and secure gap funding.



Map 2



Map 3

# ANN ARBOR TO DETROIT RAIL CORRIDOR



## Wayne County

The Detroit Land Bank owns a handful of properties around the New Center and Corktown stations. Around the Corktown station, many of these properties are clustered in North Corktown, just north of I-94. This area has excellent TOD/MOD potential. The Wayne County Land Bank has minimal holdings around the Dearborn, Merriman and Wayne stations. These cities may still follow the Funding Opportunities and Policy Recommendations outlined in the final section of this document.

## Washtenaw County

Washtenaw County conducted an *Affordable Housing and Economic Equity - Analysis* (adopted in 2015) to determine which areas of the County to target for affordable housing opportunities. Only 45 affordable units have been created in the county from 2015 to 2020, during which time 991 formerly committed affordable housing units have converted to market rate. At least 191 new affordable units are in the pipeline between 2020 and 2023.

The study recommends a series of general policies to increase equity and affordability throughout Washtenaw County and includes specific recommendations for each municipality. Popular funding sources include LIHTC, the HOME program, and the Federal Home Loan Bank.

The study's recommended policies that are relevant to the rail corridor include:

- Push for higher density and mixed-use projects along transit corridors.
- Revisit parking requirements to ensure they do not make it difficult to achieve development density that supports transit.
- Consider ways zoning can encourage the development of diverse housing options including smaller starter homes, family-sized units, and workforce housing to existing neighborhoods.
- Consider changes to zoning and/or policy to encourage development of mixed-income housing in targeted areas.
- Identify infill opportunities for new affordable housing projects.
- Consider the use of public land to develop affordable housing projects.

Additionally, the County would like to encourage institutional partnerships with universities and hospitals to address the housing needs of employees at these institutions. The University of Michigan is an excellent candidate for this, due to the close proximity of the U-M Hospital Campus and university campuses to both station locations being considered.

For the past few years, a Regional Working Group has been coordinating to implement affordable housing strategies in Washtenaw County. This group has set goals and strategies for each municipality, summarized below.

## City of Ann Arbor

The City of Ann Arbor has a goal of adding 140 affordable housing units per year. Strategies to achieve this goal include increasing funding of the Ann Arbor Affordable Housing Trust Fund, encouraging low interest mortgages for attached dwelling units that meet affordability criteria, and removing regulatory barriers like fees and zoning constraints.

The City has begun to evaluate city-owned properties for potential redevelopment, likely with a mix of subsidized and market rate units. The preliminary analysis was conducted for a dozen properties, most of which are surface parking lots today. Three of these properties, listed below, are within the existing Ann Arbor Amtrak half-mile station area. They are highlighted on Map 4.

- 121 E Catherine St
- 404 N Ashley St
- 721 N Main St

In 2019, the City passed a Voluntary Brownfield Incentive Policy that includes affordable housing minimums and/or payment in lieu. This policy was enabled by Senate Bill No. 110, which was amended in 2018 to construe that local governments may use voluntary incentives and agreements to increase the supply of affordable housing in their communities.

The City may look to redevelopment opportunities in Northside, just north of the Huron River, for additional affordable housing opportunities in the area.



Map 4

## City of Ypsilanti

The average cost of housing in Ypsilanti is lower than the cost of housing in Ann Arbor, however cost burden remains a vital issue. The Washtenaw County Affordable Housing Analysis encourages Ypsilanti to create partnerships to prevent foreclosures, abandonment, and distress in the community.

The City has a goal of adding 69 affordable housing units per year by utilizing its Neighborhood Enterprise Zone in the southwest quadrant of the city, restoring Amtrak service, and facilitating an RFP process for new development at prime locations.

Additionally, the brownfield site on at 715 Norris St, adjacent to the Huron River and bordering E Forest Ave should be explored as part of any station area development planning near Depot Town.



# CASE STUDIES

Two case studies in Indianapolis, Indiana and Denver, Colorado are described as examples of partnerships created between public and private actors to finance affordable housing as part of TOD initiatives accompanying mass transit investments. Indianapolis is planning for affordable units along its Bus Rapid Transit network, and Denver's affordable housing efforts are centered around BRT and passenger rail stations. Elements from both of these efforts may be emulated to increase the supply of affordable housing along Woodward Ave and the Ann Arbor to Detroit Rail Corridor.

## Indianapolis Transit Oriented Development

Indianapolis has an existing Bus Rapid Transit system in place (one BRT route is already functioning and two others are planned). Early on in the planning stages, sites along the transit corridors were identified as coveted for developers and steps were taken to ensure that low income individuals have access to housing opportunities adjacent to transit and the amenities it brings. Cinnaire partnered with the Indianapolis Housing Partnership (INHP) to raise money through bank investors in order to purchase sites along the BRT corridors to preserve affordable housing opportunities. This effort is ongoing and the partnership has raised approximately \$11 million in capital in its first five years. This capital allows for developers to acquire property without tying up their own resources. The ultimate goal is to reach 1,000 subsidized housing units along the BRT network, with the majority of units being located directly adjacent to transit stops. None of these projects have been built as of early 2020, but RFPs have been released for targeted sites.

There is potential for this model to be replicated along the Woodward corridor. While local resources may be tough to come by, bank capital, foundation, and municipal support as well as strong partnerships with community development organizations and Community Development Financial Institutions (CDFIs, such as Cinnaire) could lead to significant affordable housing development along and within close proximity to Woodward Avenue.



## Denver Transit Oriented Development

Used as an initial model for Indianapolis, the Denver Regional Transit-Oriented Development Fund, the first of its kind in the U.S., also provides low fixed-interest rate loans for creating affordable housing along transit corridors. Local governments, foundations, and CDFIs partnered to determine TOD affordable housing policies and raise funding. \$15 million in capital (now approximately \$34 million) was raised by 2010 to start the fund and begin its operations. This fund allows for selected sites to be held up to five years along both rail and bus corridors in the Denver region to benefit low-income households that spend approximately 60% of their gross income on housing and transportation expenses. Overall, more than 1,450 affordable housing units near public transit in the region have either been preserved or built as a result of the TOD Fund.

This financial model may inspire affordable housing initiatives along the Ann Arbor to Detroit Rail Corridor, as it covers a broad area and includes targeted properties along both rail and bus routes.





# FUNDING OPPORTUNITIES & POLICY RECOMMENDATIONS

Beyond the TOD Fund mechanisms as featured in the case studies on the previous page, there are also multiple local, state, and federal funding resources that could help establish and encourage affordable housing along the study corridors. Some of those additional resources and tools include:

- **Project-Based TIFs**  
Project-based TIF's transfer the title of a property to the State Land Bank, but still allows for local control over the property. This interim ownership phase helps with typical distress factors; after approvals, the land bank transfers the title to the developer/buyer. Because a property is temporarily controlled by the State Land Bank, it is also eligible to qualify for ACT 31 financing (Brownfield monies) whether or not the property is actually blighted or considered a core community. While advantageous, this project-based TIF scenario is not widely practiced by communities in Michigan. It could be an ideal tool for properties along the TOD corridors to develop a mix of affordable, workforce, and market rate housing.
- **Senate Bill No. 110**  
Senate Bill No. 110 grants the authority to local governments in the state of Michigan to use voluntary incentives and agreements to incentivize the production of affordable housing.
- **Additional Funding Resources:**
  - Federal Housing Finance Agency (FHFA): Affordable Housing Program (AHP)
  - U.S. Department of Housing and Urban Development (HUD) Choice Neighborhoods Program
  - Opportunity Zones
  - Michigan State Housing Development Authority (MSHDA): Low Income Housing Tax Credit
  - City of Detroit: Affordable Housing Leverage Fund

Zoning and policy recommendations can be adopted by communities along the TOD corridors to promote implementation of affordable housing, especially for projects that are a mix of market rate and affordable units. Incentives could include reducing parking minimum requirements for projects that meet a certain threshold of affordable housing units. Similarly, height and density bonuses could be adopted as incentives at the local level to encourage more affordable housing around TOD station areas. For example, if the typical allowable building height is no more than 3 stories, a project that meets certain affordable housing unit ratio requirements could increase its building height to 4 or 5 stories.

It is also recommended that the RTA work with MSHDA to influence criteria for ideal sites for affordable housing. Every two years, MSHDA updates the Qualifying Allocation Plan which includes locational criteria for affordable housing, identifying prime sites that support healthy lifestyles. Some of that criteria already includes being near public transit, health care facilities, and schools. The RTA could advocate and provide criteria to be used as part of the next plan update to encourage more affordable housing along the Woodward and Rail Line corridors.



### ZONING & POLICY CHANGES

- Allow duplexes, triplexes & ADUs in residential zones
- Tie PUD rezoning to Affordable Housing development
- Review parking requirements - move to parking maximums
- Allow mixed-use (commercial and residential) along corridors
- Waive or reduce review fees for affordable housing
- Develop policy for Payment in Lieu of Taxes (PILOT) for affordable housing



### PUBLIC LAND UTILIZATION

- Review inventory of public land to see if sites could be redeveloped for affordable housing
- Redevelop vacant or underutilized sites
- As part of redevelopment, local units can require affordable and/or mixed-income housing along with other public amenities



### FUNDING & FINANCING

- Develop a local Affordable Housing Fund
- Include incentives in zoning to allow for a fee in lieu of affordable housing to seed the fund (incentives could be height or density bonuses)
- Work with larger employers/institutions to support down-payment assistance for their employees

Excerpt of recommendations from Washtenaw County's *Affordable Housing Toolkit*.