



MEMORANDUM

To: Alexis DiLeo
CC: Ben Carlisle
From: Megan A. Masson-Minock, AICP, Principal
Subject: Downtown Premium Zoning Ordinance Amendments Developer Input
Date: August 8, 2016

Per your request, we spoke with three development companies that have recently either constructed or had buildings with premiums approved in downtown Ann Arbor. In the three interviews, we spoke with five staff of development companies and an architect. We asked the following questions:

- What are your concerns about the premiums as drafted?
- Would the numbers work for your company to use a premium for 150 FAR in the D1/100 FAR in D2 when energy efficiency required is 30% better than the state energy code (ASHRAE 90.1)? If not, what percentage of efficiency would be an incentive?
- For the workforce housing premium, what in-lieu payment amount per square foot would be used? For instance, would 50% of the average cost per square foot of residential floor area in the downtown work?
- What level of LEED v4 would be an incentive?

The paragraphs below summarize the input gathered in these interviews.

Concerns Overall

Representatives from two development companies stated that the more the market determines the use the better, rather than trying to force a certain type of use or building. One of the interviewees asked that it be understood that a mixed use building is very challenging since each use requires different types of space, utility systems, and entrances while having differing disposition options. Each use also has a critical mass for economies of scale within a building – approximately 100,000 square feet of office while residential needs a minimum of 100 to 200 for rental units. Two groups shared that the current market rates for office will not cover the cost of construction and premium FAR will not create an economy of scale to make up the difference. One group estimated that gap to be around \$20 per square foot. Also, downtown parking space being at capacity was a limiting factor for office.

One group interviewed was concerned about the energy efficiency prerequisite, specifically the use of Target Finder. They were worried that it could become a political issue, since it is an EPA program that may not be continued or changed under a new presidential administration. They also would like the moment in time specified for the benchmark in Target Finder. Is it at time of application or the

submission for building permits?

Recommendations based on interviews: -Specify Target Finder benchmarks are included in development agreement with the City and will not change once signed, even if the models used in Target Finder change between time of signing and building occupancy.

Energy Efficiency Incentive of 30% Better than State Energy Code

In all three interviews, representatives agreed that energy efficiency incentives would not likely not be used for residential or hotel buildings. The energy consumption of individual residents or guests affect the degree of energy efficiency that can be achieved, likely limiting the ability to achieve the premiums levels in both Tier 1 and Tier 2. Again, participants in all three interviews agreed that the type of development most likely to use this incentive would be an office building. In two the interviews, participants expressed concern about the language of “approved state energy code”, which can be changed by the State of Michigan and is rumored to be upgraded from ASHRAE 90.1 in the near future. They suggested that a specific code be cited by name. One participant suggested the change to bring more concrete details to the situation while another felt that an upgrade code to a more recent version of ASHRAE might put the incentive out of reach for many developers.

Recommendations based on interviews: -Specify ASHRAE 90.1 in the amendments

Workforce Housing Tier 2 Premium

In all three interviews, participants agreed that developers would use this incentive for rental residential and/or the in-lieu fee. Those interviewed said they needed to know the in-lieu fee amount before they could say the feasibility of the premium. One interviewee understood the number was \$100,000 per unit, which he felt was too high. He stated that the fee and the unit cost would need to be even in order to not push developers toward one option or another. He also felt the requirement of 10% of the square footage was too high and should be bumped down. He noted that when the PUD mechanism had been used to bring affordable housing to downtown, the results were not what had been expected or desired.

The two other groups interviewed were concerned about the 50%-80% AMI. One group shared that, in reality, almost of all of the workforce units built under this premium would be rented or sold to households as close to the 80% AMI as possible. That company said that they might consider a scenario where they could sell the workforce units to the City to manage. The other group asked that the window of AMI be 60%-100%.

LEED v4 Incentive

Two groups interviewed felt the Tier 2 premium should be LEED v4 Silver, not Gold. One of those groups asked that certification from the US Green Building Council not be required, but instead documentation from a LEED professional be provided that the building would meet that standard, due to the thousands of dollars in fees and costs for certification. One of these groups pointed out that some City requirements, such as automatic irrigation, are mutually exclusive with LEED Platinum certification. The third group interviewed felt this incentive would only be used by an office building development where the owner is the end user and would see the long-term savings from the environmental and energy measures. LEED was seen as a known entity, where the greenhouse gas reductions were not.

Other Comments, Concerns, Suggestions

- All three groups interviewed would use the Tier 1 residential premium proposed.
- One group stated that premiums on D2 sites are often hard to use all the FAR available due to height constraints.
- One group had the following suggestions for the proposed building design requirements:
 - First floor building height minimum and maximum too restrictive. Allow for high ceilings.
 - The 2.5 maximum height for window sills requires tempered glass and adds cost. These design requirements combined with building code will likely add to the expense of building.
 - Aluminum siding should be removed as a restricted material. It has been used in building downtown in a quality design.
 - Dryvit or EIFS should be allowed, especially on upper levels.
- One group felt the references to different codes and standards in the draft amendments could be confusing.
- One group interviewed controls a site where the City has indicated it would like a pedestrian crossing through any development, such as an arcade. They would like the pedestrian amenity premium retained, since they are more likely to provide that pedestrian access if rewarded with FAR. They also suggested the current language be reworked to include access to a public park, plaza or property.
- One group suggested that documentation and fees be required when a certificate of occupancy is issued, not at time of building permits.
- One group offered that the 400 square feet of residential usable floor area for a minimum size of a residential unit be changed to 450 square feet of gross floor area. They shared that at the time of site plan application, they know gross floor area but residential usable floor area may change during the permitting and construction process.
- One group asked that no more requirements or fees be added to building permits. A second group echoed this sentiment, saying that tap fees, drain footer disconnect fees, etc. were driving up the cost of construction in Ann Arbor.
- One group was concerned about the changes to the PDD. They felt “iconic” and “existing fabric” was too vague. They suggested that when relief was needed from the proposed design requirements, the PUD option should be used.