

Affordable-housing tax could add to problem

City should look elsewhere for solutions

We've got an idea for the Ann Arbor City Council.

How about asking voters to approve a new property tax to subsidize property taxes?

Now that may sound a little convoluted, but it's really not. The revenue from the tax would go toward subsidizing families who want to move into the city but can't afford the city's property taxes.

And it really wouldn't be any more counterproductive than the very latest proposal to levy a new property tax of up to a half-mill to subsidize affordable housing.

We suggest the "affordable property tax" tax with tongue pressed firmly in cheek, after hearing about the proposed "affordable housing" tax that was discussed Monday night by the City Council.

The idea of an affordable housing tax of 0.25 to 0.50 mills was floated by the city's Downtown Residential Task Force as part of a report it issued last summer but wasn't publicly discussed until Monday's joint meeting with the City Council and Planning Commission.

We don't pretend to have all the answers. But we might be inclined to let the forces of supply and demand work their way on the city's housing market.

While Mayor John Hieftje said he couldn't support such a tax at this time, some council members were more receptive. Both of the 1st Ward representatives, Democrats Bob Johnson and Kim Groome, said it was an idea worth exploring.

We've got a suggestion for the City Council: Increasing the local tax burden is likely only going to add to the affordable-housing problem.

What some city leaders don't recognize or at least want to acknowledge is that the already high property taxes in Ann Arbor are contributing to the financial obstacles families and young professionals face when they look at moving here, whether they're buying or renting. Property taxes directly affect home buyers who usually pay into a tax escrow ac-

count as part of their monthly mortgage payments, while they may be less obvious to apartment dwellers because they are hidden in rent costs.

And the problem just compounds itself – the higher the cost of a house, the higher the property taxes are. Add those two factors together and the less affordable buying a house in Ann Arbor becomes.

Last year, the average sale price for a house in Ann Arbor was just short of \$260,000, according to the Ann Arbor Board of Realtors. Property taxes at the city's current rate of about 45.5 mills (including school and county) on a \$260,000 house would be \$5,915, adding nearly \$500 a month to a mortgage payment. That same house just a few miles out of downtown in Ann Arbor Township (same school district) would pay about \$4,080 a year in property taxes, or about \$150 a month less than in the city.

The city says houses need to sell for about half the current average selling price to be affordable to working families who make \$35,000 to \$50,000 a year. The Downtown Residential Task Force is faced with the unenviable mission of coming up with solutions for two often opposing problems. It needs to plan for controlled residential development downtown to accommodate population growth as the city buys up land in surrounding townships to set aside as green space. At the same time, it is being asked to find a way to encourage the construction of affordable housing for working families and young professionals.

According to the city's own figures, it has already spent \$7.5 million, mostly from federal grants, creating 700 affordable housing units. City Council Member Jean Carlberg has said Ann Arbor probably needs three times that amount, while wondering how the city can get a diversity of housing downtown with "extremely heavy subsidies."

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Instead of trying to tax and spend its way out of a problem, the city should take a hard look at its zoning and land use policies to see whether they can be creatively changed to encourage higher-density, lower-cost housing intermixed with more expensive residential developments. That approach will be tougher going, but it has a much better chance of succeeding.