

HOUSING FROM B1

Developers say contributions put burden on other buyers

the costs.

Last month, the council changed its ordinance to allow developers to make payments to an existing housing fund in lieu of forcing them to build, in many instances, low-cost units on high-cost land downtown.

The city used \$300,000 from that Housing Trust Fund and another \$464,000 in HUD money to subsidize the Stone School Townhomes.

The trade-off for the city is more lower middle-income families living in Ann Arbor, but not downtown.

"That is going to be our challenge," said City Council Member Jean Carlberg, D-3rd Ward. "We strive to get a diversity of housing throughout the city. I don't see how we can do that downtown without extremely heavy subsidies."

Since 1992, the city has spent \$7.5 million, mostly with federal grants, creating 700 affordable housing units, or about 1.4 percent of the city's total number of households.

"We probably need three times more than that," Carlberg said. "If we had it, we could fill it. Ideally, we would have all levels of housing spread throughout the city."

Those more-affordable houses can sell for less than half the sale price of the average Ann Arbor home, about \$258,926 in 2003.

Earlier this year, the city was told affordable housing was becoming an obstacle to downtown projects.

Developer Peter Allen told the City Council downtown property is so expensive that having to include affordable-housing units could kill a project without some sort of subsidy. That meant the city would have to pay for something it expected as a concession from developers for the rezoning. The council changed its ordinance and allowed developers to make a payment to a housing fund.

Ed Shaffran, another developer, said land can cost \$210 a square foot downtown, compared to \$110-\$120 a square foot in other areas.

The city says it can get twice as much affordable housing for its money by taking a contribution and building outside downtown.

The land for Stone School Townhomes cost just \$100 a square foot, according to Rhonda McGill, executive director of the nonprofit Community Housing Alternatives, which builds and manages affordable housing in this region. She said that enabled the homes to have a sale price of \$132,000 or less, about half what an average home sells for in the city.

But Shaffran objects to the way the city squeezes the money from developers. He called the city's quid-pro-quo policy of basing rezoning approval requests on the promise of affordable housing a form of legalized extortion.

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He said it unfairly puts the burden of affordable housing costs on other buyers as developers hike the costs of surrounding full-market-value units.

Shaffran gave an example in which the five affordable housing units required in a 20-unit development would cost the other home owners \$20,000 each to make up for the markdown.

"I am going to add \$20,000 to the cost of your unit, because you know the guy next door to you who just moved in? You have to pick up his cost," Shaffran said.

Jeff Fisher, spokesman for the Home Builders Association of Washtenaw County, said although the more flexible plan for affordable housing is an improvement, the city has put up other obstacles to affordability.

The city raised the water and sewer connection and tap charges from \$2,000 to \$5,000 this year for a single-family residence, Fisher said.

Sue McCormick, the city's utilities director, said the rates are a fairer sharing of expenses, including ongoing infrastructure costs.

"The customers of the system had been subsidizing this for many years," McCormick said. "If the rate payers continue to subsidize new customers coming onto the system, we had projected in excess of a 30 percent increase in the water rates over the next five years."

"As a result of new customers paying their fair share, water rate increases will be less than 2 percent per year."

Fisher also said it can take four to five years for some projects to get through the city's approval process.

"It just adds on to the