

Affordable-housing fund used in development deal

Council changes agreement with downtown builders

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Some Ann Arbor City Council members say a recent change to allow developers more flexibility to meet affordable housing requirements may have saved a proposed residential and office development downtown.

The City Council voted 8-0 Monday night to change a development agreement with the builders of Kingsley Lane, a two-building project at Ashley and Kingsley streets.

The action allows the developer to make a \$234,000 contribution to a city affordable-hous-

ing fund. Under the old agreement, he would have had to build low-cost housing on some of the most expensive land in the city. The savings could be as much as \$500,000.

Developers have complained that forcing affordable housing downtown was eating up the profit margins on projects.

The Kingsley Lane development's survival is important as the council tries to shun what a recent report said was an anti-development perception in the community. The city is in the midst of a debate about how to get more people to live downtown. One project, the North Main Condominiums, with 14- and nine-story towers near the Kerrytown area, was recently tabled with concerns that it was too big.

Council members have pointed to Kingsley Lane, which includes a six-story and a two-story building with a minimum of 26 residential units, as a good example of how to do it.

"If we did not allow them to do cash-in-lieu payment, it would have killed the project," said City Council Member Leigh Greden, D-3rd Ward. "I've seen the numbers and I can't imagine how this project could have survived without this."

Under the old affordable housing ordinance, the city had required developers to incorporate affordable housing units into their projects in exchange for certain zoning changes. The original deal with Kingsley Lane, made before the city

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Developers will contribute \$234,000 to fund

changed its ordinance in September, required developer Mark Berg to sell five homes to lower-income residents.

Berg gave council a handout Monday night showing that the requirement would have cost him \$750,000 to provide five 875-square-foot residential units on site. The council's action instead allows him to contribute \$234,000 to the city's affordable housing fund.

"We've always said it was unrealistic financially," Berg said about adding the affordable units on site. "We knew the numbers would never work."

Berg, who has partnered with Peter Allen on the project, said Monday after the meeting he was satisfied with the new deal.

In September, members changed rules about how to get developers to provide affordable housing. Instead of forcing low-cost housing into projects, they allowed developers to make a payment to a housing fund. The city will use the money to build

more affordable housing units on less-expensive property, usually farther away from the downtown where construction costs are less.

Kingsley Lane's deal was made in December 2003, before the city allowed for affordable housing contributions as an option. But Council Member Kim Groome, D-1st Ward, and resident Marc Reichardt said there was more to the deal that troubled them.

For example, the Downtown Development Authority has said it will give back to the Kingsley Lane developers about \$214,000 of the property taxes generated by the project over 10 years. Mayor John Hieftje said the DDA sometimes does that to encourage development.

Reichardt, who ran for council in the fall as a Green Party candidate, said Monday that because of the DDA subsidy, the city was in paying for its own affordable housing.

Groome agreed. "It's simply

switching it between two city accounts," Groome told the council. "I think that is an interesting deal we are making."

The city postponed a request to change affordable housing requirements. Developers of Stadium Commons, a residential/office condominium at 1310 S. Main St., want to change their agreement to allow a contribution rather than setting aside units for affordable housing. The project's deal with the city was completed in November 2001 and construction is under way.

The council wants to see evidence that the developer can't afford to put the housing on its site before voting.

Since making the change in September, the city has already approved affordable housing contributions for about a half dozen projects.

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