



## Housing NOW! Frequently Asked Questions

**What is the Housing NOW! initiative being discussed at City Commission meetings?** Housing NOW! is a package of affordable housing policy proposals presented to the City Commission in November 2017. The proposed policies were the result of 11 recommendations from the Housing Advisory Committee aimed at addressing affordable housing and creating housing choice and opportunities for all. The full package is available on the City's website at [Housing NOW!](#)

**What is the Housing Advisory Committee?** Mayor Bliss appointed 20 stakeholders representing a cross-sector of the community, three City Commissioners and three City staff to continue the work started by the Great Housing Strategies work groups. The Committee's role was to prioritize implementation of goals outlined in the *Great Housing Strategies* and develop recommendations for the structure of the Affordable Housing Fund as well as affordable housing policy and other housing-related matters.

**Did developers help write the Housing NOW! policy proposals?** Individuals representing local nonprofit and for-profit developers were among the 20 community stakeholders appointed to the Housing Advisory Committee. The developers and all Committee members worked collectively to create policy recommendations to be presented to the City Commission. Additionally, the Planning Department sought input from developers to better understand the reasons existing affordable housing incentives in the City's Zoning Code were not being used so proposed amendments might achieve better outcomes.

**How does the City define affordable housing?** The City uses guidelines established by the U.S. Department of Housing and Urban Development (HUD), which considers housing affordable when the total cost of rent (or mortgage) and utilities is at or below 30% of a household's gross income. Households that spend more than 30% of income on housing-related costs are considered "cost burdened" and may have difficulty affording necessities such as food, clothing, transportation and medical care. HUD suggests that when adding transportation costs to housing costs, this amount should be no more than 45%.

**Does the City have established goals for the creation of affordable housing?** The City has established a goal that at least 30% of housing units citywide be affordable.

**What is the target income for Housing NOW! policies that incentivize affordable housing?** Most affordable housing is created with some form of federal or state funding assistance. Affordable housing programs generally serve households at or below 80% of the Area Median Income (AMI). The Housing Advisory Committee aligned its recommendations accordingly. Specifically, the Affordable Housing Fund would support homeownership projects for households earning at or below 80% AMI and rental projects at or below 60% AMI. The Neighborhood Enterprise Zone (NEZ) program would provide extra years of the NEZ tax exemption to projects that provide rental housing for households at or below 80% AMI.

**Does a developer get paid the tax benefits of a NEZ?** The developer does not get paid the benefits of a NEZ. The benefit is a reduced amount of property tax for a set period of time. This results in reduced operating costs for a development. All economic development incentives are performance-based, so the benefit is not provided unless investment has taken place. Projects are monitored by Economic Development staff annually, with a report provided to the City Commission on results of each project.

**Can micro-local business or minority-owned business participation be required in all NEZ projects?** The City cannot enforce requirements for participation by women- or minority-owned businesses because of the voter approved State Proposal 2. The City's Micro-Local Business Enterprise program incentivizes the use of small locally owned companies and can be used with these programs.

**Can a developer combine two or more criteria in the NEZ policy to earn the maximum exemption term?** Yes, eligibility criteria can be combined to earn the maximum exemption term. For example, a developer could commit to 10% Micro-Local Business Enterprise participation (+3 years) and install a covered bus shelter outside of their project (+3 years). This would result in a total exemption of 15 years (9-year base, plus 6 additional years).

**What is the difference between a by-right use and a special-land use?** A by-right use is permitted within a zone district subject to staff review. City staff reviews the proposed use and makes sure it complies with all requirements of the City's Zoning Ordinance. A special-land use can have additional effects related to health, safety and general welfare, and requires Planning Commission review. A public hearing is held as part of the Planning Commission review. The Planning Commission determines whether all applicable zoning ordinance requirements have been met and then approves or denies the proposed use.

**Will the additional density and/or increased number of housing units actually increase affordable housing within the city?** There are a limited number of zoning tools in Michigan that can increase the number of affordable housing units. Inclusionary zoning – the practice of requiring affordable housing units within a development – is not permitted by state law. Allowing additional density can increase the supply of housing units. While increased density does not guarantee the increase of affordable housing units, if supply and demand stay balanced, the cost per unit can become more affordable.

**Is there adequate enforcement capacity to manage additional density and potentially negative impacts, including overcrowding and lack of parking?** The current enforcement structure is complaint-based. The City will continue to investigate complaints as they are received.

**Will any of the proposed zoning amendments allow for the conversion of existing single-family dwellings?** Yes, the amendments intended to "incentivize small-scale development" would allow conversion of existing single-family dwellings to a higher density, or allow demolition of existing single-family dwellings to be replaced with two-family or multi-family dwellings.

**Can the City continue to regulate Accessory Dwelling Units as a special-land use and simply lower the application fee to eliminate financial barriers to this type of use?** Yes, the City Commission has the ability to amend the fee schedule and lower the special-land use permit application fee.

**How will the owner occupancy requirement of an Accessory Dwelling Unit be monitored?** The current and proposed zoning ordinance requires at least one unit on a property with an Accessory Dwelling Unit to be owner-occupied. The non-owner occupied unit must be registered as a rental dwelling and the Principle Resident Exemption would be applied accordingly. If a complaint is received, the Code Compliance Department investigates and enforces if necessary.

**What is a Voluntary Equitable Development Agreement (VEDA)?** A VEDA is a three-party agreement between the City, an investor and a community-based organization that allows the parties to voluntarily commit to various goals and joint interests to create a pathway for the investment to benefit all parties.

**Why would a developer want to pursue a VEDA?** The VEDA is a tool that allows the developer to formally commit to certain objectives that could assist in gaining community support for the project. Community support is an important aspect in the consideration of the City Commission's support for a project. The developer also could commit to objectives in the VEDA that would allow them to receive additional incentives, such as those contained in the proposed NEZ policy.

**Can community collaboration and engagement in negotiating a VEDA be mandatory?** Community engagement will be required for consideration of a VEDA. The level of neighborhood or community collaboration and engagement will be defined by the partners in advance of VEDA consideration by the City Commission.

**What would happen if a developer did not do what he or she committed to doing in a VEDA?** The consequences for not complying with the VEDA will be outlined in the agreement. The agreement could specify that any financial incentive be terminated for noncompliance. City staff will monitor and report annually to the City's Economic Development Project Team on the status of each agreement, including whether the investor/developer is fulfilling promises outlined in the agreement.

**There was public discussion about lowering the eligibility criteria for VEDA projects to \$5 million of private investment, so why is \$10 million still being proposed?** This amount is being recommended as the threshold because a project this size could have substantial impact on a neighborhood or business district. On average, the City sees about six projects of this size per year.

**Can the proposed Property Acquisition policy be used for projects that won't include affordable housing?** No, the project must include affordable housing units. The policy is proposed to provide a tool that allows the City to require creation of affordable housing units.

**What is a PILOT?** A Payment in Lieu of Taxes (PILOT) is a property tax exemption for rental housing developments serving lower-income tenants. The property owner pays a service charge of 4% based on rents collected, rather than the ad valorem tax. The City Commission approves PILOT requests on the condition the project obtains a "Notice to Local Assessor of Exemption" from the Michigan State Housing Development Authority (MSHDA), which is provided for qualified projects. A PILOT allows local units of government to contribute to the long-term affordability of housing for lower-income households and helps affordable housing projects be competitive in applying for Low Income Housing Tax Credits on a state-wide basis.

**If City ordinance is amended to allow the option to pay a 1% service charge and 2% fee to the Affordable Housing Fund, will it be retroactive to projects that already received PILOT approval?**

No, only projects that receive a conditionally approved PILOT by the City Commission after the policy is approved would be eligible to choose the reduced service charge.

**How will the City monitor the payment of the 1% service charge and 2% fees to the Affordable Housing Fund?**

The City currently bills for and collects PILOT payments annually based on a calculation performed by the City Assessor. The City Assessor would perform the calculation and bill the property owner using established methods.

**Will eminent domain be used?** Eminent domain will not be used for economic development purposes, and there are no plans to do so in connection with the Housing NOW! policies.

**Will there be a cost to the City to implement the Housing NOW! policies?**

In some cases, fees are charged to the program applicant to cover costs associated with processing program applications. The NEZ program currently has an application fee, and a fee is proposed for the VEDA program. Fees are not anticipated for implementation of the other policies.