Agenda
Committee of the Whole Meeting

City of Kalamazoo

Monday, December 4, 2023 5:00 PM

City Commission Chambers – 241 West South Street

A. CALL TO ORDER/ROLL CALL

B. COMMUNICATIONS

C. PUBLIC COMMENTS

D. SPECIAL AGENDA ITEMS

E. COMMITTEE OF THE WHOLE

F. WORK SESSION

1. Housing Development Strategies Presentation

G. COMMISSIONER COMMENTS

H. ADJOURNMENT

Policy & Planning to Achieve Housing for All.

Ryan Kilpatrick, AICP & EDFP

Flywheel
MOMENTUM TO BUILD COMMUNITY.

agenda

INTRODUCTION

BASIC COSTS OF DEVELOPMENT

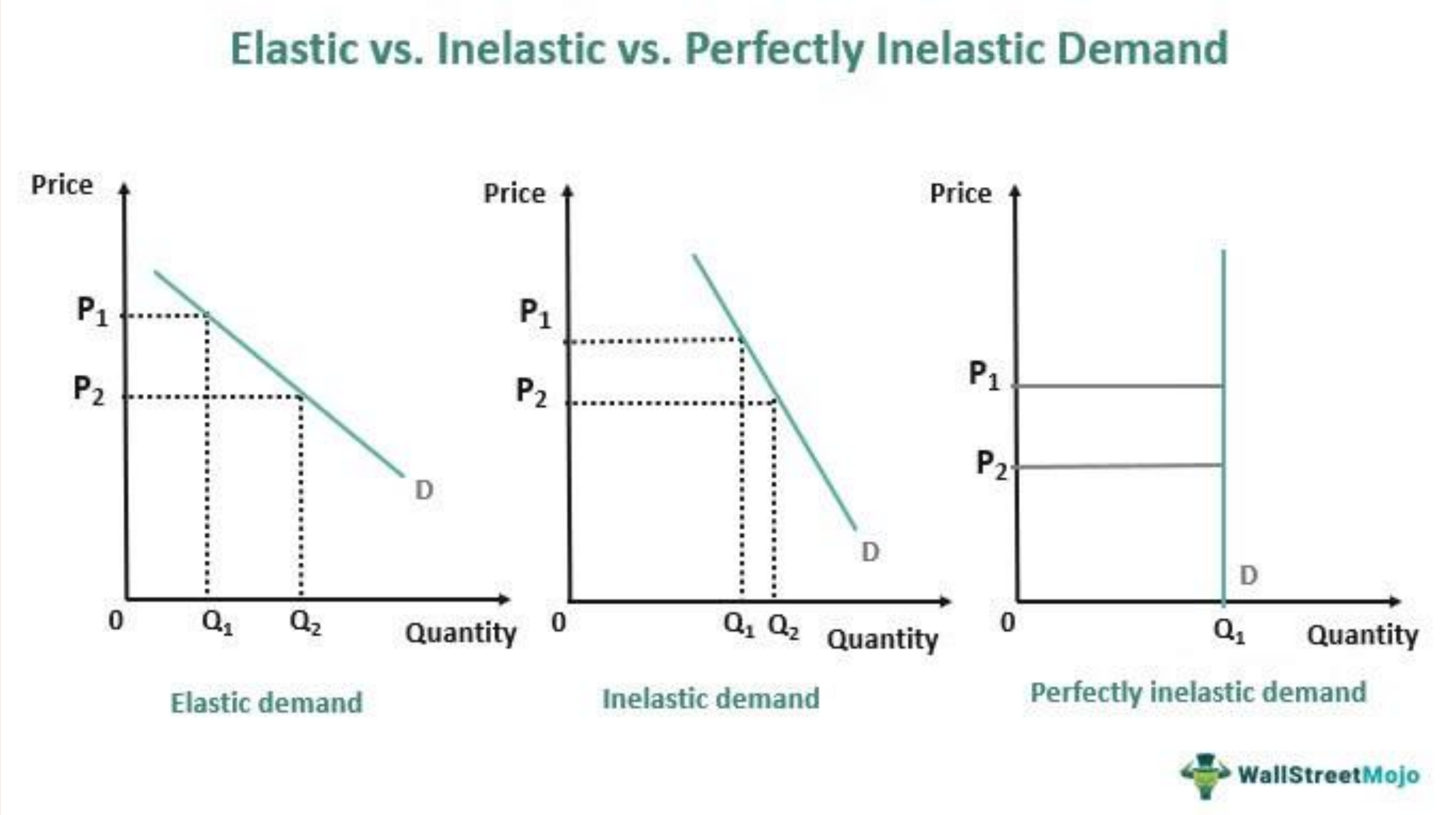
TOOLS TO SUPPORT AFFORDABILITY

CODE ANALYSIS

ADDITIONAL CONSIDERATIONS

Flywheel
MOMENTUM TO BUILD COMMUNITY.

Housing & Inelastic Pricing…



primary goals

A strong sense of belonging for everyone in the community

A sustainable, equitable, and resilient economy & natural environment

A community with high quality of life

Know your needs

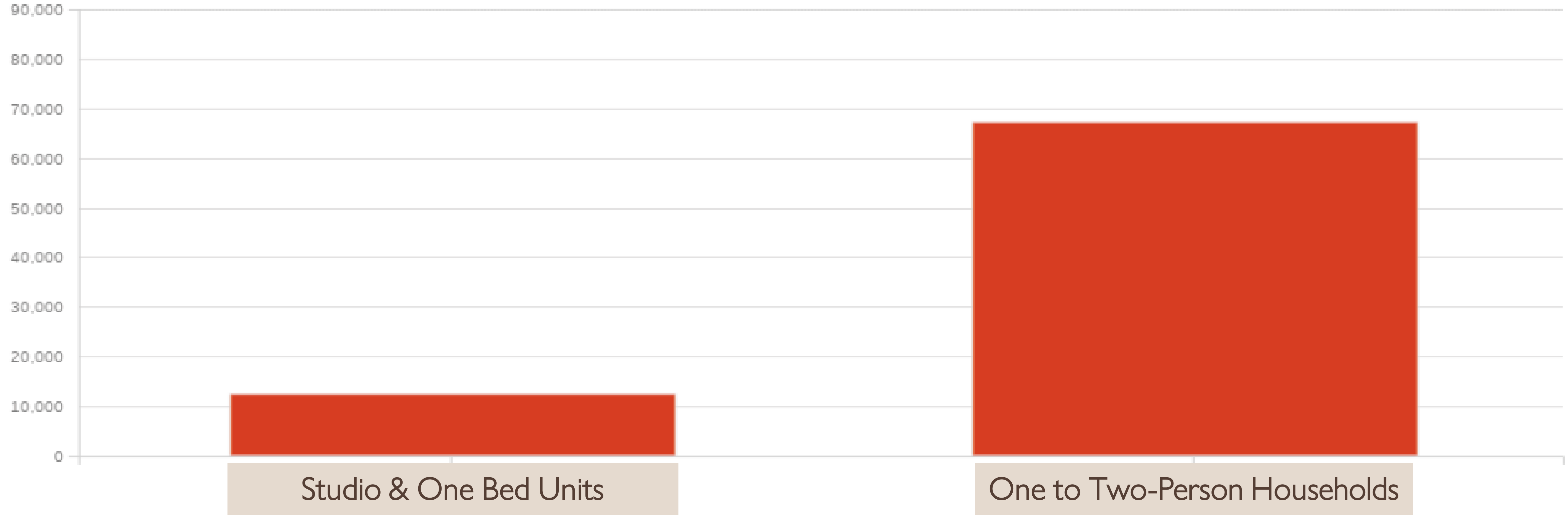
Kalamazoo Households

1 adult | 0 kids	2 adult | 0 kids	1-2 adult | kids	Roommates
10,200	6,638	6,578	5,104
35.8%	23.3%	23%	17.9%

59%

Comparison of Counts of Small Units and One- to Two-Person Households 2020

This chart compares the number of studio or one-bedroom units in the jurisdiction to the number of one-and two-person households. In areas with a tight housing supply and a larger number of households than units in this comparison, there may be opportunities to improve affordability by developing new studio or one-bedroom units. In addition to being less expensive to develop than larger units, the development of such units could free up larger units by encouraging more one- and two-person households to move out of their larger units and into the smaller ones. In 2020, there were **12,416** studio or 1-bedroom units (**33.5%** of all rented units) and **67,119** one-and two-person households in **Kalamazoo** (**64.4%** of all households).



Source: Census

2016-2020 Data Contains: 1 County (show)

POLICYMAP

Know your priorities

- Preservation & Rehabilitation
- Neighborhood Amenities
- New Investment
- Aging in Community with Dignity
- Thriving Families
- Talent Attraction & Retention

Household Income & Housing Affordability

$25,000 income = $600/mo rent	Large subsidy needed in all markets
$50,000 income = $1,250/mo rent ($150k mort)	Large subsidy* + flexible zoning or older housing
$75,000 income = $1,875/mo ($220k mortgage)	Flexible zoning + modest subsidy*
$100,000 income = $2,500/mo ($300k mortgage)	Viable in most markets with flexible zoning*.

*Subsidy required depends on many factors.

Basic costs of development

Land	Construction	Design	Permitting & Professional Fees	Financing
10% - 25%	60% - 75%	3% -10%	2% – 20%	10% – 20%

Local policies can have an impact on all 5 factors.

You create the environment for development.

Zoning alone does not automatically make housing more affordable. In many instances some form of subsidy or tax incentive will also be required.

AND…

Without reasonable zoning standards, the amount of subsidy required to ensure housing is affordable to the local community is insurmountable.

Construction Costs

$200 - $250 per square foot*

*Construction costs vary by region.

An 800 square foot apartment costs a *minimum* of $160,000 *(before land + utilities.)*

Must rent for at least $1,858 per month to cover costs without subsidies.

A 1,200 square foot single family home costs a minimum of $240,000 *(before land + utilities).*

Mortgage + Taxes = $1,960 per month without subsidies

800 sq ft new apartment
$160,000 minimum construction cost *(not including land + utilities)*

Assume 80% Financing at 7% interest
20% Developer Equity at 5% return

Debt payment per unit is $992/mo

50 mill tax levy is $333/mo

Cost for property management is $400/mo

Return to developer is $133/mo

Rent must be *at least* $1,858 / mo

If Desired Rent = $600 per month

Requires a minimum subsidy of $160,000 up front or $1,305 per month for 20 years

If Desired Mortgage = $900 per month

Requires a minimum subsidy of $208,000 up front, or $1,306 per month for 30 years

Support for 1,000 renters earning $24,000/yr or less would require $160 million in subsidies up front

OR

$15.6 million per year to ensure these homes are affordable to low-income households.

4,562 renters currently spend half of their income on rent.

$730 Million Subsidy

If we can’t afford to subsidize costs for *everyone* in need...

LET’S DO WHAT WE CAN TO REDUCE HOUSING COSTS WHEREVER POSSIBLE

New housing is often more expensive than older housing.

Unit size	Cost / sq ft	Total Unit Cost	Prop Tax / Mo	Min Rent	Affordable to
1,000 sq ft	$180	$180,000	$650	$2,150	$86,000 / yr
800 sq ft	$200	$160,000	$580	$1,905	$76,200 / yr
600	$215	$129,000	$465	$1,565	$62,600 / yr
400	$225	$90,000	$325	$1,200	$48,000 / yr

There are ways to offset costs.

ZONING REFORM

TAX INCREMENT FINANCING

PAYMENT IN LIEU OF TAX

LOW-INCOME HOUSING TAX CREDIT

HOUSING CHOICE VOUCHERS

IMPACT INVESTMENT FUNDS

Basic costs of development

Land	Construction	Design	Permitting & Professional Fees	Financing
10% - 25%	60% - 75%	3% -10%	2% – 20%	10% – 20%
Max Density Standard	Use Restrictions	Form-based standards	Special Land Use	Appraisals & Comps
Min Lot Width/Depth	Min Floor Area	Material Requirements	PUD	Right Product, Right Place
Min Setbacks	Parking Requirements	Energy Efficiency Requirements	Planning Commission Review	Right Product, Right Customer
Min Greenspace	Utility Connection Fees		Zoning Board of Appeals	Limitations of State/Federal Subsidies

Reduce/Eliminate Minimum Lot Widths & Arbitrary Density Limitations

Take this step as far as politically feasible *where sewer and water is available*.

Reduce related standards like minimum lot area, side yard setbacks, and greenspace requirements to be proportional to the lot width reductions.

Location, Location, Location

Land values and neighborhood amenities play a major role in housing affordability. Where there is a lot of demand, land is more expensive. This makes housing more expensive.

Density does not determine property values. Demand does.

Demand can change from one street to the next, depending on amenities, safety, and recent investments.

10 units on .75 acres - $750k - $1.2M

50’ Lot Duplex - $750,000

36’ Lot - $859,000

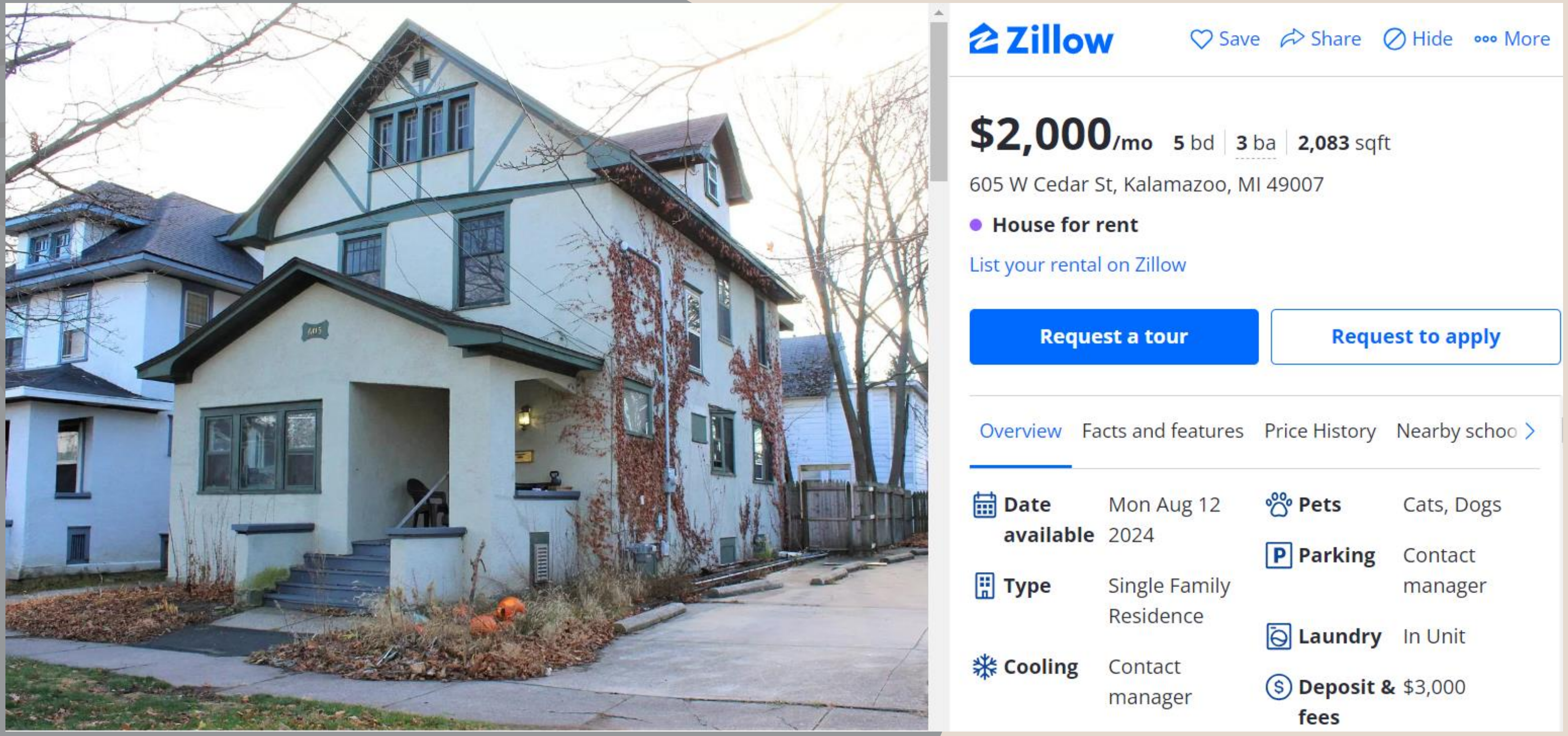
Reduce construction costs

Use restrictions

Minimum Floor Area requirements

Minimum Parking Requirements

Utility Connection Fees that subsidize low rates



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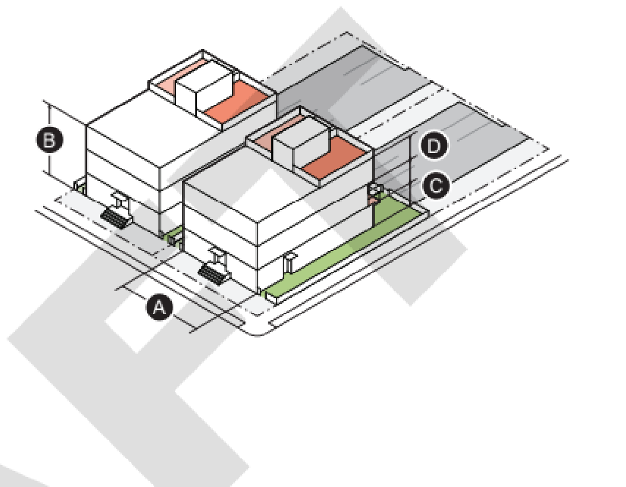
Minimize Design Costs

Be abundantly clear about expectations for design.

Measure twice, design once.

The Power of Form-Based Code

1) A plan designating where different building form standards apply
2) Elements in the public realm, (sidewalks, mobility choices, parks & playgrounds, etc.)
3) Building standards controlling the features and functions of buildings
4) Clear and streamlined application and review process
5) A glossary to ensure the precise use of technical terms.



Massing			
	Facade Build Out	70% min	
A	Width	35' min	38' max
B	Number of Stories	2 min	3 max
	Story Height	10' min	
	Ground Floor Elevation	2' min	
	Building Height, Feet	40' max	
Fenestration			
C	Ground Story Fenestration	20% min	70% max
D	Upper Story Fenestration	20% min	70% max
	Blank Wall	20' max	

Streamline Permitting

Consider pre-approved plans

Decide which housing types fit within a neighborhood and permit them by-right and administratively.

Make plans sets available at the counter.

Pre-Approved Duplex

32' wide lot

880 sq ft,

2 bed / 1 bath units

$180,000 per unit @ cost

Neighborhood Infill | Stacked Duplex

The Stacked Duplex

The Stacked Duplex provides two identical 2-bedroom units that support a slight increase of density and the development on the city's most narrow infill lots with affordable housing options. The massing and elevation options fit within the scale and vernacular character of South Bend's oldest urban neighborhoods. An optional basement could provide storage or expansion of the ground floor unit.

ZONING DISTRICTS ALLOWED

S1 S2 U1 U2 U3 UF NC DT

Option A

Option B

Option C

22'-0"
BEDROOM 10'-4" X 9'-10"
BEDROOM 10'-4" X 9'-10"
BATH
MECH.
KITCHEN 12'-2" X 7'-6"
LIVING 16'-9" X 10'-6"
40'-0"
8'-1"

Ground Floor

22'-0"
BEDROOM 10'-4" X 9'-10"
BEDROOM 10'-4" X 9'-10"
BATH
MECH.
KITCHEN 12'-2" X 7'-6"
LIVING 16'-9" X 10'-6"
40'-0"

Second Floor

Building Type Overview	
Building Dimensions	
Building Height	2 story
Building Width	22'
Building Depth (incl. porch)	48'
Program	
Unit Configuration	2 bed / 1 bath
Unit Size (finished gross)	1,760 sq. ft.
Basement (unfinished)	880 sq. ft.
Porch (unconditioned)	176 sq. ft.
1st Floor	880 sq. ft.
2nd Floor	880 sq. ft.
Lot Standards	
Lot Width (min.)	32'
Lot Width (max.)	70'
Cost Assumptions	
Preliminary Construction Estimates *	$320,000 - $370,000
Financing Options	30-yr mortgage

* Numbers shown are for basic estimation purposes only. Pricing is based on Fall 2021 cost assumptions and are subject to future market variation.

Equitable Development Initiatives

Make development simple and accessible to local neighbors

Ensure access to capital

Establish access to a mentor network

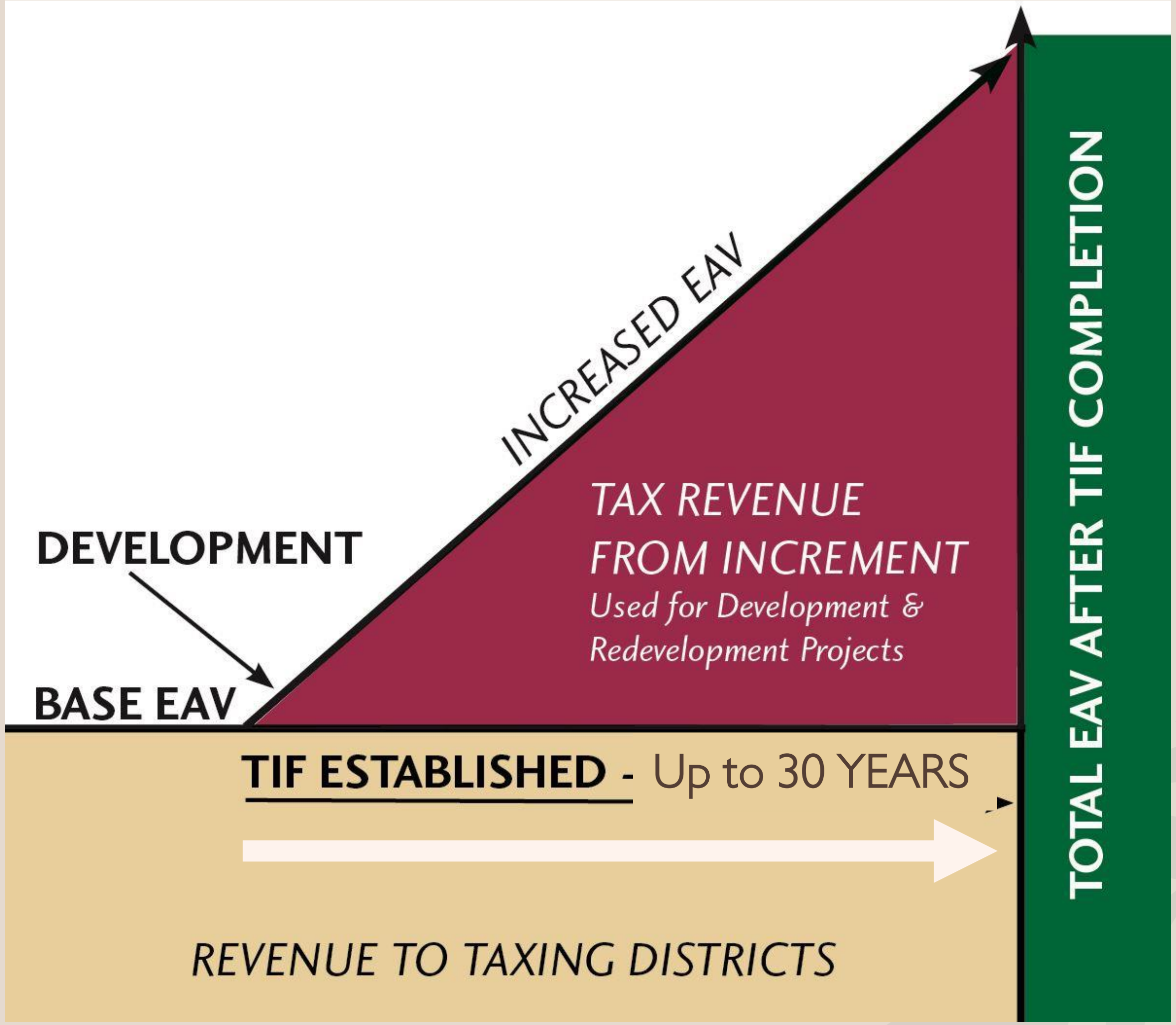
The Brownfield Act as Amended

- Allows for the reimbursement of all housing development activities via newly created tax increment
- Could provide between $90,000 and $130,000 in subsidy per residential unit to offset costs, depending on project specifics.
- Only allows for capture of new taxes generated. Does not capture any existing taxes.

Tax Increment Financing Tools

Best used when creating a clear public benefit to the community.

- Environmental remediation
- Public Infrastructure
- Affordable & Attainable Housing



PAYMENT IN LIEU OF TAX (PILOT) EXPANSION

Consider PILOT incentive for older and naturally occurring affordable housing.

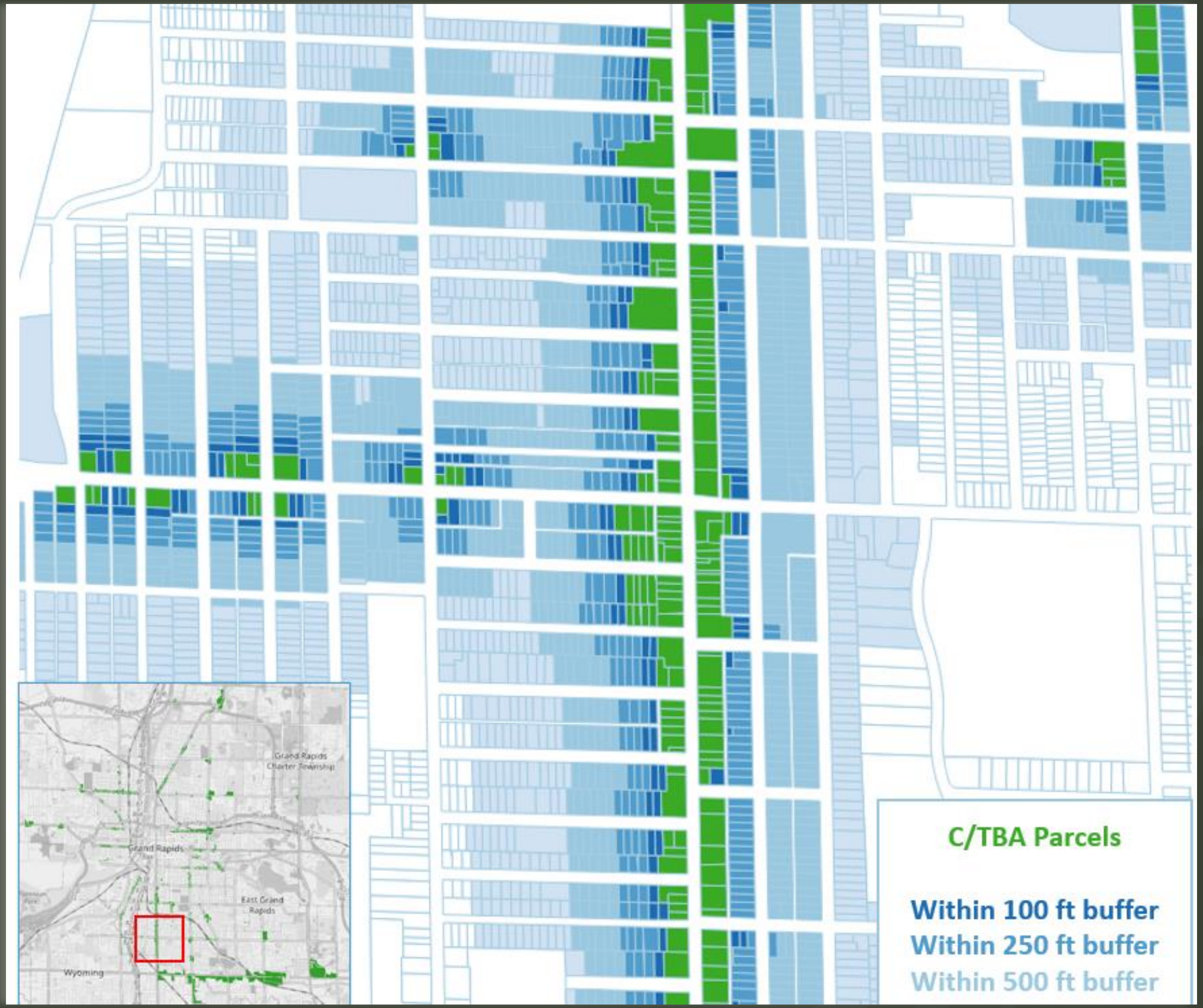
Tax reduction in exchange for a specific period of preservation.

Targeting Areas for Growth

Evaluate locations with high enough demand to support market rate rents. Simplify permitting process.

Set a reasonable goal for affordability based on current market conditions and available subsidies.

Establish clear policies to support new construction with incentives where goals are met.



Targeting Areas for Growth

- Focus market rate investment in a relatively small radius where amenities are available.

- As market rate becomes viable on its own, focus public investment on preservation of existing affordable units nearby.


Phase 1: New community gardens on empty lots.


Phase 2: New infill building and established community gardens.


Final Phase: Blocks are completed with new buildings that provide a space for the uses missing in the neighborhood (i.e. day-care centers).

Mobility Choices to Enhance Neighborhood Affordability

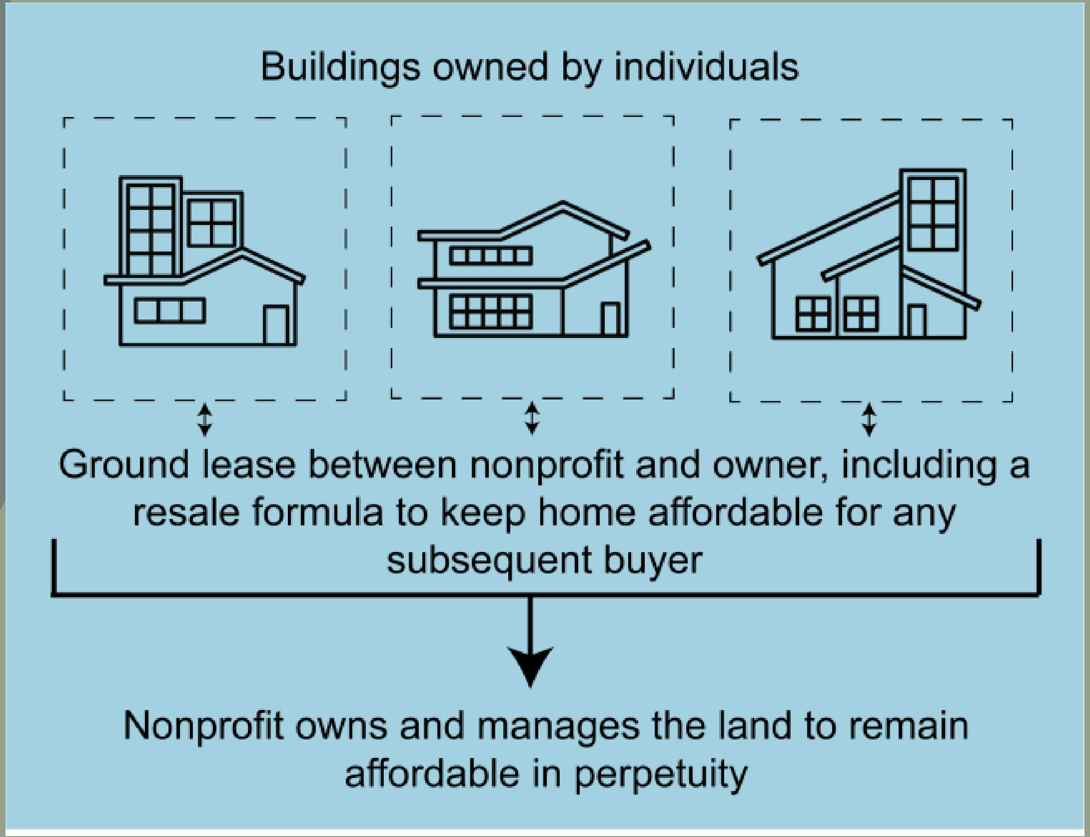
Pair Growth with Preservation

- Market demand will drive up prices when options are limited relative to demand– whether or not new development is supported.
- Older homes will become more expensive as a result of high demand and limited supply.
- Use impact investment, PILOTs, and brownfield TIF to acquire and preserve affordable older housing in high-demand neighborhoods.
- Consider partnership with a Community Land Trust to ensure homes are well-managed and remain affordable long-term.
- Avoid arbitrary limits on housing growth. Use sound, reliable metrics to gauge how much housing a neighborhood can support.

Pairing Incentives & Subsidies with zoning to achieve affordability

- Brownfield TIF
- Neighborhood Enterprise Zones
- Payment in Lieu of Tax Agreements
- Community Land Trusts

Community Land Trusts

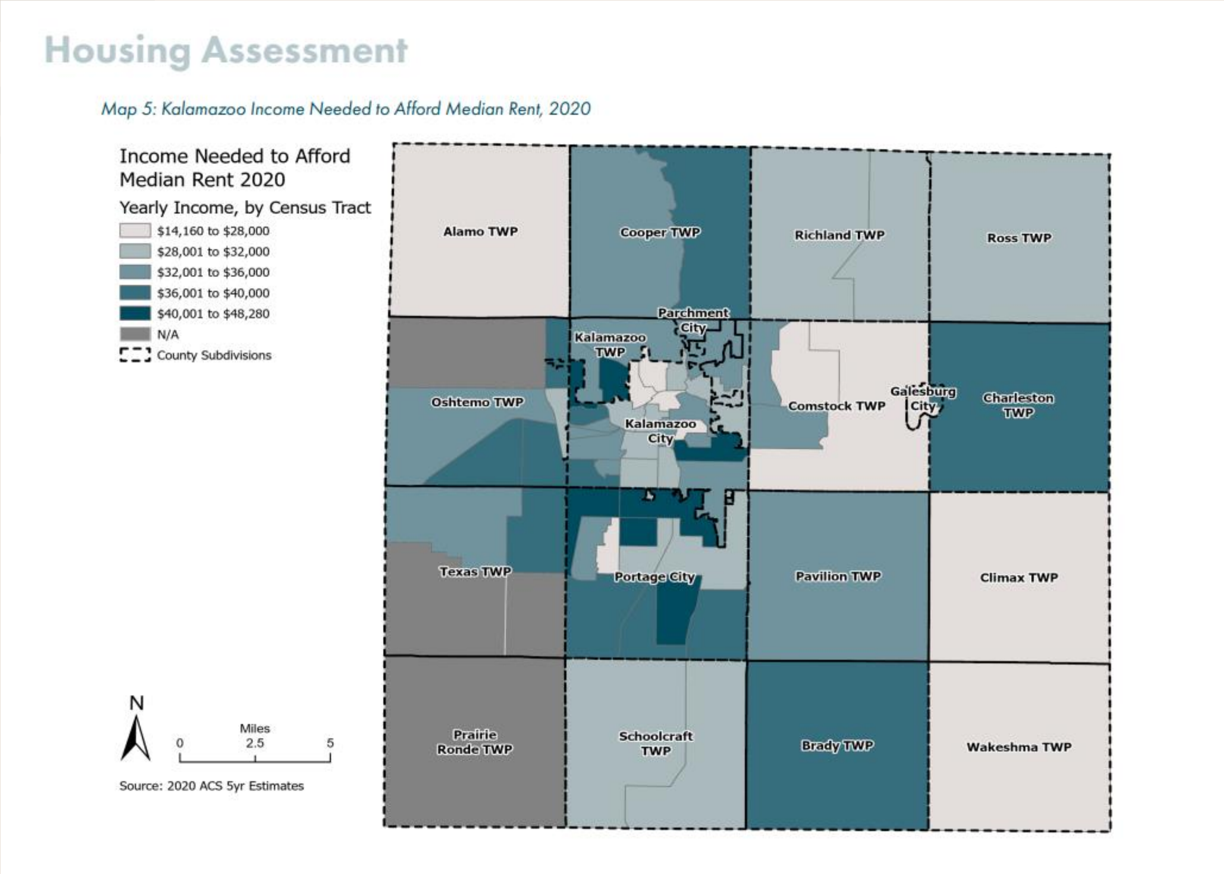


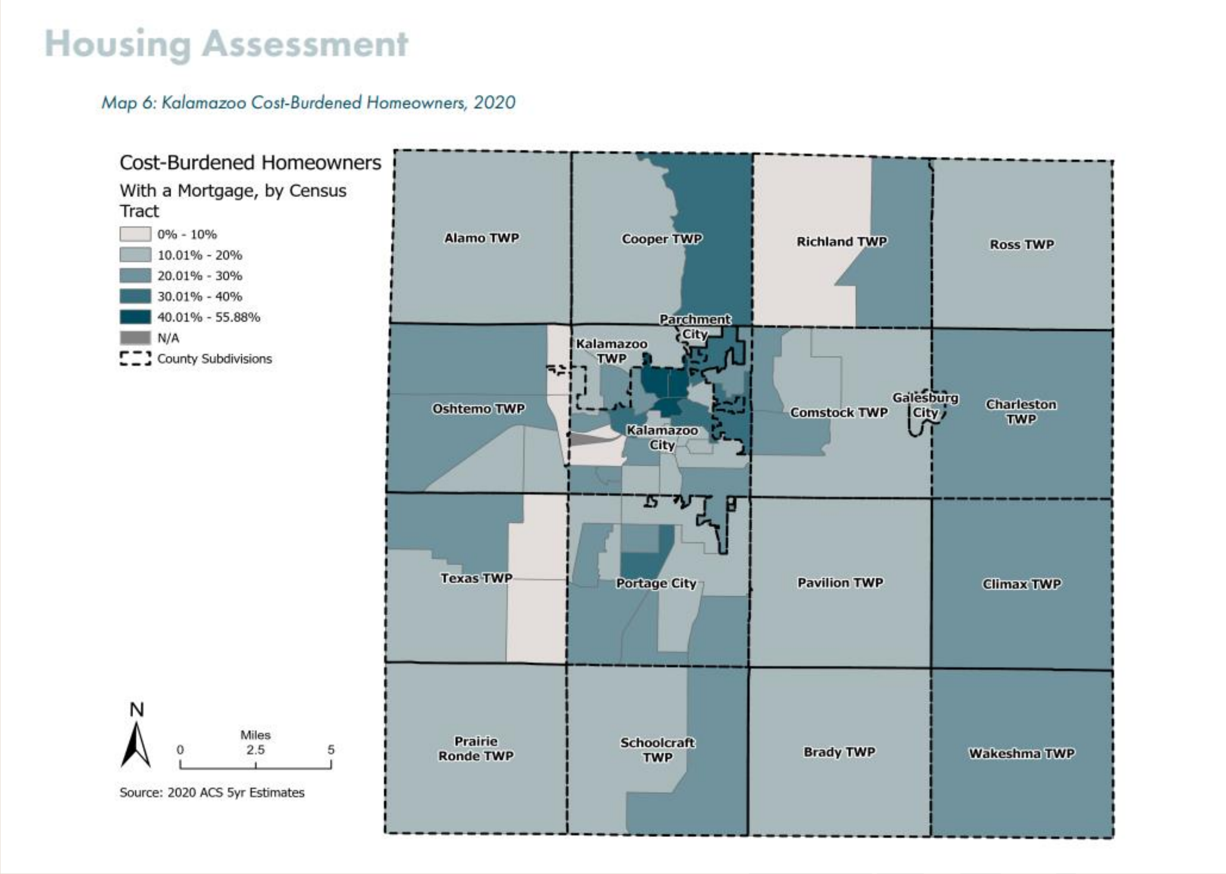
Household Income Cannot Be Ignored

28% OF KALAMAZOO HOUSEHOLDS LIVE BELOW THE POVERTY LINE

GREATER INVESTMENT IN WORKFORCE DEVELOPMENT, CHILDCARE, AND JOB CREATION SHOULD ALSO BE TOP PRIORITIES

Some of the most affordable neighborhoods have the most cost-burdened households

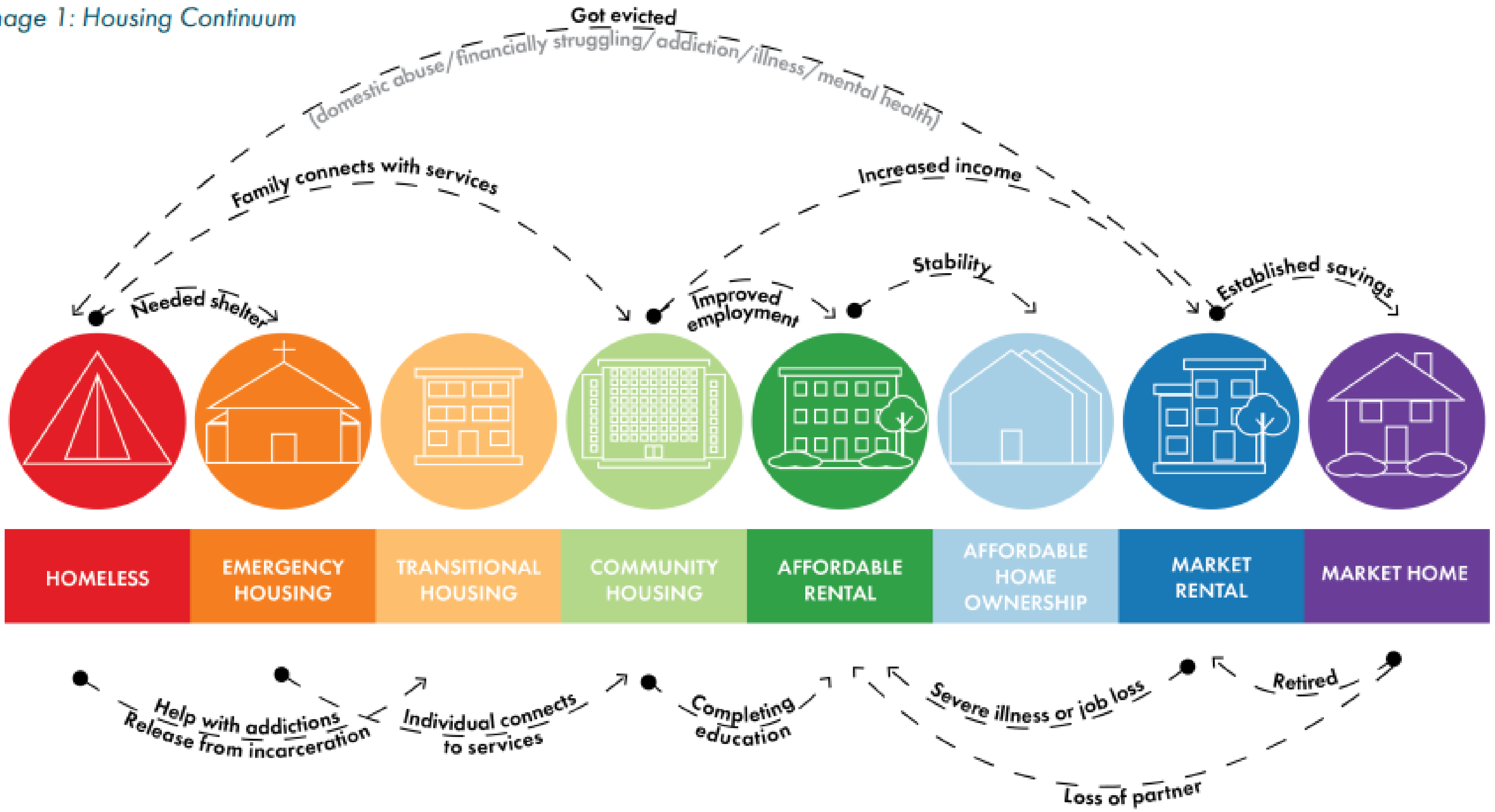




Housing Continuum

The housing continuum demonstrates the range of housing types in which individuals may live during their lifetimes. A healthy housing market has options for any stage. Individuals can move in any direction at any point in their lives. A healthy community has options along this continuum in order to allow residents to not only stay in their community through each stage, but, more importantly, to thrive through economic stability.

Image 1: Housing Continuum



These are a few examples of how people might move within the housing continuum.

Source: Housing Continuum Image Courtesy of United Way of Halifax (Canada)

For those unable to work

KNOW THE POPULATION

ALIGN THE RESOURCES

- Prioritize housing choice vouchers
- Coordinate investment in supportive housing for seniors
- Understand patterns among aging and disabled households

PREPARE FOR THE FUTURE

- Baby boomers will be the largest population of seniors in the history of the United States.
- What is needed to support aging in place?
- How many new supportive housing units will be needed?
- How might we design supportive housing to be flexible for future needs?

Building a City for this and the Next Generation

- Flexible, adaptable building types.
- Mix of rental and homeownership.
- Housing diversity in every neighborhood.

Thank you.

Flywheel

MOMENTUM TO BUILD COMMUNITY.

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