

**April 18-19, 2023**

**Lansing Center**

# **CAP CON 2023**



michigan municipal league



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## **Housing Michigan Coalition Update**



# HOUSING MICHIGAN

April 18-19 | Lansing Center, MI

CAP  
CON  
2023



**JOSHUA LUNGER**

Vice President of Government Affairs

Grand Rapids Chamber



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EVP of Government Relations

Home Builders Assoc of Michigan



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Asst Director of State & Fed Affairs

Michigan Municipal League



**KENT WOOD**

Principal, Borealis Strategic rep.

Housing North

*Vision:* The Housing Michigan Coalition consists of communities, businesses, not-for-profits, builders, developers, associations and other organizations who support **increasing housing supply and attainability**.

*Our Why:* Enhancing the accessibility and affordability of homes strengthens communities, supports economic and job growth, and improves outcomes for all Michigan families.

# Everyone needs housing.



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*Major areas of employment are:*

**Skilled trades**

**Health care & essential services**

**Hospitality & retail**

**Manufacturing**

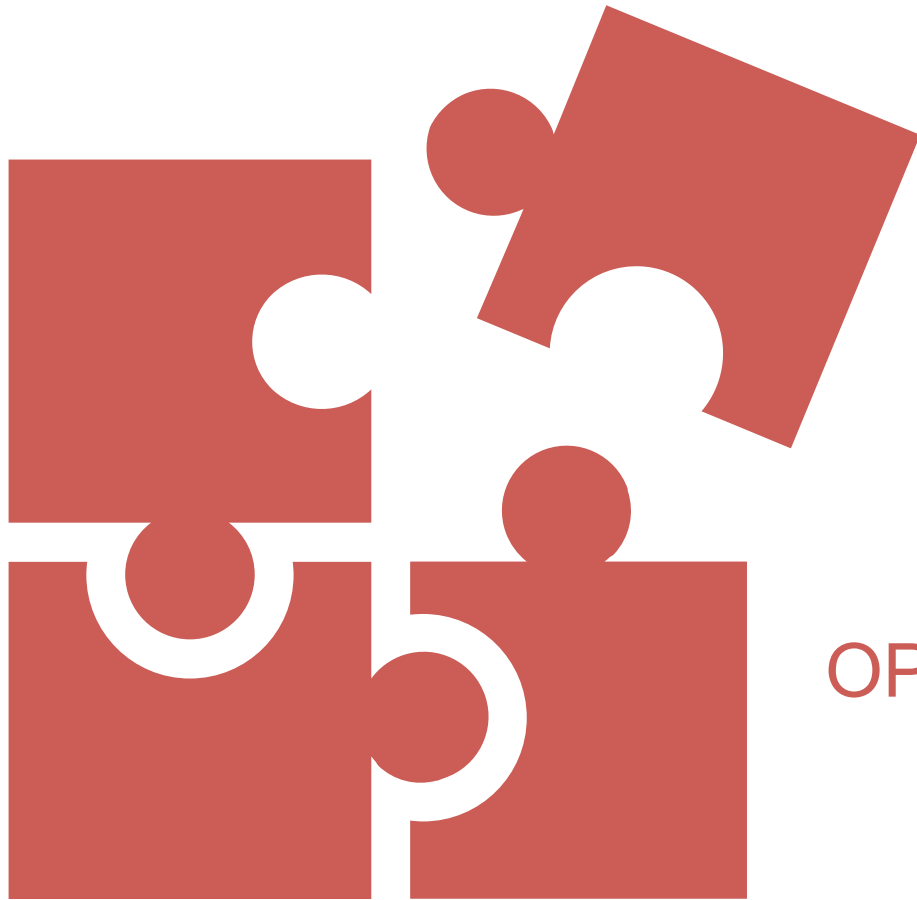
**Creative industries**

**Agriculture**

**Public safety**

**Teachers & administrators**

Affordable Housing		Attainable Housing		Market Rate Housing
0 -30 % AMI	30-60% AMI	60 - 80% AMI	80 - 120% AMI	120% or higher AMI
Eligible for public vouchers	Eligible for LIHTC-funded units	Eligible for CDBG or HOME-funded units	Not eligible for assistance	Can afford market rate units



## OBSTACLES

**Building Materials Cost**

**Regulatory Obstacles**

**Workforce Needs**

**Interest Rates**

**Mortgage Rates**

**Inflation**

**Land Costs**

## OPPORTUNITIES

**Incentives**

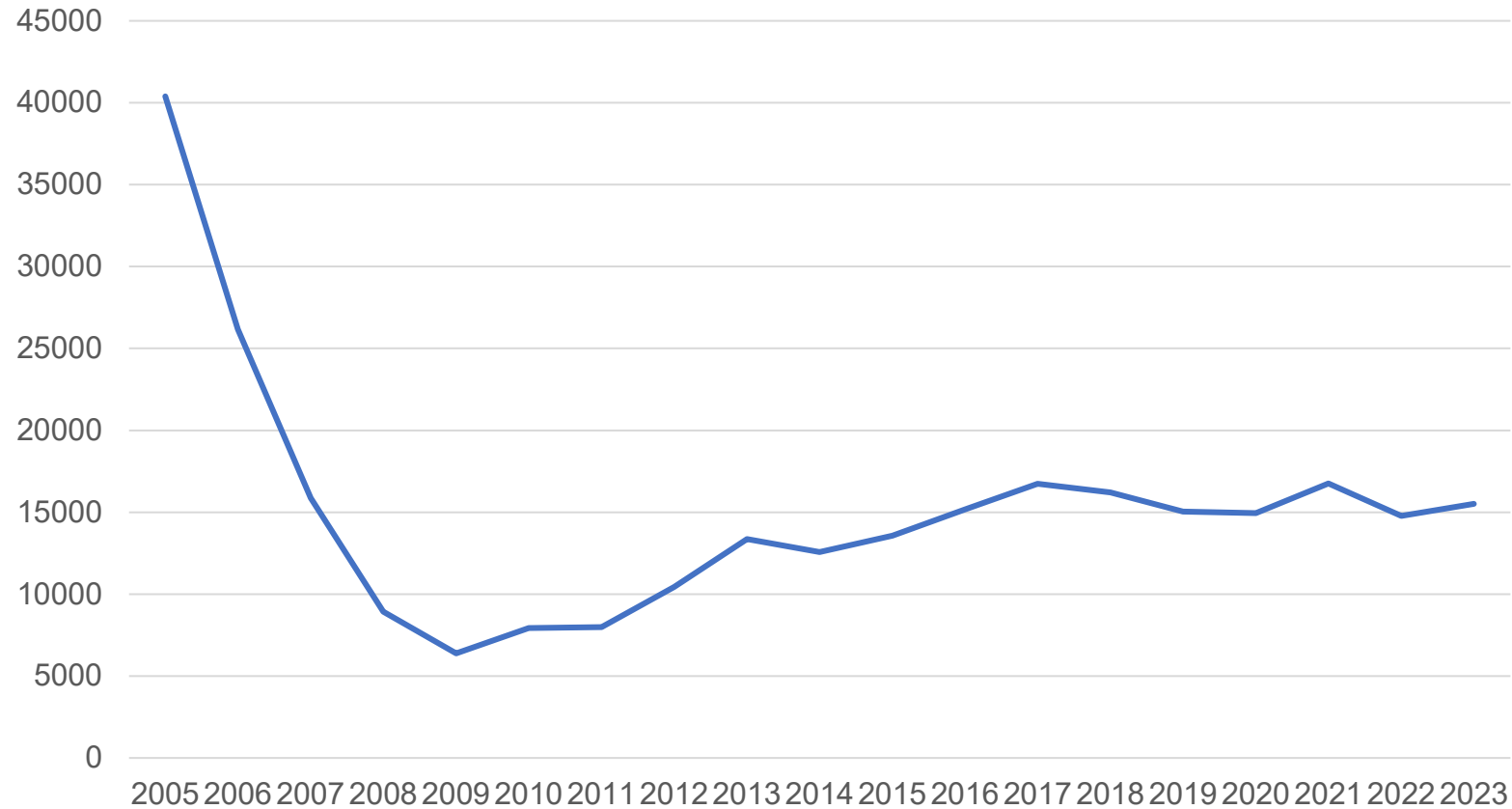
**Zoning & Land Use Reforms**

**Workforce Development**

**Streamline Permitting**



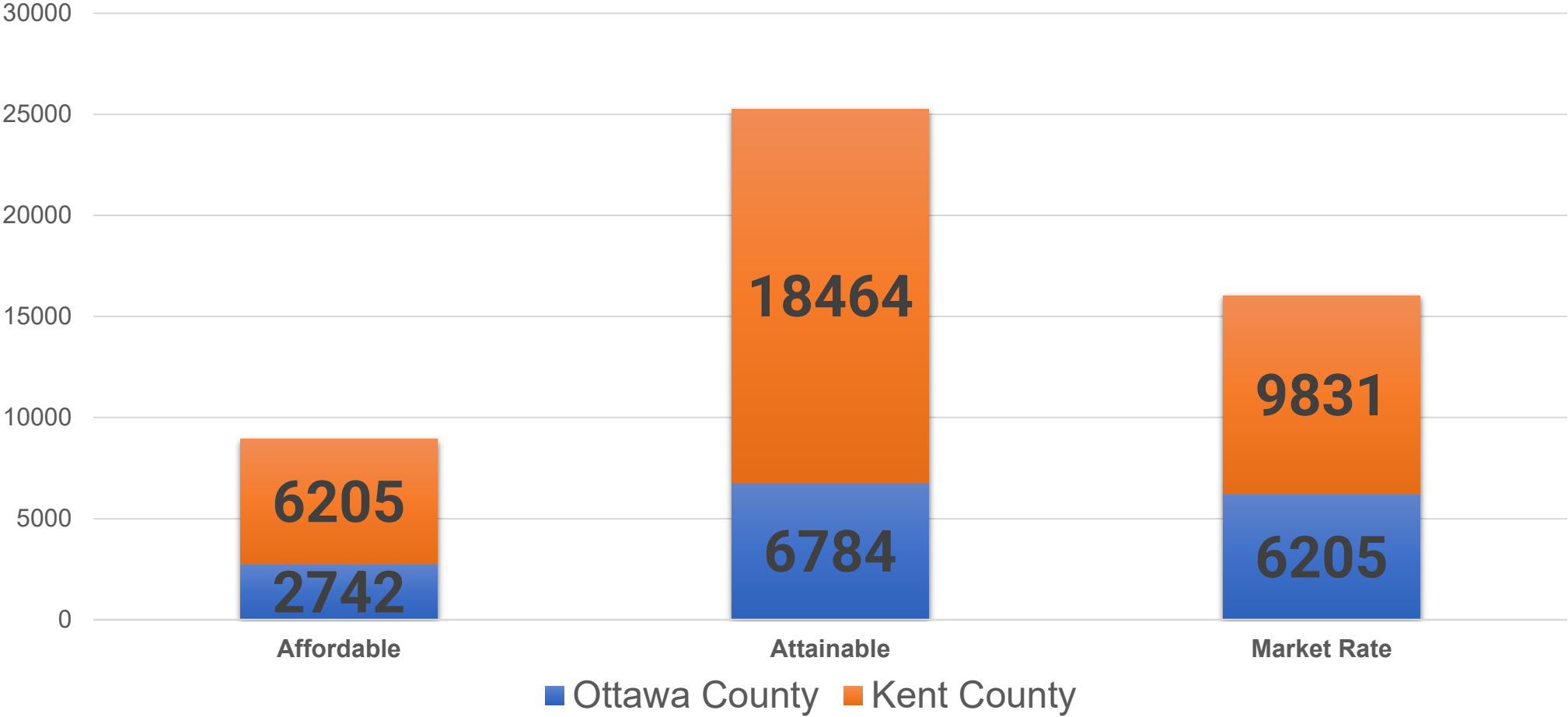
## Michigan Housing Permits



**2023 Prediction**

**15,523**

# Kent & Ottawa Housing Needs





# 2022 HOUSING PACKAGE

**Opt-in**

**Locally Controlled**

**Flexible to meet the needs of diverse communities**

## **New Tools**

Attainable Housing and Rehabilitation Act  
Residential Facilities Exemption

## **Expanded Tools**

Neighborhood Enterprise Zone (NEZ)  
Payment in Lieu of Taxes (PILOT)

# **Attainable Housing Facilities Act**

## **Residential Facilities Exemption Act**

*Residential Facilities Exemption Act 4 or less rental units and \$5,000 investment*

*Residential Facilities Exemption Act five or more units and a \$50,000 investment*

**Temporary tax abatement on qualified new development districts established by local units of government-** reducing real property taxes by 50% of the statewide commercial, industrial, utility average for up to 12 years

**Supports both renovation and expansion of aging residential units and as well as the construction of new residential units in these districts.**

# Criteria

- Creation of Attainable Housing District (AHD) or Residential Housing District (RHD) by local government
- Property Owner Applies
- Attainable Housing Exemption Certificate (AHEC) or A Residential Housing Exemption Certificate (RHEC)
- Provides units <120% of county-wide median income threshold for *at least 30% of units* in a multi-unit development.
  - Local governments have the flexibility to negotiate **at or above that 30%** to align with their goals.
  - Local governments can negotiate the **# of units** and affordability requirements **up to 120% AMI**.
- Assurances that the units are occupied as a principal residence (year-round) to eligible



# An Example from Kent County

Paul the roofer earns \$41,530 annually before taxes

- One of >40,000 households in Kent County earning less than 80% AMI
- Affordable housing costs for Paul is \$1,038.25.

Samantha purchased a duplex and needs \$1,400/mo in rent from both units.

With the abatement, she can offer one unit at \$1,353/mo and a second at \$1,049/mo.

Allows the tenant to move into an affordable two-bedroom unit with rent at almost exactly 30%

## What Does 'Affordable' Mean?

Affordable means that the households spends no more than 30% of all income on housing costs (rent and utilities).

### In Kent County:

Area Median Income (AMI)	100%	80%	60%
Affordable Housing Costs for two-person household	\$1,605	\$1,284	\$963

Item	Cost/Unit
Aquisition	\$135,000
Repairs	\$10,000
Total Cost	\$145,000
80% Loan	\$116,000
20% Equity	\$29,000
Annual Debt Service	\$8,100
Operating Expenses	\$2,320
Taxes*	\$3,625
Investor Returns 8%	\$2,320
Annual Rent Needed	\$16,245
<b>Monthly Rent</b>	<b>\$1,353</b>

\*51.6mills (non-homestead)

### Tax Benefit of Incentive

Total Current Taxes: \$7,250  
50% Commercial Industrial Utility (CIU) Rate Abatement (53.32mills) = 26.67mills

Savings from ½ CIU Abatement: \$3,649.55 (\$304/mo)

# Neighborhood Enterprise Zones (NEZ)

Established Neighborhood Enterprise Zones (NEZ) have supported investment in infill revitalization for owner-occupied housing and mixed-use buildings in “qualified local governments.”

Local government may designate one or more areas as an NEZ (totaling not more than 15% of acreage in municipality)

New or rehabbed owner-occupied homes (1-unit, duplex, or condo) in the district may apply for NEZ certificate:

- New homes: pay  $\frac{1}{2}$  the average statewide homestead millage on structure value (17.560 mills in 2022)
- Rehabbed homes: current local total millage rate on pre-rehab structure value
- Land continues to be taxed ad valorem
- Certificate may run up to 15 years.

# Neighborhood Enterprise Zones (NEZ)

**New in PA 238 of 2022:** All cities, villages, and townships may now use NEZs.

Newly eligible local units may designate an NEZ only if the project encourages compact development (minimum of 5 dwelling units per acre), is adjacent to existing development and can utilize existing infrastructure.

NEZ tax only applies while the dwelling is occupied by a household at < 120% AMI. (Income must be reported annually to local assessor for determination.)

State Tax Commission documents at: <https://tinyurl.com/NEZTaxes>

MEDC Fact Sheet on previous version of NEZ at: <https://tinyurl.com/MichiganNEZ>

# Payment-In-Lieu-Of-Taxes (PILOT)

**New in PA 239 of 2022:** Municipalities may now provide a PILOT for “workforce housing” without being linked to Federal low-income housing programs

- Eligible new or rehabilitated housing must be **affordable to and occupied by** households of up to 120% area median income (AMI)
- Municipality must have an ordinance or resolution concerning the selection of eligible developments.
- PILOT may not run longer than 15 years.

## Calculation of service charge:

- **New construction:** The **greater** of the tax on the property for the tax year preceding date on which construction is commenced **or** 10% of the annual shelter rents obtained from the project.
- **Rehabilitation project:** The **lesser** of the tax on the property on which the project is located for the tax year preceding the date on which rehabilitation is commenced **or** 10% of the annual shelter rents obtained from the project.
- **In both cases:** Service charge must not exceed the ad valorem tax bill and must be paid in full for units not provided to income qualifying households.



# WHAT'S NEXT

## 2.0 Agenda

### Current Items:

- Residential TIF
- Grants for municipalities



# Residential TIF

For housing property located in communities that has identified a specific housing need and has included data in the brownfield plan, eligible activities now include:

- Housing development activities
- Infrastructure improvements that are necessary for housing property and support housing development activities
- Site preparation

Housing development activities include:

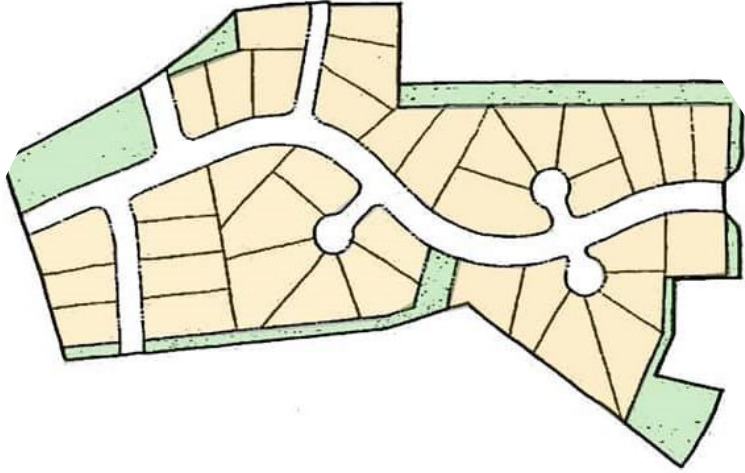
- Reimbursement for qualified rehab
- Costs for infrastructure for public use and safety improvements,
- Costs of demolition and renovation, and site prep Temporary household relocation costs for up to one year
- Acquisition cost for blighted/obsolete rental units to support rehab
- Establishing a reserve for qualified rental assistance payments
- Reimbursement to the developer to fill a financing gap associated with the development of housing units

# Zoning & Land Use

- Local decisions on zoning and land use are amongst the most important ways for us to influence housing supply and affordability
- Zoning reforms and master plan updates that adopt pro-housing changes can be catalytic in the creation of more housing.
- This provides a generational impact and supports naturally-occurring affordable housing.
- There is a growing consensus by planning agencies/staff, associations, community organizations and municipalities that reforms are needed, but we need to act to increase the adoption at the local level.
- State action can accelerate the work of local and regional organizations supporting these changes by providing needed resources and a deadline to provide urgency.

# Traditional Single-Family Zoning vs Mixed Housing Types

## On 18 acres



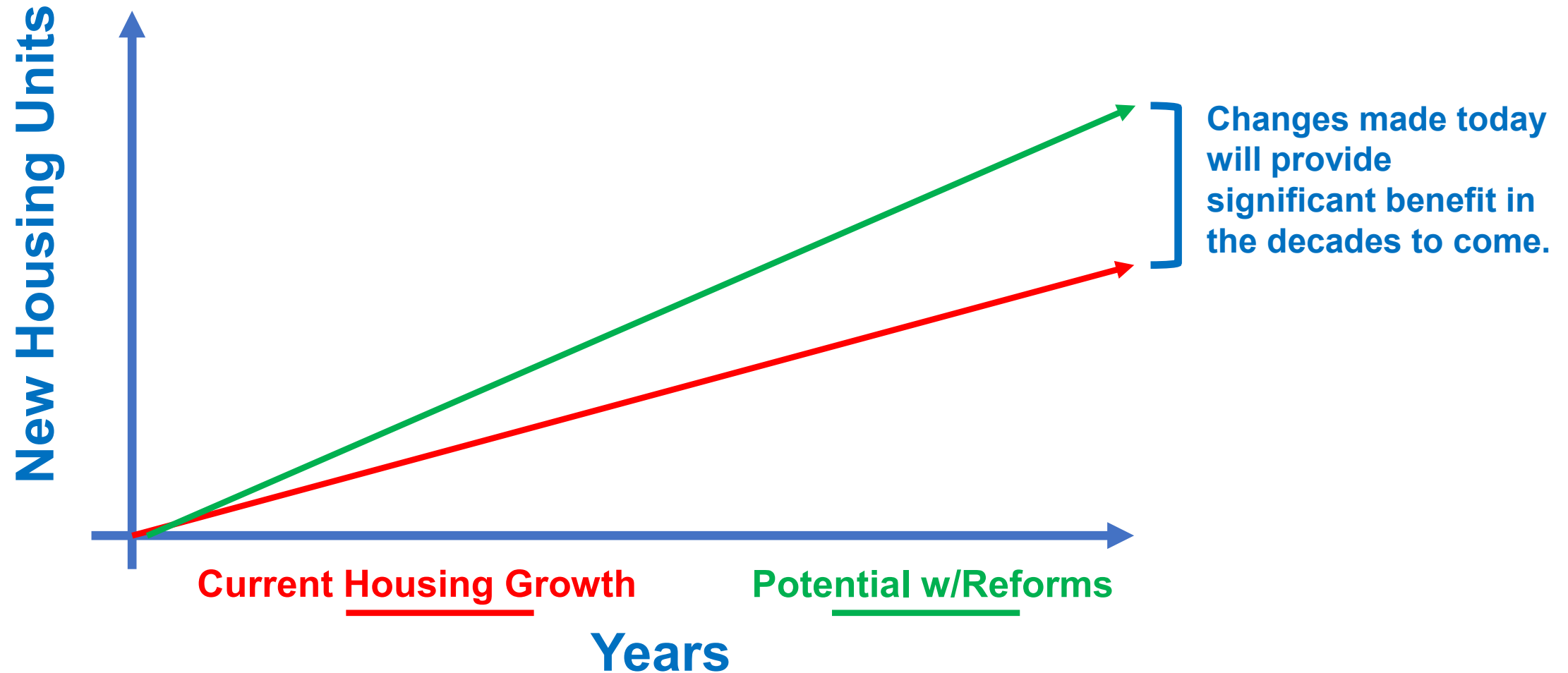
- 38 new homes
- Avg price = \$425,000
- Lowest price = \$350,000
- New Taxable Value = \$8,075,000
- New students = 16
- 2,018 sq ft road per dwelling unit



- 146 new homes (single family, townhomes, & apartments)
- Avg price = \$325,000
- Lowest price = \$185,000
- New Taxable Value = \$23,726,000
- New students = 35
- 634 sq ft road per dwelling unit

- *More units available and greater choices for individuals and families.*
- *More units available at lower price points and a broader mix overall.*
- *Significantly increased taxable value for the local community and more support for existing infrastructure.*

## Zoning Reforms Improve Growth Opportunities



- More the two-thirds of Michigan households are one- or two-person households.
  - Zoning is restricted to 'large' lot single family detached homes in a vast supermajority of the state.
- Why we need to unlock the market (example from Kent County)
  - \$120,000+ subsidy per home for affordable homeownership.
  - \$60,000+ subsidy per apartment for affordable rents
  - \$1.8B subsidy needed over just five years to produce adequate housing at the needed price points in kent county alone.
- The grants are opt-in and locally controlled, not a mandate.
- Each community can approach what is feasible for them.



- The funding should support uses that act to reduce regulatory obstacles to housing supply and affordability.
- The Michigan Association of Planning’s “Zoning Reform Toolkit” this includes actions to:
  - Expand allowable uses
  - Reduce minimum lot width and area
  - Reduce or eliminate minimum parking requirements
  - Reduce or eliminate minimum dwelling unit size
  - Allow missing middle housing typologies including accessory dwelling units
  - Add density/height bonuses
  - Allow more residential uses by-right as or through administrative review/approval
  - Allow for pre-approved plans
  - More flexible approaches to non-conformities
  - Rezone for mixed-use/multi-family in commercial districts

## **Zoning & Land Use Grants for Municipalities can be catalytic:**

- “\$10,000,000.00 shall be appropriated to provide grants to cities, villages, and townships to cover the costs associated with land use policies, master plan updates, zoning text amendments and similar actions to encourage increasing housing supply and affordability.”
- Can be attached to MEDC Redevelopment Ready Communities to reduce administration issues
- Recommend a cap to ensure access to more communities

# Questions?

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