



Housing Needs & Opportunities in Michigan

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AGENDA

INTRODUCTION

BASIC COSTS OF
DEVELOPMENT

TOOLS TO SUPPORT
AFFORDABILITY

CODE ANALYSIS

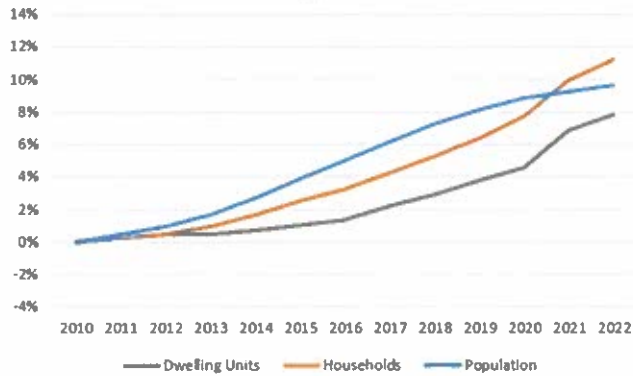
ADDITIONAL
CONSIDERATIONS

Housing & Inelastic Pricing...



Kent County population increased faster than dwelling units

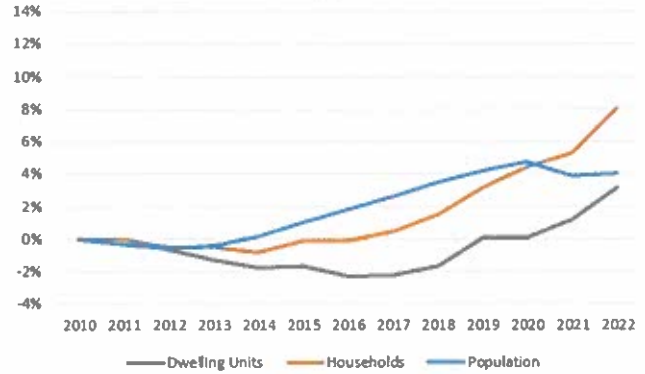
Percent change based on levels in 2010



Source: 2010 – 2022 American Community Survey DP10 and B01003

Grand Rapids population increased faster than dwelling units

Percent change based on levels in 2010



Source: 2010 – 2022 American Community Survey DP10 and B01003



Why housing is important at a local and regional level?



1

A strong sense of belonging for everyone in the community

2

A sustainable, equitable, and resilient economy & natural environment

3

A community with high quality of life

Flywheel



Who needs housing in my community?

Flywheel



Elementary Teacher

Average Income	Monthly Housing
\$66,130	\$1,653

EMT

Average Income	Monthly Housing
\$35,720	\$893

Facilities

Average Income	Monthly Housing
\$31,990	\$800

Nurse

Average Income	Monthly Housing
\$80,660	\$2,016

Cashier / Barista

Average Income	Monthly Housing
\$28,750	\$720

School Services

Average Income	Monthly Housing
\$30,720	\$800

Fixed Income Senior

Average Income	Monthly Housing
\$19,884	\$497

Bus Driver

Average Income	Monthly Housing
\$40,920	\$1,023

Construction

Average Income	Monthly Housing
\$40,750	\$1,018

Manufacturing

Average Income	Monthly Housing
\$68,190	\$1,700

Welder / Fabricator

Average Income	Monthly Housing
\$45,870	\$1,200

Pharmacy Tech

Average Income	Monthly Housing
\$37,890	\$947



Know Your Needs: Local Households



1 Adult | No Kids

10,200

35.8%



2 Adults | No Kids

6,638

23.3%



1-2 Adults | Kids

6,578

23%



Roommates

5,104

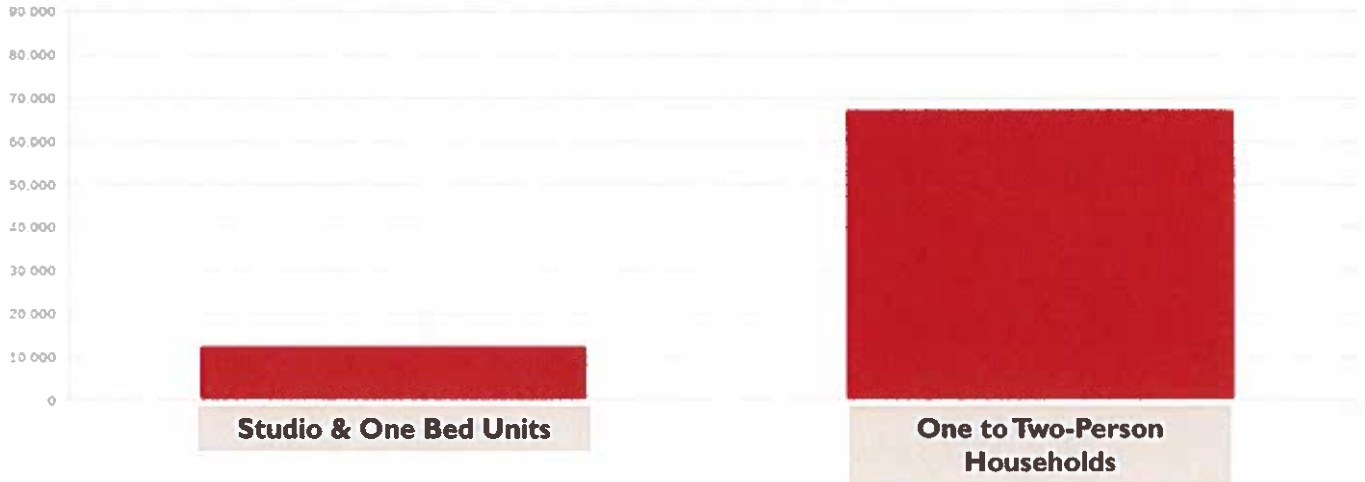
17.9%

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



Household Income & Housing Affordability

\$25,000/yr \$600/mo rent Large subsidy needed in all markets

\$50,000/yr \$1,250/mo rent Moderate subsidy + flexible zoning or older housing

\$75,000/yr \$1,875/mo Flexible zoning + minimal to moderate*
 \$220k mortgage

\$100,000/yr \$2,500/mo Viable in most markets with flexible zoning*
 \$300k mortgage



Basic Costs of Development



Local zoning and permit processes 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.

But... without reasonable zoning standards, the amount of subsidy required to ensure housing is affordable to the local workforce is unsustainable.



Construction Costs

—

\$250-325 /sqft

Flywheel

An 800 square foot apartment costs a min of \$200,000 (before land + utilities).



More typical cost is **\$225,000**

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

A 1,200 square foot home costs a min of \$300,000 (before land + utilities).



More typical cost is **\$365,000**

Mortgage + Taxes = \$1,960/month (minimum) without subsidies



800 sqft New Apartment

\$200,000 minimum construction cost (not including land + utilities)

—

Assume 80% Financing at 7% interest

—

20% Developer Equity at 5% return

—

Debt payment per unit is \$1,240/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 \$2,146/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

Flywheel

15



1.5 million households in
Michigan are cost
burdened by housing.

\$750 Million Subsidy

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.

Flywheel



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

Let's do what we can to reduce housing costs wherever possible.

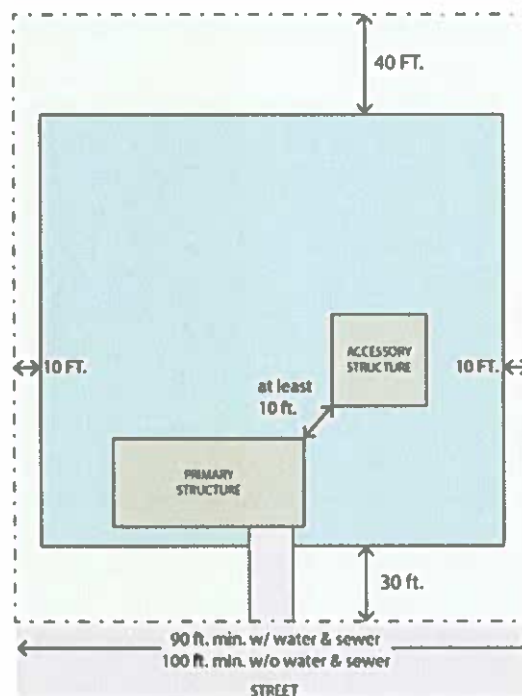
Flywheel



Land Costs Inform Construction Costs

In Northern Michigan, the average cost of an improved lot (with access to sewer/water) is about \$1,000 per front foot.

Any home built on that lot, will likely cost at least 3x to 5x the value of the lot.



A 100 ft wide lot will cost an average of \$100,000.

MINIMUM housing cost is \$300,000, but more likely \$400,000 to \$450,000

Flywheel



There are ways to offset costs.

ZONING REFORM

TAX INCREMENT FINANCING

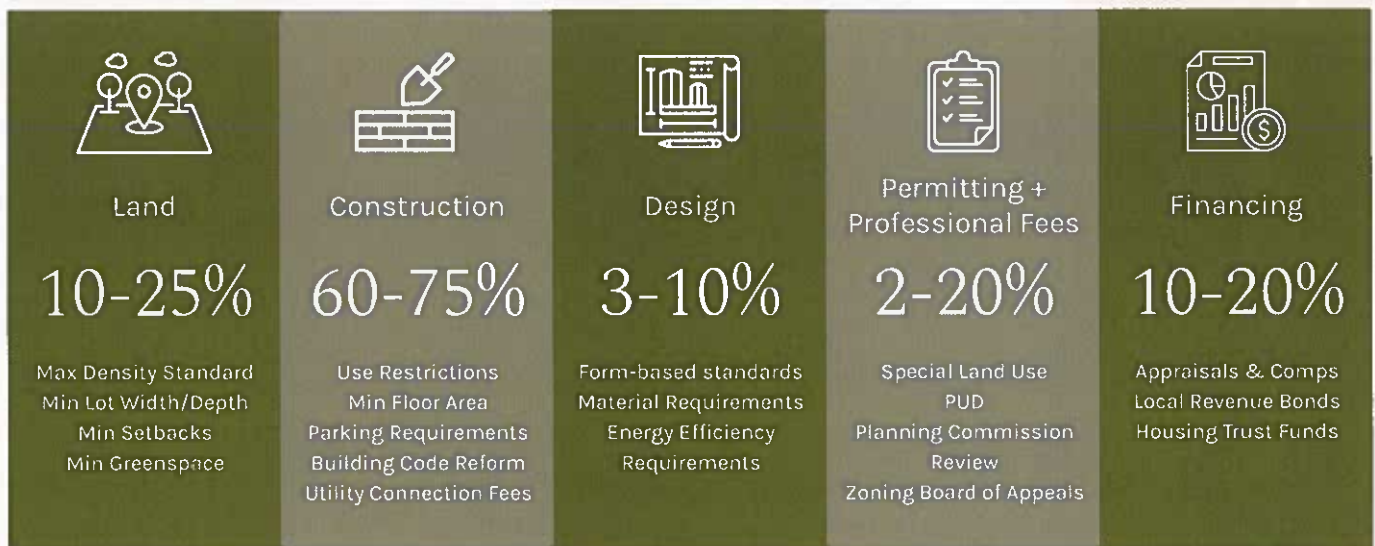
PAYMENT IN LIEU OF TAX

LOW-INCOME HOUSING TAX CREDIT

HOUSING CHOICE VOUCHERS

IMPACT INVESTMENT FUNDS

Basic Costs of Development



Local zoning and permit processes have an impact on all 5 factors.

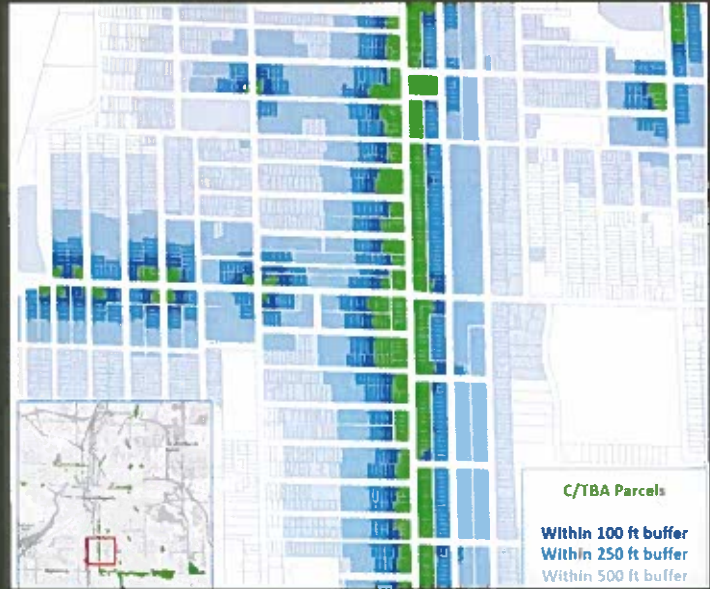
Targeting Areas for Growth



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.

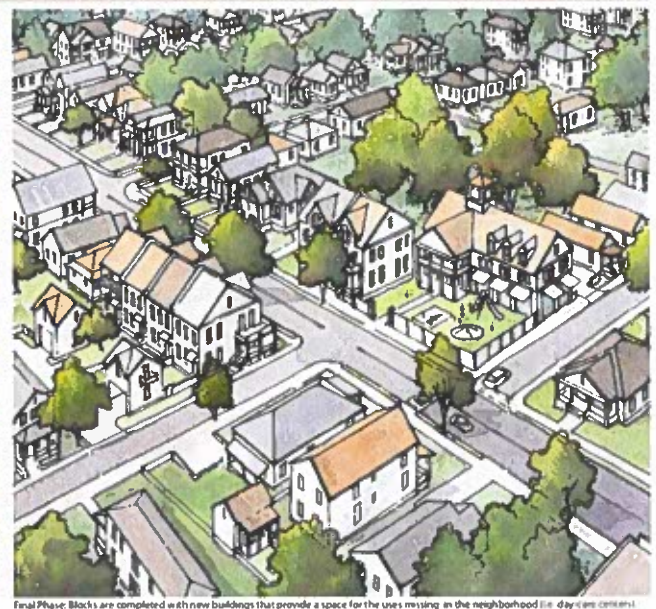
Establish clear policies to support new construction with incentives where goals are met.



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.





Mobility Choices to Enhance Neighborhood Affordability



Pair Growth with Preservation

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



Braid Incentives & Subsidies with Zoning to Achieve True Affordability



Brownfield TIF



Neighborhood Enterprise Zones



Payment in Lieu of Tax Agreements



Community Land Trusts



Household
Income Cannot
Be Ignored

**16% OF MICHIGAN
HOUSEHOLDS LIVE
BELOW THE POVERTY
LINE**

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



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 Neighborhoods for this and the Next Generation



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

Thank you.



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