

IV. Housing Market Analysis

A. General Characteristics

This section of the Consolidated Plan examines several important housing indicators. These indicators include supply, tenure, vacancy rates, affordability, and indicators of housing quality. This section is based on the most recent data available from the 2000 Census.

Housing Supply

The 2000 Census reports that Michigan had 4,234,279 housing units-371, 218 more than were present in 1990. This marked an increase of almost 10 percent for the decade. The number of households in Michigan rose by 10.7 percent, or more than 350,000 during the 1990s. This disparity in household formation versus housing units indicates a somewhat tighter housing market in 2000 than existed in 1990. Household growth in Michigan's non-metropolitan counties averaged 16 percent, compared to a growth rate of less than 10 percent in the metropolitan areas.

Increase in Housing Units and Households 1990-2000

Area	Single Family	Single Family Manufactured	Multi-Family	Total Units	Households
Metropolitan Counties	261,266 12.1%	22,966 17.9%	19,461 2.9%	303,693 10.3%	272,632 9.6%
Non- Metropolitan Counties	54,835 8.0%	8,034 6.8%	4,656 5.3%	67,525 7.6%	93,698 15.9%
State Total	316,101 11.2%	31,000 12.6%	24,117 3.2%	371,218 9.7%	366,330 10.7%

In 2000, about 70 percent of all Michigan units were single-family homes, the same proportion as in 1990. Fewer than one in twenty units were located in multi-family structures with ten or more units. In contrast, nationally one of every eight dwellings is in a ten plus structure.

In 1990 there were some 246,000 mobile homes in Michigan, representing 6.4 percent of the total. This figure increased slightly during the 1990s, to 277,000. Mobile homes' relative share fell to 6.1 percent. Nationwide, mobile homes represent 7.6 percent of the housing stock.

The Michigan housing stock is somewhat older than the national average. One in six Michigan units were built before 1940. Nationally, fewer than one in seven units were this old. The median age of Michigan's housing is 36 years. The proportion of units built before 1940 is almost 21 percent in the non-metropolitan counties, in contrast to less than 16 percent in the metropolitan areas.

The Michigan housing stock generally provides basic services. Fewer than one in 200 units lack complete plumbing (0.45 percent of occupied units) and complete kitchen facilities (0.47 percent). This is below the national average of 0.58 and 0.62 percent for plumbing and kitchen facilities, respectively. About three percent of occupied units have more than one person per room, well below the 5.8 percent of units that were overcrowded nationally.

Vacancy Rates

The available vacancy rate in Michigan in 2000 was 5.1 percent. This represents a slight decrease from the 1990 figure, as the number of households rose more rapidly than the number of new homes built. Michigan's vacancy rate is below the national available vacancy rate of 5.9%.

The renter vacancy rate is generally higher in the non-metropolitan areas of the state. As is usually the case, homeowner vacancy rates tended to be much lower than were those for rental units. They ranged from a high of 11.6% in Ogemaw County to a low of 1.1% in Bay County. In general, homeowner vacancy rates for metropolitan areas were below the statewide rate of 1.6% and non-metropolitan rates exceeded the statewide rate.

More than half of Michigan's vacancies in 2000 were in units held for seasonal occupancy. The number of second or recreational homes in Michigan; some 234,00 is the highest of any state in the nation.

Tenure

In 1990, owner households held 70.9 percent of all occupied units; renter households accounted for the remaining 29.1 percent. The 2000 Census reported that homeownership in Michigan has reached 73.8 percent, one of the highest proportions in the nation. In non-metropolitan counties, four out of every five households are owner occupants. Even in Michigan's metropolitan areas, 72 percent of households are homeowners.

Housing Tenure Change 1990-2000

Area	% Owners		% Renters	
	1990	2000	1990	2000
Metropolitan	69.7%	72.4%	30.3%	27.6%
Non-Metropolitan	77.0%	79.9%	23.0%	20.1%
State Total	70.9%	73.8%	29.1%	26.2%

The 2000 Census reported that 87 percent of owner household were white, 8.9% Black, 1.6 percent Hispanic, and less than 1 percent Asian, Pacific Islander and Native Americans. These rates reflect a slight increase from 1990 for Black and Hispanic owner households when the rates were 8.7 percent and 1.1 percent respectively. White owner households decreased slightly from 89 percent in 1990.

Less than two-thirds (62.5%) of the occupied units contained three or more bedrooms. Twenty-six percent had two bedrooms. Housing units with 1 or fewer bedrooms account for just over eleven percent of the occupied housing stock.

Over ninety percent of the occupied units with three or more bedrooms were owner occupied. Forty-six percent of the occupied two or less bedroom units were owner occupied; fifty-four percent were renter occupied. Over eighty-two percent of these small related occupied units are rented. Owner occupied units with no more than one bedroom represent less than three (2.5%) percent of all owner occupied units, but over one-third (35.8%) of the renter occupied units.

The total number of occupied housing units in the metropolitan counties of Michigan is just over three million. Of these, 847,350 are occupied by renters and 2,229,386 by owner occupants. About 1 of every 8 housing units in the metropolitan counties has zero or 1 bedrooms. Of the 368,265 units of this size, eighty-five percent are renter occupied. There are just over 55,000 owner occupied small units in these communities.

Two bedroom units make up twenty-five percent of the total supply in the metropolitan counties. Of these, fifty-six percent are occupied by owner occupants and forty-four percent are renter occupants. There are over twice as many housing units in the metropolitan counties with 3 or more bedrooms as there are 2 bedroom units, about 1.9 million. Of these large units, only about 190,000, or ten percent, are renter occupied. The 1.7 million owner occupied large units represent eighty percent of all owner occupied units in metropolitan counties.

The total number of occupied housing units in the non-metropolitan counties of Michigan is 708,925. Of these 563,960 are owner occupied and 144,965 are renter occupied. The owner occupancy rate of 80 percent is a significantly higher proportion than in the metropolitan counties.

About seven of ten of the occupied two bedroom units in the non-metropolitan counties are owner occupied. There are 59,000 renter occupied units of this size and nearly 140,000 owner occupied. 352,000 of the 395,000 occupied units with three or more bedrooms are owner occupied. The 43,000 three bedroom or larger rental units represent only eleven percent of the total.

Data for 2000 is not available on the vacancy rates of owner and renter units according to the number of bedrooms. Previously available data (1990) indicated that for both owner and renter units that the lowest vacancy rates prevailed among the three or more bedroom units (0.9 percent for owner and <5 percent for renter) followed by two bedroom units (2.1 percent for owner and 7.7 percent for renter). One bedroom units had the highest vacancy rate (3.5 percent for owner and 8.5 percent for renter). This data confirmed one aspect of the 1990 CHAS data. Other than cost burden, the biggest problem for renter households occurred in the large family category.

Substandard Housing

The state's metropolitan areas contain the majority of the state's occupied housing, 81.3 percent of it in 2000, and while they contain most of the pre-1940 housing this was significantly below the metropolitan area's share of the total housing stock. What this means is the non-metropolitan areas held a disproportionate share of the state's oldest housing, while the post-1940 housing reflected the decades long development of Michigan's expanding metropolitan areas.

Number and Percent of Total Occupied Substandard Units in 2000

Area	Occupied Units	Units Lacking Complete Plumbing	Units Lacking Complete Kitchen	Pre-1940 Units
Metropolitan	3,076,736 81.3%	12,984 76.5%	14,068 78.8%	521,629 72.9%
Non-Metropolitan	708,925 18.7%	3,987 23.5%	3,776 21.2%	193,830 27.1%
State Total	3,785,661 100%	16,971 100%	17,844 100%	715,459 100%

In 2000 only 0.45 percent of occupied units lacked complete plumbing and 0.47 percent lacked complete kitchen facilities and 18.9 percent were built before 1940. Only 0.42 percent of the metropolitan market lacked complete plumbing, 0.45 lacked complete kitchen facilities and 16.9 percent were built before 1940. Rural Michigan had relatively higher inventories of housing lacking complete plumbing, kitchen facilities or built before 1940. The potential housing quality problems in the non-metropolitan housing markets are somewhat disproportionate in comparison to their share of the state's overall occupied housing.

Housing Quality Indicators in 2000

Housing Quality Indicator	State Total	Metropolitan	Non-Metropolitan
Occupied Units	3,785,661	3,076,736	708,925
Units Lacking Complete Plumbing	16,971 0.45%	12,984 0.42%	3,987 0.56%
Units Lacking Complete Kitchen	17,844 0.47%	14,068 0.45%	3,776 0.53%
Pre-1940 Units	715,459 18.9%	521,629 16.9%	193,830 27.3%

HUD recognizes overcrowded units as a measure of housing distress. In Michigan, comparatively few households live in overcrowded conditions, 2.7 percent of all occupied units. The percentage of 1.01 to 1.5 persons per room is 1.8 percent in Michigan and the percentage of 1.51+ persons per room is only 0.9 percent.

Housing Demand

This portion of the market analysis focuses on several aspects of the demand for housing that is both affordable and appropriate to the needs of lower income households. Because higher income households may choose to occupy units that would be affordable to households with lower incomes, the existence of affordable units does not assure that they will always be available. In local markets where demand for all housing is particularly high, lower income households may be particularly disadvantaged in competing for a share of the available housing resource.

Affordability of Rental Units

In Michigan, comparatively few households live in overcrowded or substandard units but households that are cost-burdened are a significant concern. Despite Michigan's affordable housing supply, renters, particularly those with incomes below 50 percent of the area median income, persons dependent on SSI, or earning the minimum wage, face enormous housing costs.

In Michigan, 28 percent of renter households pay rents over 35 percent of household income. The range in households with this cost burden is from a low of 18.6 percent in Michigan's thumb area and 19.3 percent in the south-central area to 32 percent in the Ann Arbor/Ypsilanti area and 31.7 percent in the Flint area.

According to the 2003 American Community Survey Summary Table from the U.S. Census, the median household income in Michigan was \$55,018. In 2000, 7.4 percent (192,376) of all Michigan families were in poverty. The gross median rent for the state's 940,000 rental units is estimated to be \$546 by the Census. Gross median rents ranged from

\$352 in the Western Upper Peninsula to \$701 in the Oakland/Lapeer area and \$686 in the Ann Arbor/Ypsilanti area. Fewer than 100,000 units rent for less than \$300 a month.

HUD develops annual estimates of "Fair Market Rents". These rents, derived from a survey of the local rental housing stock, represent the cost of securing adequate housing. Using the FMR for a two-bedroom unit as a benchmark, the average figure for Michigan is \$642 a month. For individual markets, the FMRs ranged from \$441 in non-metropolitan counties to \$765 in the Ann Arbor metropolitan area.

According to the National Low Income Housing Coalition paper Out of Reach 2003, an individual holding a minimum wage job (paying \$5.25 an hour) would have to work over 65 hours a week to afford a two-bedroom unit in the least expensive counties in Michigan. At the statewide average FMR, two minimum wage workers working full time would not have sufficient income to afford this unit.

While all lower income households face challenges in locating affordable rental housing, for some populations affordability has become the most critical housing concern. The homeless, persons with disabilities or seniors dependant on SSI, and minimum wage workers generally, have extremely high rent burdens in every region of the state.

About 18 percent of the non-institutionalized population has some disability according to the 2000 census. Over twelve percent of the population has severe disabilities. The employment rate for persons with disabilities is lower than the comparable rate for the non-disabled population, contributing to the lower income levels of persons with disabilities. State level poverty data confirms this point. The poverty rate for the non-institutionalized population with a disability stood at 16.1 percent, nearly twice the level reported for the non-disabled population.

Affordability of Owner Units

Over the past few years, thanks in large part to lowered interest rates; homeownership became more affordable to lower income households. From 1990 through 2001, the national median sales price of an existing home increased nationally by 54.5 percent, slightly faster than the 53.1 percent increase in median family incomes. The National Association of Home Builders Housing Affordability Index increased during this period from 109 to 143. The 2001 figure represents the highest annual figure since 1973.

Based on data from the American Housing Survey, it has been estimated that almost 19 million renter households are unable to afford the purchase of a modestly priced home. In Michigan, this represents an estimated 70,000 households who could not afford to purchase a home priced at half the statewide median (about \$65,000). While income is an important factor, most of those unable to buy also lack the ability to afford downpayment and closing costs.

In addition, the supply of affordable homeownership units is limited and decreasing. National data indicate that the supply of affordable units for owner occupancy is declining. While some 44 percent of all owner occupied units are affordable, only 30 percent of units produced between 1997 and 1999 were considered to be in this category.

In Michigan, the census reports that more than 400,000 homeowners spend more than 30 percent of their income on housing costs. This represents 17.5 percent of all owner occupied units. One of every eight homeowners spends more than 35 percent of their income on housing

costs. While most of these cost burdened owner households have a mortgage on their home, more than 85,000 have a high cost burden without a mortgage.

Data on mortgage delinquencies reflect a sharp upward movement recently. Past due mortgages have increased from 3.97 percent of all mortgages in 1999 to 4.65 percent in the first quarter of 2002. Mortgage defaults (90 days past due) rose from 0.56 percent in 2000 to a seasonally adjusted rate of 0.78 percent in the fourth quarter of 2003. Foreclosures initiated have also increased during the same period, from 0.29 to 0.35 percent of all mortgages.

In part, this increase may also be related to the rapid increase in the number of sub-prime loans, which are most common among women and minority borrowers, as well as in underserved areas. In 1999 sub-prime loans accounted for 19 percent of refinancing and 6 percent of home purchase loans. These loans are likely to be particularly vulnerable during economic slowdowns.

Despite these negative signs, home prices continue to increase. From a median price of \$107,900 in 1990, new single family home prices in the Midwest rose to \$177,800 in 2002. The average price of a home in some markets of the state, for example Washtenaw and Livingston counties, make affordability for a first time homebuyer a persistent concern.

Matching Household Needs to Housing Units

The 2000 census did not provide data comparable with the 1990 census that would allow a refined estimation of the potential availability of units with one or fewer bedrooms, two bedrooms, and three or more bedrooms with the number of lower income elderly, small-related, and large-related households. Even without vacancy data by unit size, however, the following table establishes a rough picture of the fit between households and appropriate housing units. Because households may occupy units that exceed their minimum need for bedrooms, this approach can only approximate possible gaps in supply versus demand for appropriately sized units. The assessment presumes that units with 0-1 bedrooms can appropriately accommodate elderly households (1-2 persons). Small related households (2-4 persons) require two or more bedrooms. Large related households (5+ persons) require units with three or more bedrooms.

Renter Households by Type and Income/Housing Units by Unit Size

Percent of Median	Elderly	Small Related	Large Related	Occupied 0-1 BDRM	Vacant 0-1 BDRM	Occupied 2 BDRM	Vacant 2 BDRM	Occupied 3+ BDRM	Vacant 3 BDRM
0-30	62,175	78,920	20,475	79,460		63,050		67,135	
31-50	42,554	60,695	16,215	146,090		181,570		96,035	
51-80	30,599	78,695	19,660	110,985	N/A	142,565	N/A	58,015	N/A
Total	135,328	218,310	56,350	336,535		387,185		221,185	

As indicated by the shaded areas on the above table, the most apparent mismatch between renter households and suitable units appears among the lowest-income renters for one and two bedroom units. In the large related and all other income groupings, the potential fit between households and possible housing units is much better. Although the data does not permit an assessment of the incomes of the households actually occupying these potentially appropriate and affordable units, the higher ratio of units to households suggests that more opportunities may be available.

Owner Households by Income

Percent of Median Income	Elderly	All Other Owners	Owner-Occupied Units with Mortgage Affordable at Income Level
0-30	86,920	100,795	N/A
31-50	124,478	117,619	647,838
51-80	172,698	289,028	736,425
Total	384,096	507,442	1,384,263

There appears to be an adequate supply of affordable housing for owners in the two highest income groupings. Data is not available for the lowest-income owners but based on the Michigan State Housing Development Authority's Single Family Program experience, suitable, affordable housing for purchase by the lowest-income group is difficult to find. As stated previously, households with higher incomes may occupy these affordable units.

Future Market Trends

Demographic changes will have an effect on the Michigan housing market in the future. An expected gradual decline in household size will continue to contribute to increasing housing demand. Changes in household composition (both the number of persons and the presence of children) will affect the nature of the housing that is in demand.

Population projections for the year 2025, prepared by the Michigan Department of Transportation anticipate that the total Michigan population will increase to 11 million by that date. Shifts in the age structure of the state indicate that the net increase in the population aged 25-44 will occur in the younger half of the age bracket, those aged 25-34. Traditionally this population sector has favored renting over homeownership. The population under 25 will grow at an even faster rate. Because of the population trend, overall demand for rental housing, especially affordable rental housing may exceed the demand of the last decade.

Another future factor is the ongoing loss of affordable rental housing resulting from prepayments, opt-outs, and other causes that appear likely to keep the affordable rental market tight for the rest of the decade. According to a paper by John T. Metzger, Michigan's Affordable Housing Crisis, "The expiration of project-based subsidies is accelerating. The subsidies for more than one-third of the multi-family housing units in Michigan with project-based Section 8 assistance were slated to expire during fiscal year 2000. In all, more than half of the subsidized units in the state are scheduled to expire by 2005."

The elderly population will see significant changes. In recent years, the elderly sector of the housing market has been increasing rapidly. National figures suggest that the number of persons over the age of 65 will increase by over half by 2020, and double by 2050. The rate of increase in the number of persons over age 75 will be even greater. Michigan is expected to follow these trends.

Five-Year Projections

In general, no significant changes are expected in the scope or distribution of housing in the State of Michigan over the next five years. The Priority Needs Summary Table, Table 2A, located on the following page, identifies the priorities and the estimated units to address over

the next five years. Community Development needs for infrastructure and economic development are shown on page V-40.

PRIORITY HOUSING NEEDS (households)		Priority Need Level High, Medium, Low		Unmet Need	Goals
Renter	Small Related	0-30%	H	64,872	
		31-50%	H	36,295	
		51-80%	M	16,132	
	Large Related	0-30%	H	18,632	
		31-50%	H	10,815	
		51-80%	M	8,473	
	Elderly	0-30%	H	36,435	
		31-50%	H	23,277	
		51-80%	M	10,281	
	All Other	0-30%	H	67,065	
		31-50%	H	39,650	
		51-80%	M	19,619	
	Owner	0-30%	H	136,093	
		31-50%	H	111,364	
		51-80%	M	138,519	
Special Needs	0-80%	M	20,000		
Total Goals					
Total 215 Goals					
Total 215 Renter Goals					
Total 215 Owner Goals					

Assisted Housing Availability

The Michigan State Housing Development Authority maintains a Subsidized Housing Inventory available on-line at the following link:

<http://www.mshda.info/housing>

The inventory includes all assisted multi-family housing developments by name and county within the State of Michigan. The list identifies contact information and the number of units, by bedroom size; and whether the development is designated family or elderly.

The following table details the approximate inventory of Section 8 and Public Housing units made available through local public housing offices and MSHDA. Despite the significance of this source of housing affordable to lower-income Michigan residents, the waiting lists are very long. There are 6,403 households on MSHDA's waiting lists statewide and thousands of households were on waiting lists maintained by locally administered Section 8 programs. Waits could range from months to many years. In some cases, waiting lists were closed because no additional units were available or likely to become so.

Inventory of Public Housing and Section 8 Units by Housing Authority

Authority	Low Rent Units	Section 8 Units	Total Units
Benton Harbor HC	370	128	498
Bessemer	90	0	90
Iron Mountain	102	0	102
Albion	220	0	220
Wakefield	30	0	30
Bronson	50	0	50
Ironwood	150	0	150
Baraga	50	25	75
Reed City	101	90	191
Greenville	89	107	196
Belding	140	0	140
Cheboygan	38	120	158
Muskegon Heights	349	50	399
Benton Twp.	300	75	375
Battle Creek	413	415	828
Sault Ste Marie	264	50	314
Jackson	553	456	1,009
Big Rapids	287	0	287
Ontonogon	60	0	60
Saint Joseph	107	0	107
Grayling	88	130	218
Manistique	60	59	119
Baldwin	86	180	266
Laurium	29	0	29
Coldwater	100	25	125
Calumet	98	0	98
Lansing	834	1,427	2,261
Cadillac	125	25	150
Saint Louis	80	155	235
Hancock	104	40	144
Muskegon	195	164	359
Negaunee	80	0	80
Sturgis	71	0	71
Marquette	253	50	303
Stambaugh	38	0	38
Grand Rapids	447	2,271	2,718
Mount Pleasant	123	50	173
Niles	180	0	180
Gladstone	102	0	102
Manistee	218	0	218
Traverse City	139	198	337
South haven	129	0	129
Escanaba	175	0	175
Boyne City	80	60	140
Menoninee	127	61	188
Paw Paw	81	0	81
Iron River	31	0	31
Kingsford	69	0	69
Rockford	52	90	142
Munising	74	25	99
Ishpeming	127	0	127
Authority	Low Rent Units	Section 8 Units	Total Units
Hillsdale	60	0	60

Lake Linden	65	0	65
Houghton	70	0	70
L'ANSE	34	0	34
Ewart	109	25	134
Wyoming	197	981	1178
Elk Rapids	20	0	20
Ionia	110	20	130
East Jordan	28	0	28
Iron County	123	169	292
Dowagiac	86	115	201
Alma	94	64	158
Saranac	89	0	89
Luce County	0	110	110
Mackinaw County	48	0	48
Potterville	24	25	49
Ingham County	89	100	189
Schoolcraft	64	35	99
Bangor	44	0	44
Charlevoix	62	0	62
Middleville	50	0	50
Montcalm County	40	318	358
Rapid River	24	0	24
Covert	40	0	40
Hermansville	24	0	24
Bath Charter	30	25	55
Grand Ledge	0	25	25
Kent County	0	330	330
Detroit	4,391	5,528	9,919
Dearborn	333	96	429
Hamtramck	450	0	450
Pontiac	431	468	899
Saginaw	605	1141	1,746
Ecorse	199	0	199
River Rouge	300	114	414
Flint	1,248	963	2,211
Monroe	293	0	293
South Lyon	15	0	15
Alpena	195	0	195
Bay City	562	50	612
Ypsilanti	188	197	385
Inkster	858	240	1,098
Mount Clemens	288	0	288
Wayne	76	0	76
Royal Oak Twp.	128	0	128
Roseville	103	309	412
Port Huron	444	458	902
Clinton Twp.	100	23	123
Eastpointe	164	131	295
Plymouth	108	1386	1,494
Melvindale	199	134	333

Authority	Low Rent Units	Section 8 Units	Total Units
Lincoln Park	118	308	426
St. Clair	61	30	91
Allen Park	62	0	62
Livonia	151	752	903
St. Clair Shores	251	90	341
Ann Arbor	361	1175	1,536
Romulus	100	0	100
Rogers City	38	0	38
Rockwood	51	0	51
Taylor	111	406	517
Gladwin City	70	0	70
Ferndale	167	95	262
Southfield	0	150	150
Luna Pier	102	0	102
Lapeer	60	20	80
East Tawas	41	0	41
Highland Park	210	0	210
Algonac	70	0	70
Westland	0	627	627
Redford Twp.	0	258	258
Dundee	75	0	75
Bedford Twp.	97	0	97
Sterling Heights	153	40	193
Dearborn Heights	0	359	359
Marysville	132	0	132
Royal Oak	0	222	222
Bay County	100	0	100
New Haven	88	0	88
Madison heights	0	287	287
Caseville	47	0	47
MSHDA	0	21,471	21,471
TOTALS	24,176	46,396	70,572

B. Barriers to Affordable Housing

1. Relevant Public Policies

In the late 1980's, both the Michigan Senate and the House of Representatives released studies¹, which indicated that many governmental regulations regarding the production and preservation of safe, sanitary, and affordable housing were actually working contrary to that goal.

There are several reasons why such regulatory barriers were formed. Some are the result of the passage of time and the advent of new technologies, which have made certain regulations obsolete. Some are due to local efforts to keep out certain types of housing, while others are due to the increasingly complex bureaucratic system this nation has developed over the course of the twentieth century. Regardless of the reason for their formation, regulatory barriers to affordable housing must be eliminated if government is to effectively ameliorate the housing needs of our state.

This report will describe some of the more serious regulatory barriers facing affordable housing in Michigan.

a. Zoning. Many local zoning ordinances serve valid public purposes. When properly used, they help promote health, safety, and welfare by ensuring that contiguous plots of land are used for compatible purposes. For example, zoning can insulate peaceful residential areas from the noise, congestion, and harmful emissions of business and industrial districts.

However, localities may use their zoning authority to protect parochial interests at the expense of affordable housing. Some communities practice zoning policies intended to increase local tax revenues, permitting only expensive new homes or highly taxable businesses. Communities frequently use their zoning power to impede the introduction of lower income units including mobile homes in their area, often due to fear of reduced property values or simple prejudice against the "undesirable" lower income people who will reside in those units. Other communities want to discourage growth of any kind, preferring instead to maintain the status quo. Several specific zoning policies can be identified which act as serious barriers to affordable housing:

i. Excessive Lot Size. Some communities require that new homes be constructed on unnecessarily large plots of land. Obviously, the larger the lot, the greater the price -- low to moderate-income prospective homebuyers usually cannot afford the extra expense of excessive land costs.

ii. Exclusion of Certain Types of Housing. Communities often eliminate affordable housing options by disallowing some of the most affordable types of homes such as mobile homes. Some communities do not allow accessory apartments on single-family homes. In most cases, there is no

¹"Housing in Michigan: Low Income and Senior Citizen Families in Crisis," State Human Resources and Senior Citizen Committee, Lansing, 1988, and "Report of the Ad Hoc Special Committee to Study Housing Conditions in the State of Michigan," Michigan House of Representatives, Lansing, 1987.

real health or safety goal being promoted by these ordinances -- communities are inappropriately using their zoning power to keep out housing types they find unappealing.

iii. **Excessive Infrastructure.** Some localities impose infrastructure requirements, which unnecessarily inflate the cost of the housing units. The Michigan Senate Report on Housing states that excessive infrastructure requirements like unnecessarily wide streets, over specified sidewalks, and expensive storm sewer systems often inflate the cost of housing without providing commensurate benefit to the individual or the community.

b. **Building Codes.** Although there is a definite need for some minimum requirements and specifications for new construction to ensure the health and safety of inhabitants, excessive restrictions may unnecessarily raise the cost of house, making it unaffordable for low, very low, and moderate-income households. Also, newer technology has rendered some requirements of the building code obsolete.

c. **Building Permits.** Delays in construction due to redundant, overlapping permitting and approval processes can cause projects to go over budget -- a situation which impacts negatively on affordability for the future owners or renters of that property. Streamlining the permitting process to make it as fast and efficient as possible will enable developers to produce units at a lower cost; the competition inherent in the free market should ensure that those savings are passed on to the housing consumer.

d. **Tax Reverted Properties.** Every year, hundreds of housing units - mainly in Michigan's urban centers - are forfeited to local governmental units due to non-payment of taxes or other fees. These units could help remedy the lack of affordable housing in large cities; however, the process of converting a tax-delinquent property into available new housing stock often takes too long to be effective. When left uninhabited and untended for a long period of time, minor repairs needed on a home can become major problems, which render the house uninhabitable.

e. **Regulatory Paperwork.** As pointed out in the HUD report on regulatory barriers, excessive and redundant paperwork can cause housing projects to be delayed, increasing the cost of the units. While the Federal Office of Management and Budget (OMB) has been effective in streamlining paperwork required to be submitted to federal agencies, it lacks jurisdiction over federally mandated paperwork and forms which are maintained in the work place. Michigan joins the HUD committee in commending that Congress grant OMB the authority to regulate non-submitted paperwork in addition to their current responsibilities.

2. Strategy to Address Negative Effects

Although it will not conduct a separate study during the next five years to identify additional barriers beyond those contained in this report, the state will continue its efforts to reduce barriers to affordable housing on a program-by-program basis. Real progress has been made in the following areas:

- **Building Codes.** In December 2003, Michigan passed the Michigan Rehabilitation Code for Existing Buildings. The State of Michigan has identified the need to create a separate building code for existing structures. Preservation of

existing affordable housing is an essential component of the state's affordability strategy, yet many existing affordable units were lost because they failed to meet building code standards. In order to use these units, owners must rehabilitate them to standards under the 1990 code. For older homes, this can mean expensive and perhaps unnecessary electrical and plumbing work. Faced with such requirements, owners of these units regularly choose not to renovate, finding it more financially sound to simply let it go. The new code ensures occupant safety without requiring owners to bring the units up to costly, unnecessary new construction standards.

- **Tax Reverted Properties.** Michigan recognized that tax reverted properties could be used by the state to address affordable housing needs. In 2003, the tax reversion law was amended to shorten the time frame for redemption of tax reverted properties from seven years to five years. This allows a more timely transfer of tax reverted property. The Land Bank Fast track Authority, implemented in January 2004, has the authority to transfer certain tax reverted properties to non-profit organizations who rehabilitate the existing property or newly construct affordable housing for low to moderate-income households.
- **Historic preservation.** HUD regulations require that properties rehabilitated with HOME funding comply with current historic preservation laws; to streamline this process, the Authority has worked with the Michigan Historical Society to develop a simple review procedure that will meet the HUD requirement while assuring that the property will remain affordable.
- **Land Use.** In February 2003, Governor Jennifer Granholm formed the bipartisan Michigan Land Use Leadership Council and charged the council with studying and identifying trends, causes, and consequences of urban sprawl and providing recommendations to the governor and legislature designed to minimize the negative effects of current and projected land use patterns on Michigan's environment and economy. In formulating its recommendations for Michigan the council established guiding principals which included housing, affordable housing, and community development. The final recommendations were made in August 2003. It is anticipated that many of the recommendations will be implemented over the next three to five year period.

The state does not intend to conduct a study of the barriers to affordable housing at this time; however, the state will continue its efforts to reduce regulating barriers to affordable housing as part of its normal program development and review process.

- **Court Orders and HUD Sanctions**

There are no court orders or HUD sanctions that may have a detrimental effect on affordable housing in Michigan.