IV. Housing Market Analysis

This section of the Consolidated Plan examines several important housing indicators. These can be divided into two larger groups for analysis; those that indicate the state of housing demand in Michigan, and indicators involved more with supply issues. Most of the data for this section comes from the 2008 American Community Survey, which is the most current information source available. In a few instances, the 2005-2007 American Community Survey results are used. Comparisons will be made to the 2000 Census.

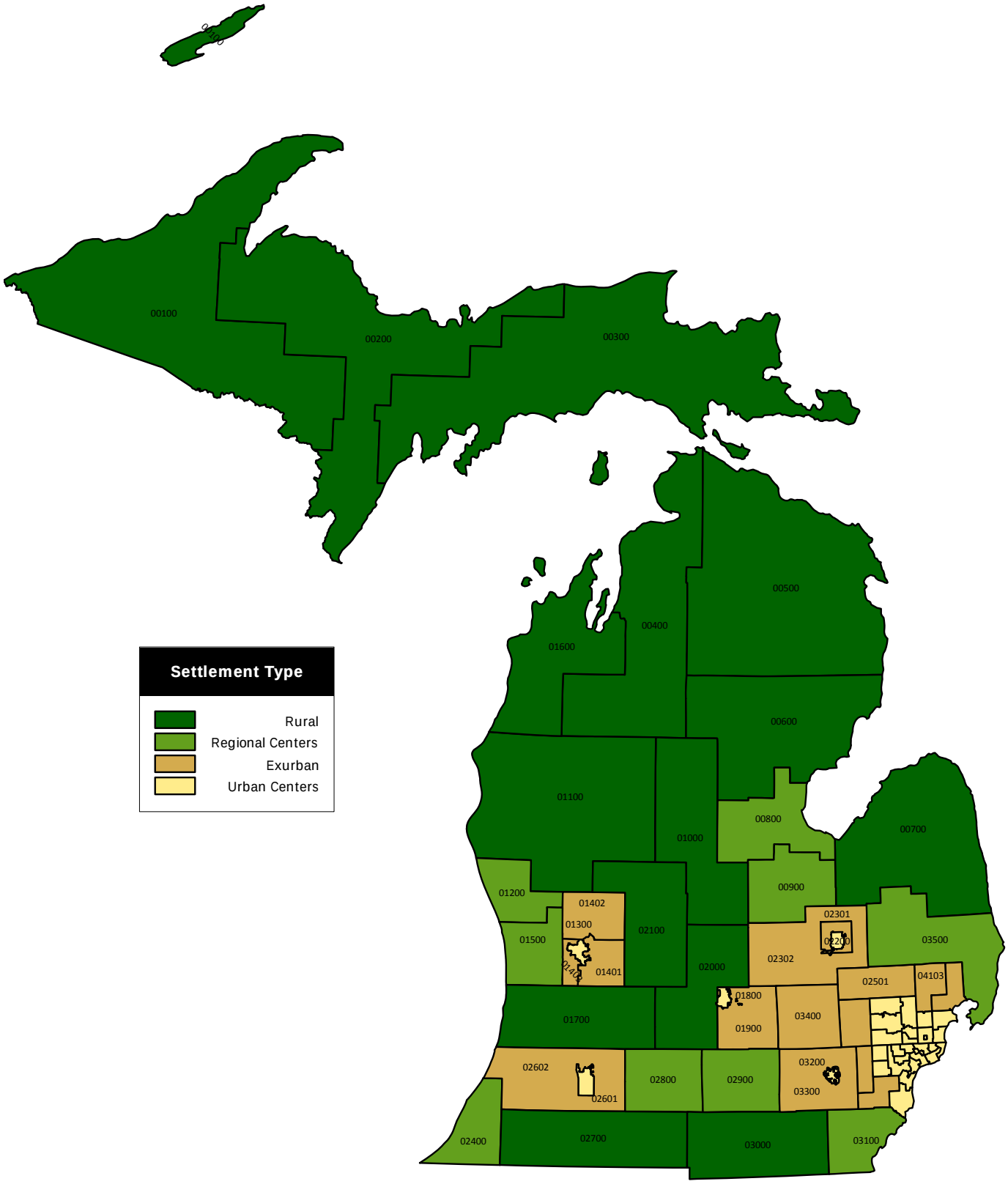
Where possible, data will be presented at three levels of geography. The first is the state level. Secondly, to provide context, national-level figures will also be used. Finally, to provide a more geographically-enhanced view of trends in the state, data at the Public Use Microsample Area (PUMA) level will be utilized. These 68 geographic entities are used to publish Public Use Microsample data from the Census. With the advent of the American Community Survey, they provide the only level of geography that completely covers Michigan for which yearly estimates are available.

As a further guide to analysis, the PUMAs will be divided into four groups, reflecting the broad differences in settlement patterns between them. The first group, Urban, is comprised of PUMAs that are completely within the boundaries of the Census Bureau-designated Urban Areas of the state. The second group, Exurban, is located on the fringes of the state's major urban areas. It has a mixed settlement character. The third, designated Regional Centers, are PUMAs dominated by smaller out-state cities of between 25,000 and 50,000 in population. Finally, Rural PUMAs are outside the influence of either Regional Centers or Urban areas.

The map on the next page shows the PUMA borders, as well as the settlement group each PUMA belongs to. The urban PUMAs are located mainly in the Southeast where, even in the face of the population losses that it has endured, still houses the largest proportion of Michiganders. Other urban centers include Flint, Ann Arbor, Lansing, Grand Rapids and Kalamazoo.

For the most part, exurban PUMAs are located between the cities of Flint, Detroit, Ann Arbor and Lansing. Grand Rapids and Kalamazoo also have exurban PUMAs nearby. Regional centers are more dispersed, though they all occur in the southern portion of the Lower Peninsula. Cities included in this grouping are Muskegon, Holland, Bay City, Saginaw, Midland, Port Huron, Monroe, Jackson, Battle Creek and Benton Harbor.

Even though there are numerically-few rural PUMAs in the state, geographically they cover the most territory. The whole of the Upper Peninsula, in addition to the northern Lower Peninsula, the Thumb, and regions of central and southern Michigan belong to this category.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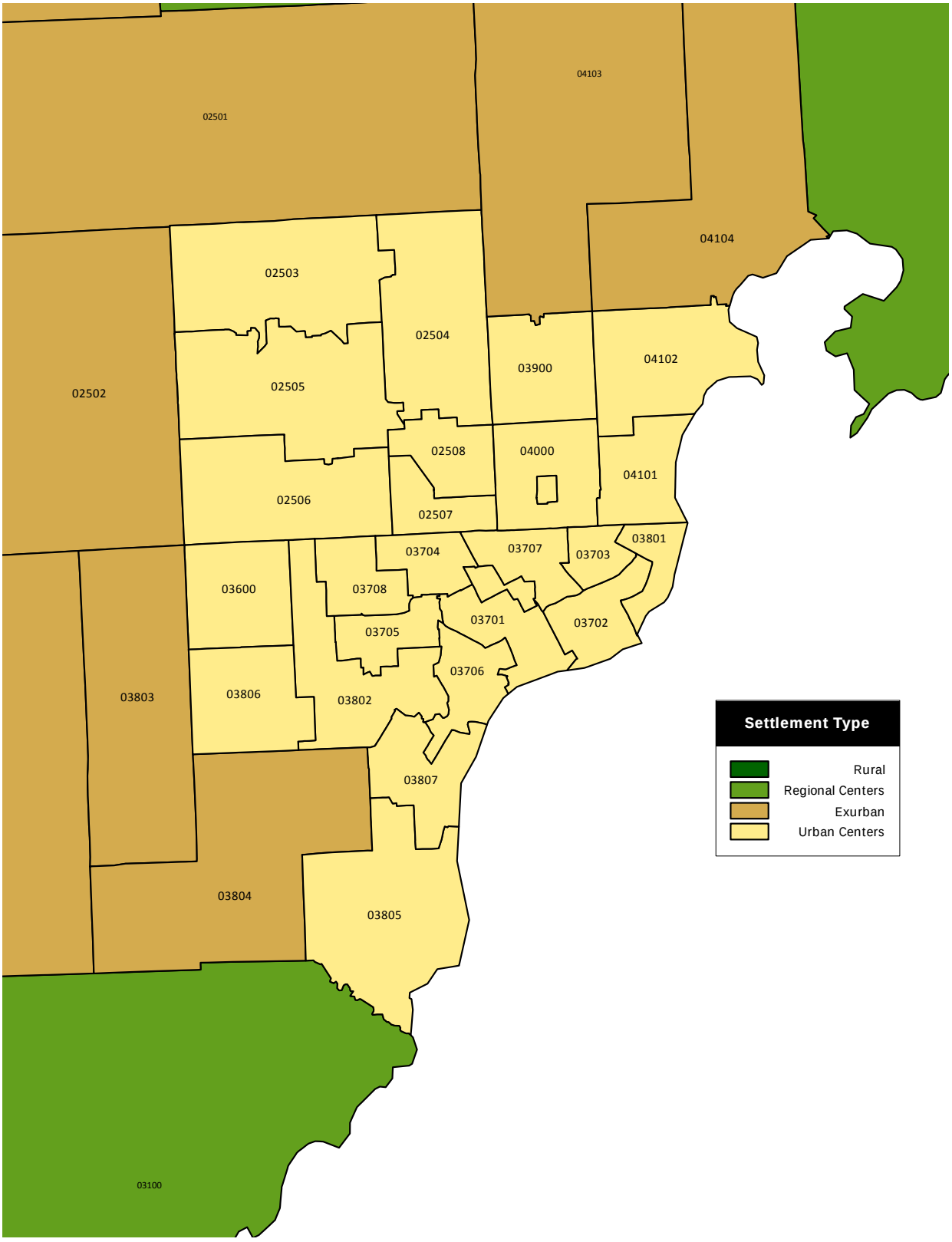
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A. Introduction

This section will expound upon the economic issues that have plagued the state since 2000; which is important to put into this report in that it is the largest factor in the course that our housing markets have taken over the last eight years. In addition, issues related to this situation will affect our ability to serve our clients.

B. Supply

While the physical supply of housing in Michigan has not changed significantly during the last eight years, the utilization of it has. Most of these trends have their cause in the economic difficulties that the state has faced.

Housing Units, Households and Vacancy Rates

According to the 2008 ACS, Michigan had about 4.5 million housing units. This reflects a growth of about seven percent since the 2000 census. Growth in this figure is much slower than it was during the last census period (1990 to 2000), when it was measured at nearly 10 percent. The state's performance relative to the country as a whole was weak; during the 2000-2008 period nationally, housing units increased in number by just over 11 percent.

At the same time, households in the state numbered about 3.8 million. Since 2000, the state's household count grew by 0.6 percent, an increase far less robust than the country's seven percent.

At the most basic level, one can state plainly that Michigan now has a surplus of housing units (about 720,000) when compared to the state's household count. This mismatch has grown worse over the decade. In 2000, about 450,000 units stood vacant; therefore, vacancies increased by about 60 percent by 2008. There are a number of reasons for both the overhang of supply and the general increase in vacancy.

First, Michigan has a high concentration of second homes, due to its important tourism industry. This is the largest source of vacancy, at about 37 percent of the total. However, it is not the primary cause of increased vacancy, since its share of all vacant units decreased since 2000, when about 54 percent of vacant units were in this category.

Second, the slow seller's market in housing has impacted rates as well; about 16 percent of vacancies are for-sale units that have not sold yet. In 2000, nearly 10 percent of vacancies were comprised of units yet to sell. The amount of growth in the number of vacant for-sale units is staggering; the 2008 figure (about 114,600) is 121 percent of the amount found in the 2000 Census (about 52,000).

Third, another category of vacant structures has grown strongly since 2000. The Census Bureau's "Other Vacant" group includes structures that do not fall into the other vacancy categories (for sale, for rent, sold or rented but not occupied yet, seasonal, or migrant worker use). It is likely that the bulk of them are foreclosed structures, or those otherwise abandoned by their owners. In 2008, about 181,000 units were included in this group, accounting for about

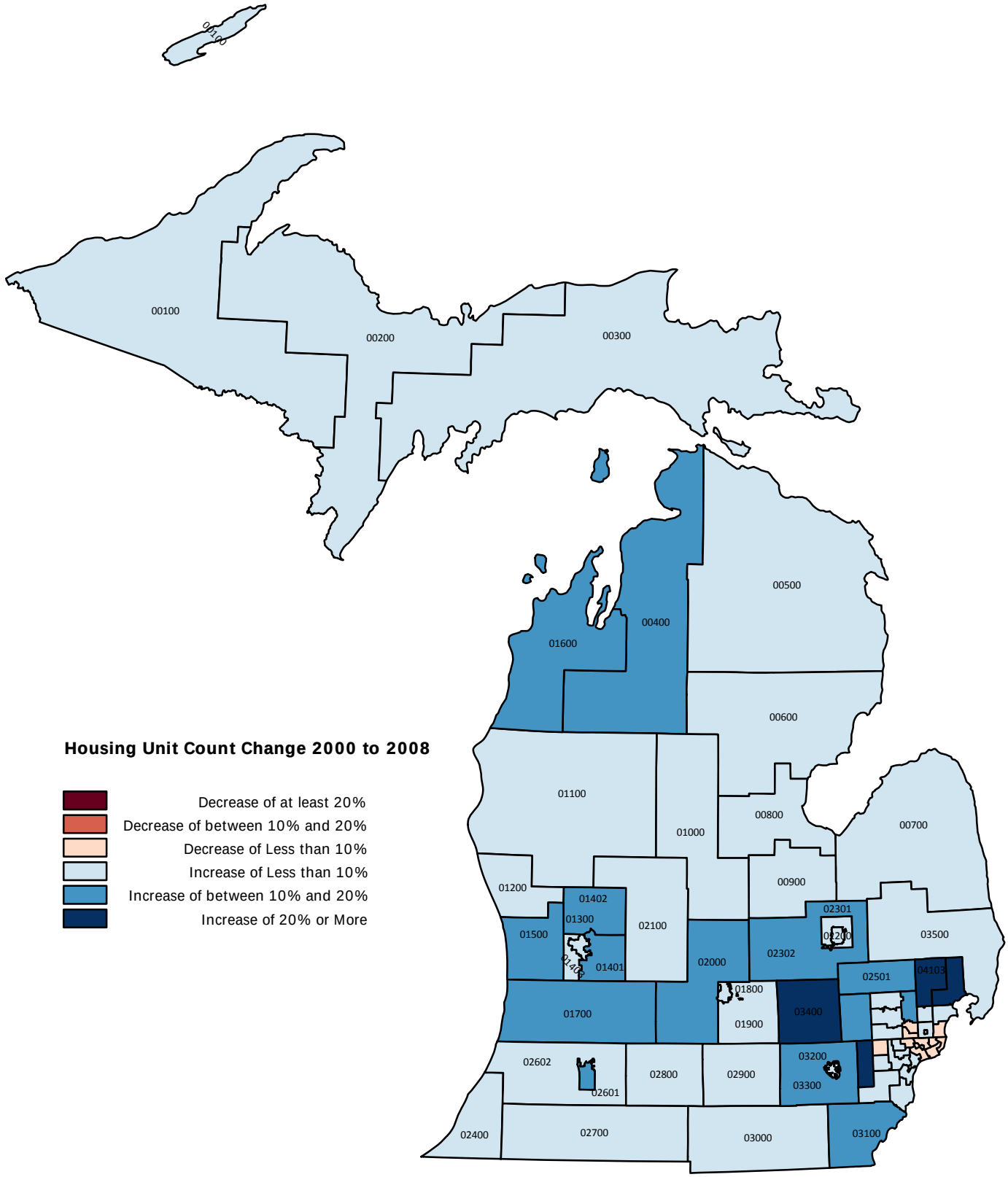
25 percent of all vacant units. This number has increased by about 135,000 units since 2000, or by about 292 percent.

Fourth, rental vacancies increased strongly also, but at a slower rate than other categories. About 109,000 rental units were empty in 2008, accounting for about 15 percent of all vacancies in the state. This number increased by about 46 percent since 2000, when the number was nearly 75,000.

The maps on the next pages show the regional character of housing unit change. Most areas of the state experienced a modest increase between the 2000 Census and 2008. Moderate increases took place in relatively predictable locales: the northwestern portion of the Lower Peninsula (tied to Traverse City and its tourism- and second-home economy) and the exurban portions of the Grand Rapids, Detroit, Flint and Ann Arbor areas. Only one urban center—Kalamazoo—managed this level of increase, probably on the strength of its suburbs included in the PUMA.

The largest increase occurred in three general areas that have a history of rapid population growth—Livingston County, northern Macomb County and the Plymouth-Canton-Northville region of Wayne County. These zones were receivers of large numbers of migrants during the 1990s up to recently.

Conversely, modest declines in the number of housing units were relegated to just a few PUMAs in the Detroit area, notably the central and eastern portions of the city, and certain older suburbs to Detroit's north and west.


Housing Unit Count Change 2000 to 2008
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Decrease of between 10% and 20%
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Increase of between 10% and 20%
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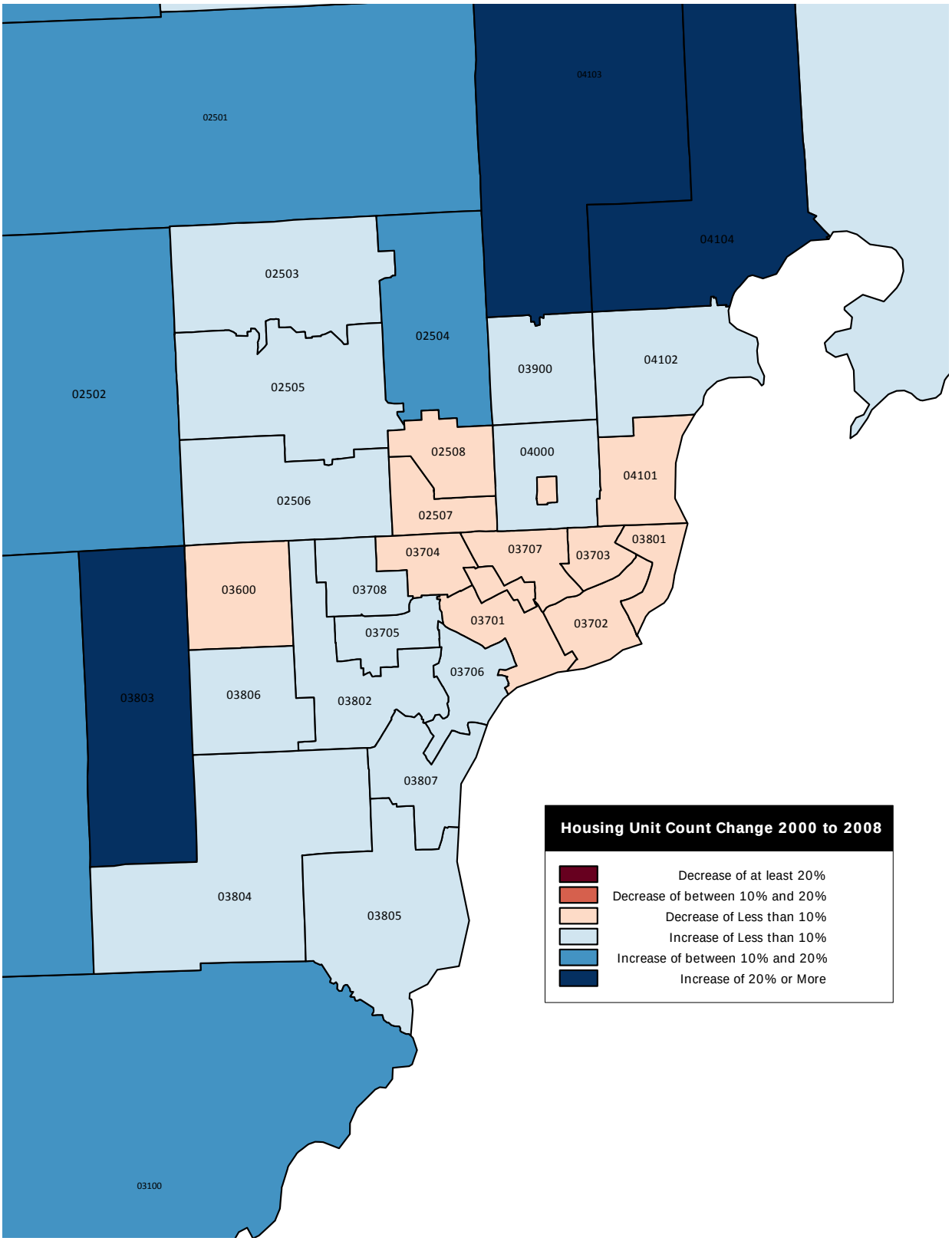
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Housing Unit Count Change 2000 to 2008
Decrease of at least 20%
Decrease of between 10% and 20%
Decrease of Less than 10%
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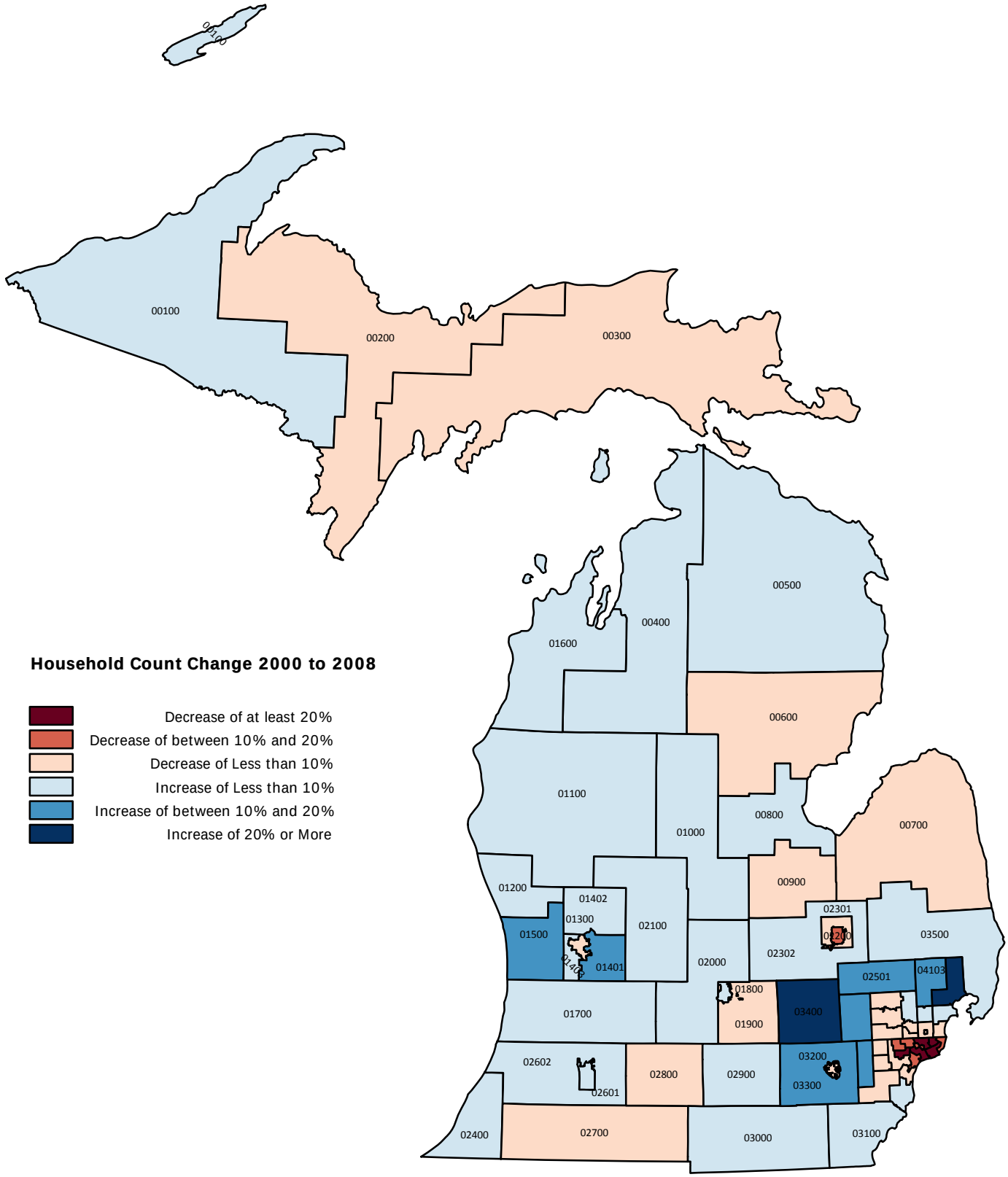
Increase of between 10% and 20%
Increase of 20% or More

The next set of maps show the changes in household counts around the state. They are more "changeable" than the housing unit count changes, since households are mobile, and housing units (except for a few) are not. Therefore, even in the face of decreasing household numbers, it takes decades for housing unit counts and household counts to come back into balance.

The maps show that almost half of the state's PUMAs witnessed a decline in household counts over the last eight years. Losses occurred in every settlement type, but the steepest declines were concentrated in the urban centers, especially Detroit. There, all of the city's eight PUMAs had at least moderate declines, with five experiencing decreases of at least 20 percent over just eight years. Flint was the only out-state urban center to have a similar decline. Household counts in most of the older suburbs surrounding Detroit fell by less than 10 percent.

Moderate household growth occurred in the exurban zones west of the Detroit area, as well as in the Grand Rapids and Ann Arbor areas. Finally, strong growth (in excess of 20 percent) characterized two areas in particular: Livingston County and northeastern Macomb County.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Household Count Change 2000 to 2008
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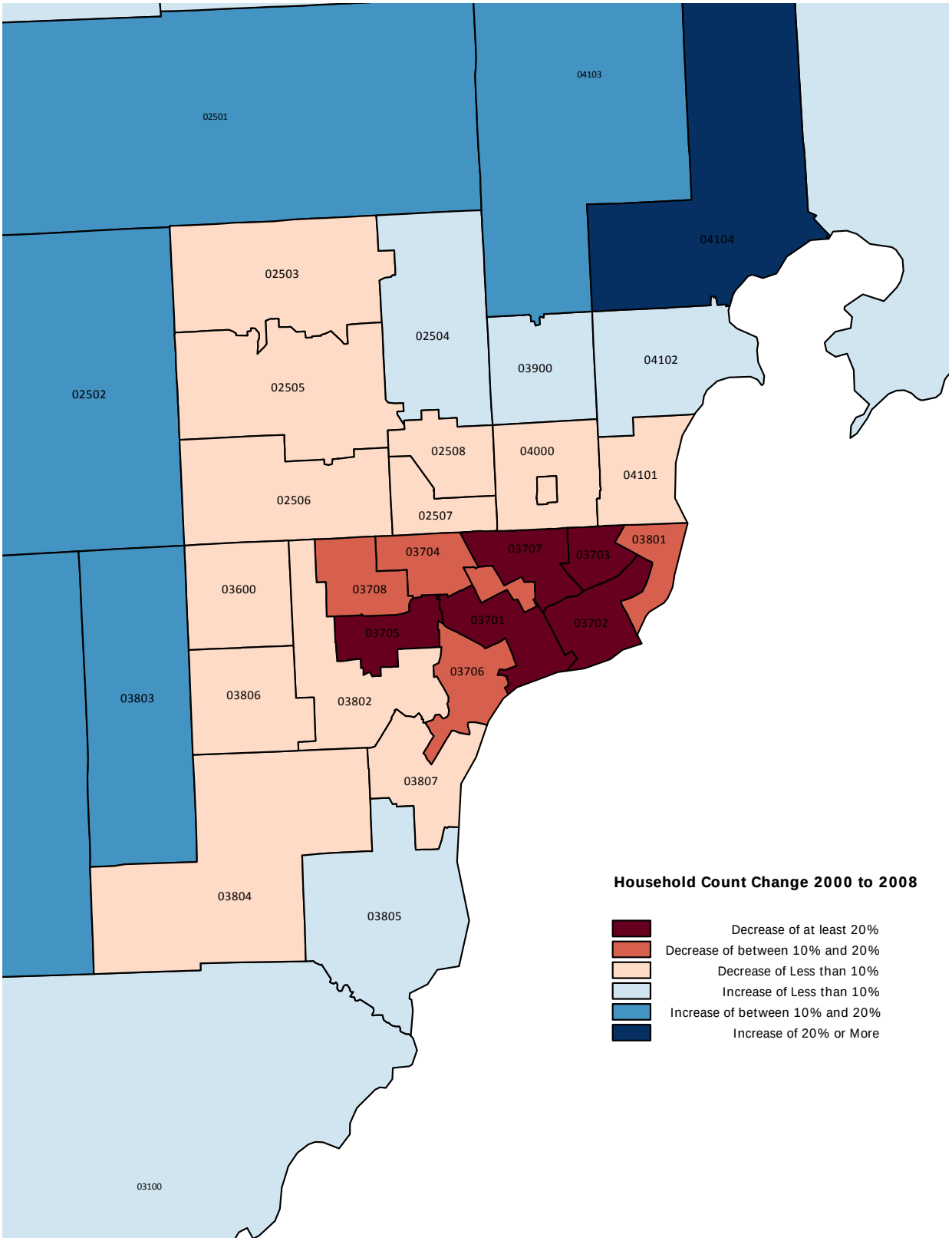
Increase of between 10% and 20%
Increase of 20% or More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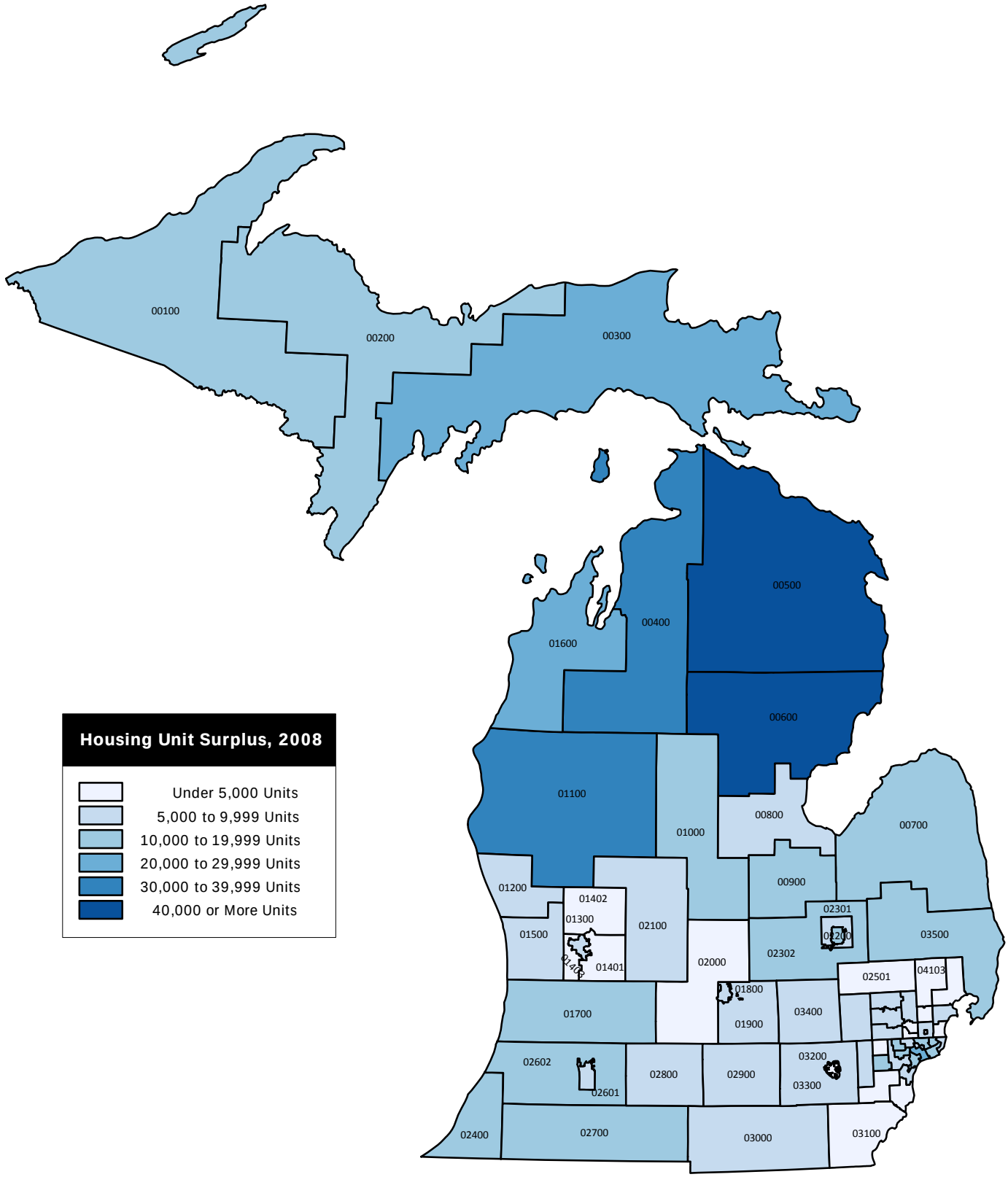
Household Count Change 2000 to 2008
Decrease of at least 20%
Decrease of between 10% and 20%
Decrease of Less than 10%
Increase of Less than 10%
Increase of between 10% and 20%
Increase of 20% or More

Regionally, the dimensions of housing supply overhang show the following characteristics. Since seasonal vacancies comprise a large (but shrinking) proportion of all vacancies in the state, one would expect the large number of vacant units in the northern Lower Peninsula.

Another node of heightened vacancy is in the City of Detroit. Most PUMAs there have between 10,000 and 19,999 vacant units, but one (which includes the central business district) has between 20,000 and 29,999.

Areas with fewer vacancies include exurban areas, for the most part. Many of these PUMAs had less than 5,000 vacant units in 2008.


Housing Unit Surplus, 2008
Under 5,000 Units
5,000 to 9,999 Units
10,000 to 19,999 Units
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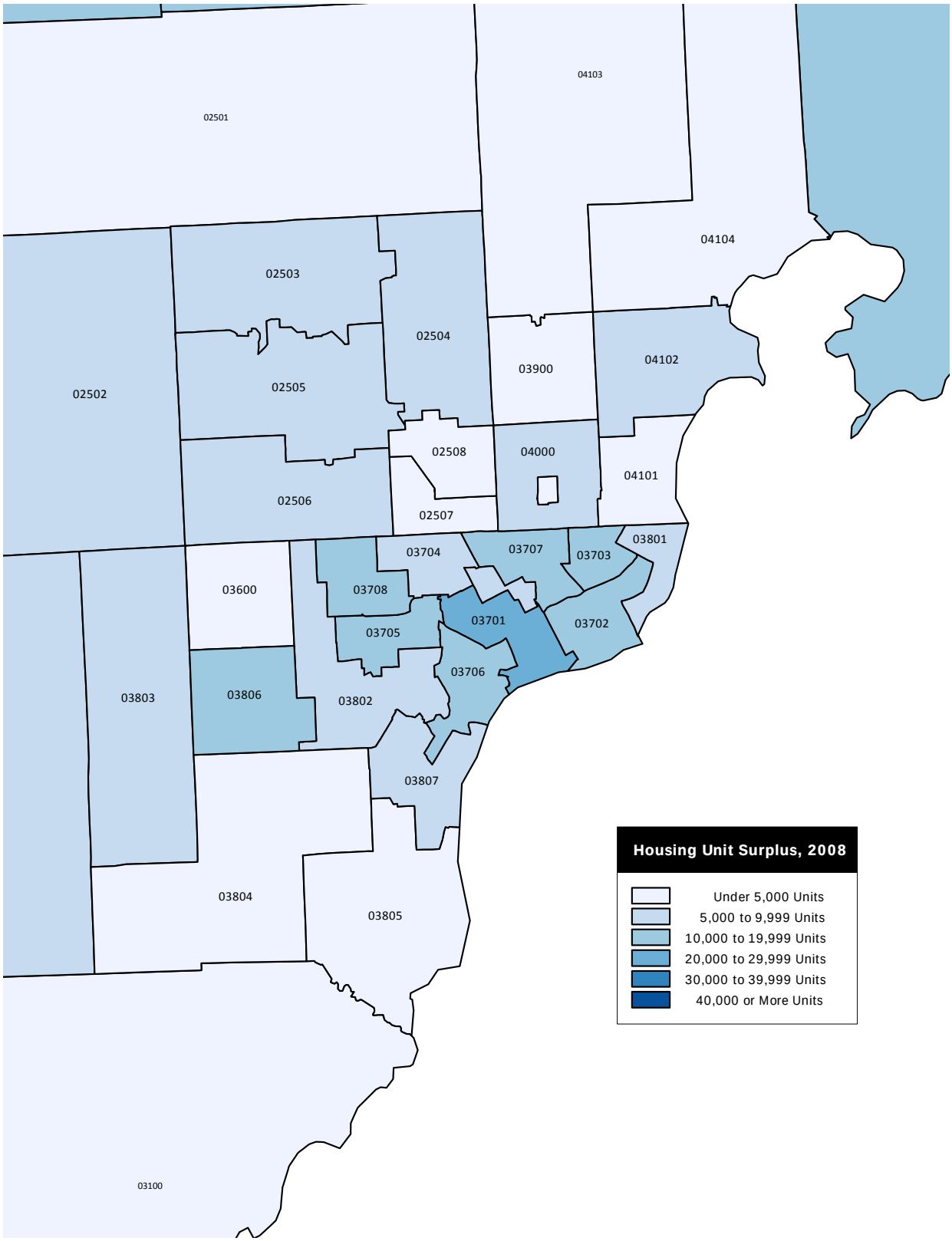
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03100
Housing Unit Surplus, 2008
Under 5,000 Units
5,000 to 9,999 Units
10,000 to 19,999 Units
20,000 to 29,999 Units
30,000 to 39,999 Units
40,000 or More Units

Given this situation of greatly increased vacancies in both the for-sale and rental markets, one could suppose that prices for housing have increased, and that affordability has increased. However, only one of these propositions has proven to be correct, and that one only partially.

Tenure

Owner-occupation remains the preferred mode of habitation in the state. In 2008, about 2.8 million housing units were owned by their occupants (74 percent of the total). This is a significantly higher percentage than in the country as a whole, in which about 67 percent of units are owner-occupied.

The number of owners in the state has grown slightly since 2000. About 26,000 more households owned their shelter between 2000 and 2008, an increase of about 0.9 percent. The proportion of owners among all households increased slightly as well, moving from 73.8 percent in 2000 to 74 percent in 2008. Homeownership among all Americans was slightly more popular also, as the homeowner rate increased from 66. 1 percent to 66.6 percent during the same period.

While the number of owners increased slightly between 2000 and 2008, the number of renters in Michigan decreased slightly. About 991,000 renter households resided here in 2008--1,000 fewer than in 2000. This differs from the national trend, where renter households gained in number by about five percent.

The table below shows the prevalence of ownership and renting among the various settlement types in the state. The highest rates of homeownership are located in Rural areas, where nearly 80 percent of households fall into this category. Exurban and Regional Centers also have homeownership rates higher than the statewide figure of nearly 74 percent. The lowest homeownership rate is found in Urban Centers, where about 67 percent of households own their shelter.

Table 1: Tenure Patterns by Settlement Type, 2000 and 2008

	2000			2008		
Settlement Type	**Owner-Occupied**	**Renter-Occupied**	**% Owner-Occupied**	**Owner-Occupied**	**Renter-Occupied**	**% Owner-Occupied**
Rural	633,118	159,878	79.8%	649,055	168,093	79.4%
Exurban	673,991	199,655	77.1%	750,809	211,166	78.0%
RC	483,225	140,306	77.5%	497,615	148,252	77.0%
UC	1,002,790	492,698	67.1%	921,876	463,935	66.5%
State Total	2,793,124	992,537	73.8%	2,819,355	991,446	74.0%

Source: U.S Bureau of the Census, 2008 American Community Survey

Units in Structure by Tenure

Important differences exist between owner and renter units regarding structure type. The 2008 ACS found that about 87 percent of owner-occupied units were included in single-family detached structures. The next-largest type of structure was mobile homes, which accounted for only about six percent of the total. Single-family attached units comprised a further four percent, while the rest were scattered among many structure types.

Conversely, the rental housing stock is much more varied in type. The largest structure type here was comprised of mid-sized structures with between 5 and 49 units; this group encompassed about 35 percent of all rental structures in the state. Single-family detached units made up about 29 percent of Michigan's rental units, while another 22 percent were included in small-scale rental developments of up to four units in size. Large-scale rental developments, with at least 50 units, were about 10 percent of the total. Mobile homes for rent comprised about four percent of the total. Compared with the country as a whole, Michigan's housing stock is slightly more concentrated in single-family detached housing units, and slightly less in large-scale rental projects.

Changes in the composition of housing units by structure type are interesting to note. First, the importance of mobile homes as a rental housing alternative has grown strongly over the decade; an increase of about 17 percent in this type of housing was measured between 2000 and 2008. As rental mobile homes tend to be older than average, a growth in utilization among this rental sector can be cause for concern.

Second, the number of single-family detached structures in the rental portion of the market has increased moderately, by about six percent since 2000. At the same time, the amount of growth among single-family detached owner-occupied units was only three percent. Since few single-family detached units are built to rent, it is probably safe to assume that much of the increase has occurred as a result of conversion from owner-occupancy to rental due to financial and market pressures.

At the same time, the number of rental units included in mid-sized rental projects declined by about 0.7 percent, and the number built in small-scale rental projects decreased strongly by about 10 percent. Units in large-scale structures also fell strongly, by about 12 percent.

Patterns of change among owner structures are also interesting. The largest growth has occurred among single-family attached structures, which increased in number by about 31 percent since 2000. This category includes both row houses and townhouses, and probably represents a strong growth in the condominium sector during the period.

The number of mobile homes occupied by owners decreased strongly since 2000. There were about 27,000 fewer units of this type by 2008. A portion of these were converted to rentals; however, the gains in rental mobile homes were too small to account for all of them. The closing of mobile home parks is likely a large part of the trend, as cities tend to see them as a less-desirable land use.

The regional dimensions of structure type are shown in Table Nine. Two of the zones, Urban Centers and Exurban, have slightly more variety in their for-sale stock than do Rural and Regional Centers, where nearly 90 percent of homeowner units are single-family detached structures. Renter structures in Urban Centers and Exurban areas tend to be less concentrated in single-family detached structures, and more concentrated in multifamily buildings. Large rental structures tend to be located in Urban Centers, where about 14 percent of the rental stock falls into that category. Mobile homes are most common in rural areas, where approximately ten percent of all housing units are of that type.

The increase in single-family rentals has been most pronounced in Exurban areas. There, nearly 12,000 units were added to the inventory, which is an increase of 31 percent over 2000 levels. Conversely, Urban Centers saw their stock of single family detached rentals fall by about 6,700 units, or roughly five percent over the eight year period.

Increases in single-family detached stock occurred in most settlement types among owner units as well. Exurban regions gained the most (about 71,000 units, or 12 percent) since 2000. The stock of single-family detached units for sale fell dramatically in Urban Centers during the same period, losing about 129,000 units or 14 percent between 2000 and 2008.

Age of Stock by Tenure

The age of Michigan's housing stock is older than the country's as a whole. Michigan did not have as large a construction boom as the rest of the country had during the 1990s or 2000s, as its household growth by then had slowed appreciably. At the same time, older stock in the center cities and rural areas dates back to before the 1960s, and is now at least 49 years old. Housing stock of this age has distinct advantages and disadvantages; while it generally tends to cost less to purchase, it is also more in need of repair, and can be expensive to keep up. In addition, a large supply of older units may not be attractive to current markets, as they generally are smaller, with outdated floorplans and fewer amenities than more recent construction.

This situation is quite apparent when one compares the renter and owner stocks. Rental housing is older than owner housing; about 16 percent of it dates to before 1940, while about 15 percent of owner units are that old. Nationally, the age of rental stock is similar to that of Michigan, but the owner stock is of a more recent vintage.

Table 2: Structure Type by Settlement Type, 2000 and 2008

			Rural		Exurban		RC		UC	
			#	%	#	%	#	%	#	%
2000	Owner-Occupied	Single Family, Detached	544,200	86.0%	565,783	83.9%	425,297	88.0%	895,498	89.3%
		Single Family Attached	6,906	1.1%	30,935	4.6%	8,598	1.8%	46,790	4.7%
		2 Units	3,914	0.6%	2,671	0.4%	4,195	0.9%	18,604	1.9%
		3 or 4 Units	1,519	0.2%	4,037	0.6%	1,922	0.4%	7,692	0.8%
		5 to 9 Units	773	0.1%	3,350	0.5%	1,235	0.3%	8,327	0.8%
		10 to 19 Units	501	0.1%	1,497	0.2%	805	0.2%	3,608	0.4%
		20 to 49 Units	175	0.0%	609	0.1%	373	0.1%	2,258	0.2%
		50 or More Units	134	0.0%	184	0.0%	583	0.1%	3,129	0.3%
		Mobile Homes	74,605	11.8%	64,923	9.6%	40,165	8.3%	16,951	1.7%
		Other Structures	266	0.0%	93	0.0%	127	0.0%	114	0.0%
		Settlement Type Totals	632,993	22.7%	674,082	24.1%	483,300	17.3%	1,002,971	35.9%
	Renter-Occupied	Single Family, Detached	58,796	36.7%	36,944	18.5%	44,364	31.6%	128,143	26.0%
		Single Family Attached	4,602	2.9%	9,930	5.0%	5,767	4.1%	35,045	7.1%
		2 Units	16,620	10.4%	10,505	5.3%	17,720	12.6%	52,468	10.7%
		3 or 4 Units	14,954	9.3%	16,722	8.4%	15,608	11.1%	41,310	8.4%
		5 to 9 Units	16,729	10.5%	36,214	18.2%	16,805	12.0%	70,064	14.2%
		10 to 19 Units	13,147	8.2%	42,968	21.5%	13,119	9.4%	53,695	10.9%
		20 to 49 Units	9,351	5.8%	23,875	12.0%	8,299	5.9%	36,517	7.4%
		50 or More Units	8,137	5.1%	16,806	8.4%	13,331	9.5%	71,686	14.6%
		Mobile Homes	17,588	11.0%	5,440	2.7%	5,179	3.7%	3,455	0.7%
		Other Structures	79	0.0%	97	0.0%	39	0.0%	197	0.0%
		Settlement Type Totals	160,003	16.1%	199,501	20.1%	140,231	14.1%	492,580	49.6%
2008	Owner-Occupied	Single Family, Detached	572,581	88.2%	636,464	84.8%	443,315	89.1%	766,316	88.0%
		Single Family Attached	8,697	1.3%	45,208	6.0%	11,150	2.2%	54,607	6.3%
		2 Units	2,825	0.4%	2,021	0.3%	2,752	0.6%	11,268	1.3%
		3 or 4 Units	1,454	0.2%	3,274	0.4%	2,157	0.4%	5,568	0.6%
		5 to 9 Units	934	0.1%	4,035	0.5%	1,516	0.3%	8,880	1.0%
		10 to 19 Units	461	0.1%	3,229	0.4%	955	0.2%	4,204	0.5%
		20 to 49 Units	147	0.0%	771	0.1%	701	0.1%	2,142	0.2%
		50 or More Units	111	0.0%	779	0.1%	569	0.1%	3,907	0.4%
		Mobile Homes	61,641	9.5%	54,936	7.3%	34,445	6.9%	13,483	1.5%
		Other Structures	204	0.0%	92	0.0%	55	0.0%	0	0.0%
		Settlement Type Totals	649,055	23.4%	750,809	27.1%	497,615	18.0%	870,375	31.4%
	Renter-Occupied	Single Family, Detached	64,708	38.5%	48,663	23.0%	49,193	33.2%	121,455	28.5%
		Single Family Attached	5,057	3.0%	12,759	6.0%	7,353	5.0%	32,836	7.7%
		2 Units	12,005	7.1%	8,291	3.9%	17,286	11.7%	31,958	7.5%
		3 or 4 Units	13,993	8.3%	16,859	8.0%	11,635	7.8%	32,505	7.6%
		5 to 9 Units	21,770	13.0%	37,669	17.8%	18,407	12.4%	70,630	16.6%
		10 to 19 Units	14,303	8.5%	41,075	19.5%	15,465	10.4%	48,443	11.4%
		20 to 49 Units	9,294	5.5%	21,452	10.2%	10,359	7.0%	27,128	6.4%
		50 or More Units	8,506	5.1%	15,299	7.2%	11,602	7.8%	58,970	13.8%
		Mobile Homes	18,428	11.0%	9,099	4.3%	6,952	4.7%	1,933	0.5%
		Other Structures	29	0.0%	0	0.0%	0	0.0%	214	0.1%
		Settlement Type Totals	168,093	17.6%	211,166	22.1%	148,252	15.5%	426,072	44.7%

Source: U.S. Bureau of the Census, 2008 American Community Survey

The regional dimensions of structure age are shown in the table below. The oldest housing stock is in Rural zones, where about 20 percent of owner-occupied units were built before 1940, and are now older than 70 years. Regional and Urban Centers also have large shares of outdated housing, especially in their rental stocks. After this cohort, the distribution of owner stock is bimodal, with peaks occurring in the 1990s and 1970s. The exception to this pattern is Urban Centers, which lack the 1970s peak and instead have one mode, as a plurality of units in these places was built in the 1950s.

The age of rental units around the state is older than the owner stock, since many older homes have been converted to rental use, and also because relatively few rental units were built after 1990. On a percentage basis, the oldest units of this type were concentrated in Regional Centers, although the differences between this group, Rural areas and Urban Centers is small. Exurban areas have few rental units that date from this period. Outside of the older stock, the distribution in most places in unimodal—most construction occurred in the 1970s. Urban Centers are again slightly different, in that they have another noticeable heavy construction period in the 1950s.

Table 3: Year Structure Built by Tenure and Settlement Type, 2008

		Rural		Exurban		RC		UC		Grand Total	
Tenure	**Year Structure Built**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Owner-Occupied Units	**Built since 2005**	17,377	**2.7%**	34,151	**4.5%**	13,661	**2.7%**	9,447	**1.0%**	74,636	**2.6%**
	Built between 2000 and 2004	53,873	**8.3%**	95,791	**12.8%**	39,034	**7.8%**	30,960	**3.4%**	219,658	**7.8%**
	Built between 1990 and 1999	105,174	**16.2%**	162,605	**21.7%**	77,556	**15.6%**	63,844	**6.9%**	409,179	**14.5%**
	Built between 1980 and 1989	68,781	**10.6%**	86,689	**11.5%**	43,742	**8.8%**	55,747	**6.0%**	254,959	**9.0%**
	Built between 1970 and 1979	114,195	**17.6%**	125,944	**16.8%**	73,972	**14.9%**	99,986	**10.8%**	414,097	**14.7%**
	Built between 1960 and 0969	63,470	**9.8%**	77,511	**10.3%**	58,219	**11.7%**	136,510	**14.8%**	335,710	**11.9%**
	Built between 1950 and 1959	60,060	**9.3%**	77,858	**10.4%**	73,169	**14.7%**	264,017	**28.6%**	475,104	**16.9%**
	Built between 1940 and 1949	37,476	**5.8%**	29,866	**4.0%**	38,025	**7.6%**	118,876	**12.9%**	224,243	**8.0%**
	Built before 1930	128,649	**19.8%**	60,394	**8.0%**	80,237	**16.1%**	142,489	**15.5%**	411,769	**14.6%**
Renter-Occupied Units	**Built since 2005**	5,158	**3.1%**	6,212	**2.9%**	2,729	**1.8%**	5,929	**1.3%**	20,028	**2.0%**
	Built between 2000 and 2004	9,460	**5.6%**	19,322	**9.2%**	10,367	**7.0%**	14,892	**3.2%**	54,041	**5.5%**
	Built between 1990 and 1999	20,719	**12.3%**	33,658	**15.9%**	16,476	**11.1%**	35,097	**7.6%**	105,950	**10.7%**
	Built between 1980 and 1989	24,669	**14.7%**	29,595	**14.0%**	17,898	**12.1%**	47,846	**10.3%**	120,008	**12.1%**
	Built between 1970 and 1979	34,366	**20.4%**	50,534	**23.9%**	26,593	**17.9%**	81,371	**17.5%**	192,864	**19.5%**
	Built between 1960 and 0969	16,549	**9.8%**	26,803	**12.7%**	18,260	**12.3%**	62,958	**13.6%**	124,570	**12.6%**
	Built between 1950 and 1959	15,545	**9.2%**	19,525	**9.2%**	17,296	**11.7%**	69,487	**15.0%**	121,853	**12.3%**
	Built between 1940 and 1949	10,309	**6.1%**	9,667	**4.6%**	9,420	**6.4%**	59,805	**12.9%**	89,201	**9.0%**
	Built before 1930	31,318	**18.6%**	15,850	**7.5%**	29,213	**19.7%**	86,550	**18.7%**	162,931	**16.4%**

Source: U.S. Bureau of the Census, 2008 American Community Survey

Substandard Housing

For the purposes of this plan, substandard housing is defined as housing units that are overcrowded (more than one resident per room) or lack plumbing facilities. The 2008 ACS found that about four percent of Michigan's owner housing stock and 11 percent of its renter stock are in this situation. Both of these indicators are above the national rates, and both reflect degrading conditions since the 2000 Census, when 2.2 percent of owners and 6.8 percent of renters were living in substandard conditions. Most of the increase is due to overcrowding issues; 93 percent of current substandard units are overcrowded, rather than lacking in plumbing facilities.

Regionally, substandard housing is described in the table below. Rural areas are overrepresented in both tenures by substandard housing conditions—about five percent of owner units and nearly 12 percent of renter units are either overcrowded or lack plumbing. Urban centers do well on this statistic, since their levels of substandard dwellings is less than the state's percentages. Exurban communities also have a smaller substandard percentage than the state overall.

Table 4: Substandard Dwelling Units by Tenure and Settlement Type, 2008

	Rural		Exurban		Regional Centers		Urban Centers		Grand Total	
	#	% of Type	#	% of Type	#	% of Type	#	% of Type	#	% of Type
Owner Substandard Units	30,028	4.6%	24,467	3.3%	20,081	4.0%	37,779	1.3%	112,355	4.0%
Renter Substandard Units	19,497	11.7%	18,829	8.9%	16,640	11.4%	56,837	5.8%	111,803	11.3%

Source: U.S. Bureau of the Census, 2008 American Community Survey

Size of Stock

The size of the housing stock (measured by the number of bedrooms it has) is an important selling point, as changes in household size and composition drive demand for certain types of housing.

In Michigan, owner stock tends to be larger than renter units. More than three-quarters of owner-occupied units in the state have at least three bedrooms, while only 30 percent of the rental stock is that large. Michigan's distribution of units by number of bedrooms is quite similar to the national picture, except that the state's owner units are slightly more concentrated in three-bedroom homes.

Data on the number of bedrooms per unit is shown in the table below. It shows that, among owner units, Exurban areas had the largest homes; about 32 percent of owner-occupied units had at least four bedrooms. Rural areas had relatively high percentages of smaller owner units; about 24 percent of its for-sale stock had either one or two bedrooms, while the state's figure was just over 20 percent.

Larger rental units were slightly concentrated in Rural areas, since about 34 percent of rentals there had at least three bedrooms. Smaller rental units were relatively more common in Urban Centers, where about 32 percent of rental units had fewer than two bedrooms.

Table 5: Housing Unit Size in Bedrooms, by Tenure and Settlement Type, 2008

		Rural		Exurban		Regional Centers		Urban Centers		Grand Total	
Tenure	Bedrooms	#	%	#	%	#	%	#	%	#	%
Owner-Occupied Units	0	4,374	0.7%	3,507	0.5%	4,344	0.9%	6,747	0.7%	18,972	0.7%
	1	15,428	2.4%	9,122	1.2%	6,307	1.3%	12,384	1.3%	43,241	1.5%
	2	145,774	22.4%	115,089	15.3%	92,827	18.6%	174,938	19.0%	528,628	18.7%
	3	342,767	52.7%	384,538	51.2%	277,545	55.5%	510,296	55.3%	1,515,146	53.7%
	4 or More	141,725	21.8%	239,305	31.8%	119,091	23.8%	217,853	23.6%	717,974	25.4%
Renter-Occupied Units	0	3,670	2.2%	4,145	2.0%	4,649	3.2%	20,670	4.5%	33,134	3.4%
	1	37,584	22.5%	59,108	28.1%	38,712	26.6%	129,059	27.8%	264,463	26.8%
	2	67,512	40.4%	90,423	43.0%	58,910	40.4%	179,758	38.8%	396,603	40.2%
	3	43,624	26.1%	41,920	19.9%	34,370	23.6%	100,178	21.6%	220,092	22.3%
	4 or More	14,684	8.8%	14,821	7.0%	9,111	6.3%	33,930	7.3%	72,546	7.4%

Source: U.S. Bureau of the Census, 2008 American Community Survey

C. Demand

Demand in a housing market depends heavily on a few indicators, including household count, household income, economic conditions, and other indicators. Point-in-time measurements can give a snapshot of how a market is faring currently in terms of demand, while trending can provide insight into how demand is likely to change.

Household count information was presented earlier in this study. On a statewide basis, the household count is staying steady, and given changes in the population, future change is likely to be small as well.

Household Income

Income is a vital component of housing demand. Generally speaking, as incomes increase, demand for housing increases as well. This heightened demand often takes the form of households buying into more wealthy neighborhoods, better-apportioned homes, larger housing units, and sometimes second or vacation homes. This can happen in both the rental and for-sale markets.

Due to the economic recession that has hit Michigan since 2001, real incomes have fallen drastically. Statewide, the median household income in 2008 was $48,591. While nominally this figure implies a growth of about eight percent since 1999, in real terms it reflects a decrease of 16 percent. In addition, the US median household income in 2008 is about seven percent larger than Michigan's, at just over $52,000. At the 2000 Census, Michigan's median household income was about six percent larger than the US median.

The table below shows the average median household income broken out by settlement type. The largest incomes occurred in Exurban areas; the average median level of income there is about 25 percent larger than the state's average. Regional and Urban Centers had income levels comparable to the state's, while Rural zones had a figure that was 13 percent lower than Michigan's.

However, on average incomes in Urban Centers decreased the most between 1999 and 2008, losing about 20 percent. Rural areas lost less income, but the 13 percent loss suffered in them is still significant.

Table 6: Average Median Income and Income Loss by Settlement Type, 1999-2008

Statistic	Rural	Exurban	Regional Centers	Urban Centers	Grand Total
Median Household Income 2008	$42,711	$61,302	$47,151	$46,775	$49,133
Change in Median Household Income, 1999-2008	-13.0%	-15.4%	-16.4%	-20.3%	-17.1%

Source: U.S. Bureau of the Census, 2008 American Community Survey

Household Income by Area Median Income Limits and Race/Ethnicity

The table below outlines FY 2008 State Income Limits according to the U.S. Department of Housing and Urban Development:

Table 7: State Median Income Limits, 2008

	Number of Persons							
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
30% of AMI	$13,050	$14,900	$16,800	$18,650	$20,150	$21,650	$23,150	$24,600
50% of AMI	$21,750	$24,850	$27,950	$31,050	$33,550	$36,000	$38,500	$41,000
80% of AMI	$34,800	$39,750	$44,750	$49,700	$53,700	$57,650	$61,650	$65,600
State AMI				**$60,900**				

Source: Department of Housing and Urban Development, 2008 Income Limits

Applying this information to the 2008 ACS show that approximately 506,400 households across the state (about 13 percent of the total) earn up to 30 percent of the state's median income. Another 440,000 earn between the 30 percent and 50 percent level. Combined, about one-quarter of the state's households earn below half of the state's median income. Conversely, slightly more than 57 percent earn more than 80 percent of median.

Differences in incomes between owner and renter households are shown in Table 15 on the next page. The pattern is one of higher incomes among owner-occupier households. While about 39 percent of owner households earn below 30 percent of median, nearly 61 percent of renters do. Higher incomes are more concentrated in owner-occupied households.

Table 8: Incomes by Tenure and State Median Income Limits, 2008

Median Income Level	Owner-Occupied Households #	Owner-Occupied Households % of Income Group	Renter-Occupied Households #	Renter-Occupied Households % of Income Group	Total Households #	Total Households % of Total
Below 30%	199,670	39.4%	307,061	60.6%	506,731	13.3%
30% to 50%	254,611	58.1%	183,868	41.9%	438,479	11.5%
50% to 80%	477,547	69.5%	209,959	30.5%	687,506	18.0%
Over 80%	1,892,133	86.9%	285,950	13.1%	2,178,083	57.2%
Total	**2,823,961**	**74.1%**	**986,838**	**25.9%**	**3,810,799**	**100.0%**

Source: U.S. Bureau of the Census, 2008 American Community Survey

Table 16 shows the distribution of income groups among settlement types. Through this lens, Exurban areas seem to be the most affluent in the state, since three-quarters of its owner households and 35 percent of its renters have incomes of at least 80 percent of median; these are the largest among the four settlement types. Conversely, Rural locales have the lowest incomes in general; nearly 20 percent of that area's owners and 56 percent of its renters have incomes below 50 percent of median. Regional Centers also had a larger percentage of extremely-low and very-low income households, at 54 percent.

Table 9: Income by Tenure and Settlement Type, 2008

		Rural		Exurban		Regional Centers		Urban Centers		Grand Total	
Tenure	**Income Group**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Owner-Occupied Households	**Below 30%**	57,102	8.8%	40,069	5.3%	32,735	6.5%	69,764	7.6%	199,670	7.1%
	30% to 50%	74,470	11.5%	49,586	6.6%	47,521	9.5%	83,034	9.0%	254,611	9.0%
	50% to 80%	135,816	20.9%	100,061	13.3%	91,402	18.3%	150,268	16.3%	477,547	16.9%
	Over 80%	382,680	58.9%	561,845	74.8%	328,456	65.7%	619,152	67.1%	1,892,133	67.0%
Renter-Occupied Households	**Below 30%**	59,668	35.7%	48,814	23.2%	49,375	33.9%	149,204	32.2%	307,061	31.1%
	30% to 50%	32,983	19.7%	37,033	17.6%	29,578	20.3%	84,274	18.2%	183,868	18.6%
	50% to 80%	36,625	21.9%	49,924	23.7%	30,156	20.7%	93,254	20.1%	209,959	21.3%
	Over 80%	37,798	22.6%	74,646	35.5%	36,643	25.1%	136,863	29.5%	285,950	29.0%

Source: U.S. Bureau of the Census, 2008 American Community Survey

Table 17 shows the situation among the various major racial and ethnic groups within the state. It shows that lower incomes are more prevalent among minority groups, especially Black non-Hispanic, Multiracial non-Hispanic, Hispanic, and American Indian non-Hispanic. Each of these groups had about 20 percent of their members earning less than 30 percent of AMI. In addition, renters in these ethnic groups fared the worst. Households earning less than 30 percent of median included about 80 percent of Black non-Hispanic renters, one of every three Hispanic renter households, and about one-half of American Indian non-Hispanic renter households.

Table 10: Income by Tenure, Race/Ethnicity and Area Median Income Limits, 2008

Income Group and Tenure	White Non-Hispanic	Black Non-Hispanic	American Indian or Alaskan Native Non-Hispanic	Asian Non-Hispanic	Native Hawaiian Or Pacific Islander Non-Hispanic	Other Race Non-Hispanic	Two or More Races Non-Hispanic	Hispanic	Grand Total
Below 30%	**334,662**	**127,162**	**3,393**	**10,361**	**75**	**312**	**10,167**	**20,599**	**506,731**
Owners	159,945	27,062	1,129	2,219		231	3,123	5,961	199,670
Renters	174,717	100,100	2,264	8,142	75	81	7,044	14,638	307,061
30% to 50%	**330,278**	**72,249**	**2,365**	**8,314**	**436**		**5,897**	**18,940**	**438,479**
Owners	212,980	25,253	1,135	2,680	436		3,086	9,041	254,611
Renters	117,298	46,996	1,230	5,634			2,811	9,899	183,868
50% to 80%	**548,526**	**100,920**	**3,099**	**6,269**	**221**	**873**	**6,002**	**21,596**	**687,506**
Owners	407,726	46,360	1,757	2,940		515	4,551	13,698	477,547
Renters	140,800	54,560	1,342	3,329	221	358	1,451	7,898	209,959
Over 80%	**1,868,399**	**185,880**	**8,242**	**49,093**	**451**	**2,083**	**19,967**	**43,968**	**2,178,083**
Owners	1,670,335	126,019	6,533	34,777	246	1,870	17,617	34,736	1,892,133
Renters	198,064	59,861	1,709	14,316	205	213	2,350	9,232	285,950
Grand Total	**3,081,865**	**486,211**	**17,099**	**74,037**	**1,183**	**3,268**	**42,033**	**105,103**	**3,810,799**

Income Group and Tenure	White Non-Hispanic	Black Non-Hispanic	American Indian or Alaskan Native Non-Hispanic	Asian Non-Hispanic	Native Hawaiian Or Pacific Islander Non-Hispanic	Other Race Non-Hispanic	Two or More Races Non-Hispanic	Hispanic	Grand Total
Below 30%	**10.9%**	**26.2%**	**19.8%**	**14.0%**	**6.3%**	**9.5%**	**24.2%**	**19.6%**	**13.3%**
Owners	5.2%	5.6%	6.6%	3.0%	0.0%	7.1%	7.4%	5.7%	5.2%
Renters	5.7%	20.6%	13.2%	11.0%	6.3%	2.5%	16.8%	13.9%	8.1%
30% to 50%	**10.7%**	**14.9%**	**13.8%**	**11.2%**	**36.9%**	**0.0%**	**14.0%**	**18.0%**	**11.5%**
Owners	6.9%	5.2%	6.6%	3.6%	36.9%	0.0%	7.3%	8.6%	6.7%
Renters	3.8%	9.7%	7.2%	7.6%	0.0%	0.0%	6.7%	9.4%	4.8%
50% to 80%	**17.8%**	**20.8%**	**18.1%**	**8.5%**	**18.7%**	**26.7%**	**14.3%**	**20.5%**	**18.0%**
Owners	13.2%	9.5%	10.3%	4.0%	0.0%	15.8%	10.8%	13.0%	12.5%
Renters	4.6%	11.2%	7.8%	4.5%	18.7%	11.0%	3.5%	7.5%	5.5%
Over 80%	**60.6%**	**38.2%**	**48.2%**	**66.3%**	**38.1%**	**63.7%**	**47.5%**	**41.8%**	**57.2%**
Owners	54.2%	25.9%	38.2%	47.0%	20.8%	57.2%	41.9%	33.0%	49.7%
Renters	6.4%	12.3%	10.0%	19.3%	17.3%	6.5%	5.6%	8.8%	7.5%
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Supply vs. Demand I: Shelter Prices

The interplay between supply and demand factors sets prices in the market. In this analysis, gross rents will be considered the price for rental housing, and house value the price for the for-sale market.

Gross rents in the state have increased slightly since the 2000 Census. In 2008, the state's median was $715. In real terms, this represents an increase of about three percent over the last eight years. During the same period, the national median increased by nine percent.

The table below gives the breakdown of gross rents by settlement type, as well as each type's median gross rent. All of the various place types had modes in the $500 to $749 rent cohort, and the median rent in each varied from $629 (in Rural Michigan) to $754 (in the state's Urban Centers). However, the difference in rents between Exurban and Urban Centers was small (median gross rents of $745 in Exurban locales compared to $754 in Urban Centers).

Table 11: Gross Rent by Settlement Type, 2008

	Rural		Exurban		Regional Centers		Urban Centers		Grand Total	
Gross Rent	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Under $250	12,523	8.2%	4,434	2.2%	6,576	4.8%	19,697	4.4%	43,230	4.6%
$250 to $499	34,341	22.6%	16,476	8.3%	24,272	17.6%	56,557	12.7%	131,646	14.1%
$500 to $749	56,128	36.9%	79,432	40.0%	59,132	42.8%	143,074	32.1%	337,766	36.1%
$750 to $999	32,617	21.4%	54,206	27.3%	29,952	21.7%	116,336	26.1%	233,111	24.9%
$1,000 and Over	16,633	10.9%	44,113	22.2%	18,342	13.3%	109,687	24.6%	188,775	20.2%
Median Gross Rent	**$629**		**$745**		**$661**		**$754**		**$715**	

Source: U.S. Bureau of the Census, 2008 American Community Survey

Housing values in the state have increased little since 2000. In 2008, the median home in the state was worth $150,808, an increase of about four percent (in constant dollars) since the Census. However, if a shorter time frame is used, values have actually decreased—the state's median was 153,100 in 2007. During the last eight years, the national median (again measured in constant dollars) increased by a very strong 32 percent, moving from $149,536 to $197,600.

Home values broken out by settlement type are displayed in Table 19. Exurban areas have the highest home values on average; about 500,000 units are valued at above $150,000; this accounts for about 35 percent of the state's 1.4 million-unit inventory of housing at this price point. Conversely, Rural areas have more affordable housing stock. Approximately 36 percent of homes in rural areas are valued at under $100,000.

Table 12: Value of Owner-Occupied Housing, 2008

	Rural		Exurban		Regional Centers		Urban Centers		Grand Total	
Property Value	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Under $50,000	73,419	11.3%	56,987	7.6%	49,217	9.8%	68,114	7.4%	247,737	8.8%
$50,000 to $74,999	65,300	10.0%	24,200	3.2%	38,833	7.8%	75,781	8.2%	204,114	7.2%
$75,000 to $99,999	92,375	14.2%	46,170	6.1%	62,917	12.6%	114,234	12.4%	315,696	11.2%
$100,000 to $149,999	145,902	22.4%	128,643	17.1%	121,109	24.2%	238,525	25.9%	634,179	22.5%
$150,000 to $199,999	118,283	18.2%	157,029	20.9%	101,203	20.2%	181,923	19.7%	558,438	19.8%
$200,000 to $249,999	57,494	8.8%	116,022	15.4%	51,824	10.4%	90,911	9.9%	316,251	11.2%
$250,000 to $299,999	34,913	5.4%	78,186	10.4%	28,398	5.7%	50,208	5.4%	191,705	6.8%
$300,000 to $399,999	30,405	4.7%	72,519	9.6%	25,668	5.1%	48,467	5.3%	177,059	6.3%
$400,000 to $499,999	11,583	1.8%	32,593	4.3%	7,122	1.4%	19,175	2.1%	70,473	2.5%
$500,000 and Over	20,394	3.1%	39,212	5.2%	13,823	2.8%	34,880	3.8%	108,309	3.8%
Median Value	**$132,192**		**$188,139**		**$140,909**		**$142,548**		**$150,808**	

Source: U.S. Bureau of the Census, 2008 American Community Survey

Supply vs. Demand II: Affordability Trends

Given the fact that in real terms, both renter and owner costs have not grown much over the last eight years, one would expect that affordability would also increase. However, this is not the case, since real incomes have decreased dramatically throughout the state during the same period. The concept of overburden (households paying more than 30% of their income for shelter) is a good measure of affordability, since it takes into account both the cost of a unit as well as the income of its occupant.

Data from the 2008 ACS corroborates this finding. At that time, 49 percent of renters were overburdened in Michigan. This compares with 46 percent in the United States as a whole. In 2000, 35 percent of renters in Michigan and 37 percent in the United States were overburdened.

The largest increases in overburden were witnessed among homeowners with mortgages. In 2008, nearly 36 percent of them in Michigan were overburdened. At the same time, 38 percent nationwide were in this situation. This compares with 22 percent of the total in Michigan in 2000, and 27 percent in the United States that same year.

While overburden among households that owned their homes without mortgages was considerably lower than those with mortgages, it is true that the proportion of them finding themselves overburdened in 2008 increased greatly. In that year, 17 percent were paying over 30% of their incomes for shelter, while the United States figure was 15 percent. This percentage has almost doubled in the state from 2000, when only nine percent were overburdened.

Severe overburden (households paying more than half of their income for shelter) is also an important statistic to investigate, since many researchers consider this level of spending for housing to be a measure of a household's likelihood of slipping into homelessness.

Among all three household groups studied (renters, owners with mortgages and owners without mortgages), the level of severe overburden in 2008 in Michigan is comparable to what was

evidenced nationally. Roughly 27 percent of renters, 13 percent of households with mortgages and seven percent of households without mortgages were in this category. This compares with 23 percent, 16 percent and four percent, respectively, at the national level. In Michigan, the 2008 figures represent a strong increase from 2000, when 17 percent of renters, seven percent of mortgaged households and four percent of households without mortgages were in the same position.

The table below shows, by settlement type, the number and percentage of overburdened households in the state (households for which overburdened status was not computed are not included).

Table 13: Shelter Overburden by Settlement Type, 2008

		Rural		Exurban		Regional Centers		Urban Centers		Grand Total	
Tenure	**Cost Burden**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Owned with Mortgage	**None**	268,020	65.7%	372,444	67.2%	237,542	69.0%	403,228	63.4%	1,281,234	65.9%
	Moderate	89,900	22.0%	116,201	21.0%	67,299	19.6%	136,702	21.5%	410,102	21.1%
	Severe	50,288	12.3%	65,544	11.8%	39,348	11.4%	96,492	15.2%	251,672	13.0%
Owned without Mortgage	**None**	200,064	84.3%	164,164	84.9%	130,804	84.8%	228,655	82.0%	723,687	83.8%
	Moderate	22,186	9.3%	17,674	9.1%	13,839	9.0%	28,539	10.2%	82,238	9.5%
	Severe	15,195	6.4%	11,605	6.0%	9,617	6.2%	21,719	7.8%	58,136	6.7%
Rented	**None**	71,380	47.7%	94,639	48.6%	62,525	45.9%	192,579	44.6%	421,123	46.2%
	Moderate	35,811	23.9%	51,992	26.7%	29,601	21.7%	99,333	23.0%	216,737	23.8%
	Severe	42,449	28.4%	47,924	24.6%	44,141	32.4%	139,763	32.4%	274,277	30.1%

Source: U.S. Bureau of the Census, 2008 American Community Survey

In general, overburden was more common in Urban Centers than in other settlement types. However, levels in both the Urban and Regional Centers among renters were larger than in Exurban and Rural locations. All told, the data suggest that about 580,000 households are in the state are severely overburdened, and therefore at heightened risk for homelessness. About 93,000 live in Regional Centers, 107,000 in Rural areas, 125,000 in Exurban locales and 258,000 in Urban Centers.

When reviewing this information, it is important to keep in mind that the affordability of the state's housing stock has likely declined further since the 2008 American Community Survey. This is due to two trends that continue currently. First, unemployment surged in 2009, further slashing household incomes. Second, in most state markets, the value of housing (both rents and values) either stayed relatively constant or declined, but not at the same pace as household income. Both of these forces caused the gap between income and housing spending to be maintained, and even expanded.

Matching Household Needs to Housing Units

Using data from the 2005-2007 American Community Survey, it is possible to match up affordable housing demand with existing supply. The table below shows vacant rental units priced affordably for various income levels statewide.

Table 14: Affordable Available Rental Units in Michigan, 2005-2007

	Standard Units Affordable at:					% of Standard Units Affordable at:			
Bedrooms	**30% AMI**	**50% AMI**	**80% AMI**	**Not Affordable at 80% AMI**	**Grand Total**	**30% AMI**	**50% AMI**	**80% AMI**	**Not Affordable at 80% AMI**
0 or 1	4,290	20,725	8,235	2,015	35,265	12.2%	58.8%	23.4%	5.7%
2	5,925	27,155	11,440	1,825	46,345	12.8%	58.6%	24.7%	3.9%
3 or more	5,245	9,805	3,970	1,055	20,075	26.1%	48.8%	19.8%	5.3%
Total	**15,460**	**57,685**	**23,645**	**4,895**	**101,685**	**15.2%**	**56.7%**	**23.3%**	**4.8%**

Source: U.S. Bureau of the Census, 2005-2007 American Community Survey

To perform this analysis, a number of assumptions regarding household size and number of bedrooms need to be made. For this purpose, units with 0 or 1 bedroom can appropriately accommodate elderly households. Small related households (2 to 4 persons) need two or more bedrooms. Finally, large related households (more than 4 persons) require units with at least three bedrooms. It is also assumed that the supply of affordable housing stayed relatively constant between 2005-07 and 2008.

Information from Table 22 below compares the number of households of a given type and income level that suffer from a housing problem to the number of rental and for-sale units that are vacant and affordable to them.

Table 15: Households by Tenure, Type and Availability of Housing

		Rental Units				For Sale Units			
Household Type	Income Level	# with Housing Problems	Available and Affordable Units	Surplus or Deficit	% Unserved	# with Housing Problems	Available and Affordable Units	Surplus or Deficit	% Unserved
Senior	0% to 30%	35,401	4,290	-31,111	87.9%				
	30% to 50%	30,789	20,725	-10,064	32.7%	65,105	1,470	-63,635	97.7%
	50% to 80%	17,562	8,235	-9,327	53.1%	50,557	1,300	-49,257	97.4%
Small Related	0% to 30%	91,486	5,925	-85,561	93.5%				
	30% to 50%	55,935	27,155	-28,780	51.5%	70,893	11,935	-58,958	83.2%
	50% to 80%	34,008	11,440	-22,568	66.4%	114,145	6,000	-108,145	94.7%
Large Related	0% to 30%	23,590	5,245	-18,345	77.8%				
	30% to 50%	13,385	9,805	-3,580	26.7%	17,670	18,920	1,250	Surplus
	50% to 80%	9,299	3,970	-5,329	57.3%	27,477	14,610	-12,867	46.8%

Source: U.S. Bureau of the Census, 2005-2007 American Community Survey, 2008 American Community Survey

The data show that the largest deficits of affordable vacancies available occur within the for-sale market, especially for seniors and small related households. In addition, rental units affordable at the 30 percent median level are in short supply; the combined deficit at that income is approximately 134,000 units. The only surplus of housing is the large related owner cohort; it has about 1,300 more units than were needed by households with housing problems.

It is important to reiterate the fact that by 2008, affordability of housing units has decreased, due to declining incomes, increased unemployment levels and tighter credit restrictions (including more rigorous underwriting of home loans.

Future Housing Trends

Over the next five years, little in the way of major change in the state's housing markets is expected. Household counts should be relatively stable or decline by a small number, as population continues to move out due to economic conditions and little in the way of in-migration is expected. As household change and other factors related to housing demand are closely related to economic trends, real changes in the trajectory of the housing market depend on positive economic conditions to return to the state. This is forecast to take a number of years.

One aspect of housing development not overly dependent upon economic performance is life-cycle changes. As households age, their housing needs change. New population projections from the U.S. Census Bureau are expected after 2010, but using Census 2000 figures, the elderly portion of the population is expected to increase by about 70 percent through 2030, according to the U.S. Census Bureau. At the same time, the overall population of the state should grow by about seven percent. About 10.7 million residents are expected to live in Michigan by 2030.

The supply of housing should also remain stable for the short to medium term, bearing out the trend apparent over the last few years in the state. Affordable housing, however, should remain in relative short supply due to expiring Section 8 contracts, pre-payments, problems in the syndication of Low Income Housing Tax Credits (LIHTCs) and other factors. Finally, as more HAP contracts are renewed using yearly appropriations (rather than longer-term agreements), the supply of project-based subsidized units may not be as stable as it once was.

Assisted Housing Inventory

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

http://www.mshda.info/housing_locator/

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	346	200	546
Bessemer	90	0	90
Iron Mountain	102	0	102
Albion	220	0	220
Wakefield	30	0	30
Bronson	51	0	51
Ironwood	148	0	148
Baraga	50	25	75
Reed City	102	90	192
Greenville	89	107	196
Belding	140	0	140
Cheboygan	38	120	158
Muskegon Heights	346	50	396
Benton Twp.	300	75	375
Battle Creek	392	590	982
Sault Ste Marie	264	50	314
Jackson	544	475	1,019
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	30	0	30
Coldwater	100	0	100
Calumet	98	0	98
Lansing	935	1,700	2,635
Cadillac	125	25	150
Saint Louis	80	155	235
Hancock	104	40	144
Muskegon	166	164	330
Negaunee	80	0	80
Sturgis	71	0	71
Marquette	257	50	307
Stambaugh	38	0	38
Grand Rapids	422	2,830	3,252
Mount Pleasant	123	50	173
Niles	180	0	180
Gladstone	102	0	102
Manistee	218	0	218
Traverse City	138	198	336
South Haven	122	0	122
Escanaba	175	0	175
Boyne City	80	60	140
Menoninee	142	61	203
Paw Paw	81	0	81
Iron River	70	0	70
Kingsford	69	0	69
Rockford	52	90	142
Munising	74	25	99
Ishpeming	127	0	127

Hillsdale	60	0	60
Lake Linden	65	0	65
Authority	Low Rent Units	Section 8 Units	Total Units
Houghton	70	0	70
L'ANSE	34	0	34
Evart	109	25	134
Wyoming	196	1,122	1,318
Elk Rapids	20	0	20
Ionia	111	20	131
East Jordan	28	0	28
Iron County	123	169	292
Dowagiac	86	115	201
Alma	87	128	215
Saranac	89	0	89
Luce County	0	110	110
Mackinaw County	48	0	48
Potterville	24	25	49
Ingham County	939	100	193
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
Eaton County	0	75	75
Kent County	0	330	330
Detroit	4,261	5,976	10,237
Dearborn	333	96	429
Hamtramck	450	0	450
Pontiac	452	770	1,222
Saginaw	656	1,197	1,853
Ecorse	200	0	200
River Rouge	300	249	549
Flint	1,248	963	2,211
Monroe	293	0	293
South Lyon	16	0	16
Alpena	195	0	195
Bay City	562	0	562
Ypsilanti	198	216	414
Inkster	817	751	1,568
Mount Clemens	292	0	292
Wayne	76	0	76
Royal Oak Twp.	128	0	128
Roseville	103	309	412
Port Huron	444	578	1,022
Clinton Twp.	100	23	123
Eastpointe	164	171	335
Plymouth	108	1,489	1,597
Melvindale	199	134	333

Authority	Low Rent Units	Section 8 Units	Total Units
Lincoln Park	120	328	448
St. Clair	62	30	92
Allen Park	62	0	62
Livonia	177	909	1,086
St. Clair Shores	251	90	341
Ann Arbor	360	1,333	1,693
Romulus	100	0	100
Rogers City	39	0	39
Rockwood	51	0	51
Taylor	111	978	1,089
Gladwin City	70	0	70
Ferndale	168	584	752
Southfield	0	334	334
Luna Pier	103	0	103
Lapeer	60	122	182
East Tawas	41	0	41
Highland Park	198	0	198
Algonac	70	0	70
Westland	0	1,090	1,090
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	24,442	24,442
TOTALS	24,996	54,266	78,416

Data from HUD HA Profiles at https://pic.hud.gov/pic/haprofiles/haprofilelist.asp 9-9-2009

D. Barriers to Affordable Housing

1. Relevant Public Policies

In the late 1980's, both the Michigan Senate and the House of Representatives released studies[1], 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.

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[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.

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 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. Michigan land Banks, incorporated under Michigan's 2004 Land Bank legislation, have the authority to transfer certain tax reverted properties to non-profit organizations or local units of government 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.