



# Creating More Affordable Housing

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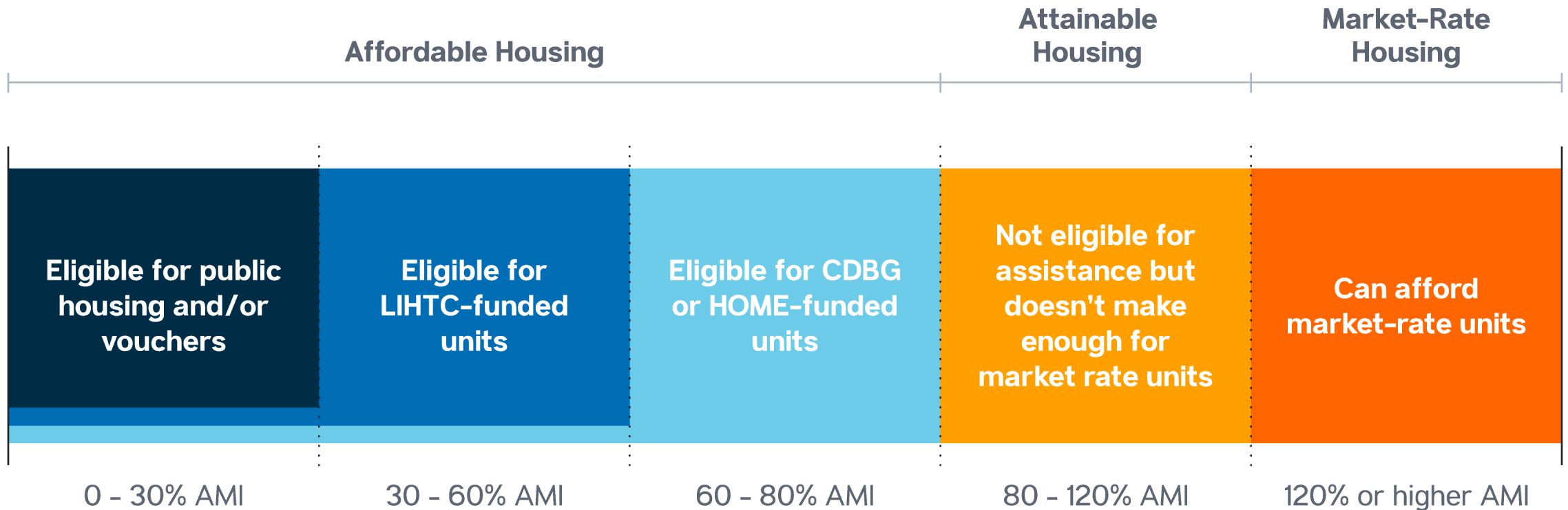
# Today's Agenda

- Specific **zoning and planning considerations** to allow for increased housing production (*SmithGroup*)
- Tools being used through **partnerships with land banks** to build more housing

## Goal

**Increase housing supply for your workforce to help drive your local economy.**

# AFFORDABLE HOUSING vs. ATTAINABLE HOUSING vs. MARKET-RATE HOUSING



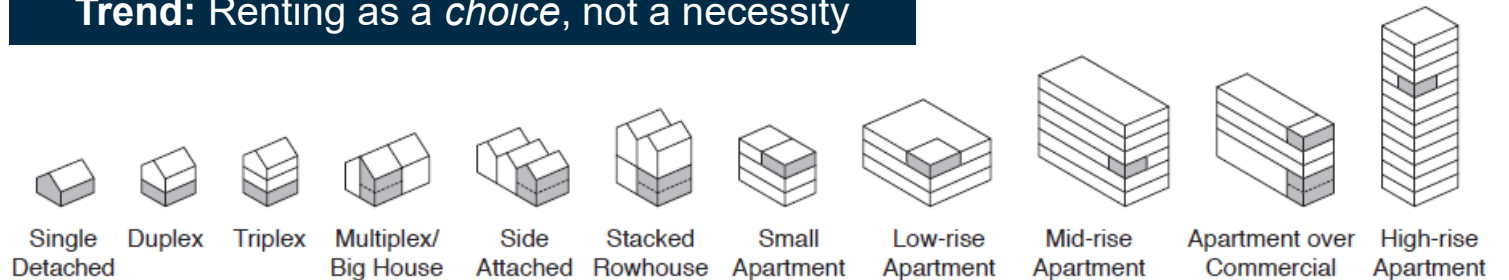
AMI = Area Median Income which is reset by HUD each year according to inflation and cost of living increases.

# Housing for Changing Demographics

## AGING-IN-PLACE, MILLENNIALS, SINGLES OF ALL AGES

- Plan for housing types to support a variety of age groups and family types
- As residents age, can their family home still meet their physical needs?
- Can young adults who grew up in your county afford to buy a house there today?
- Can the community provide lifelong living options?
- Can attached housing types be integrated into neighborhoods?

**Trend: Renting as a *choice*, not a necessity**



# What Can We Do to Fix It?

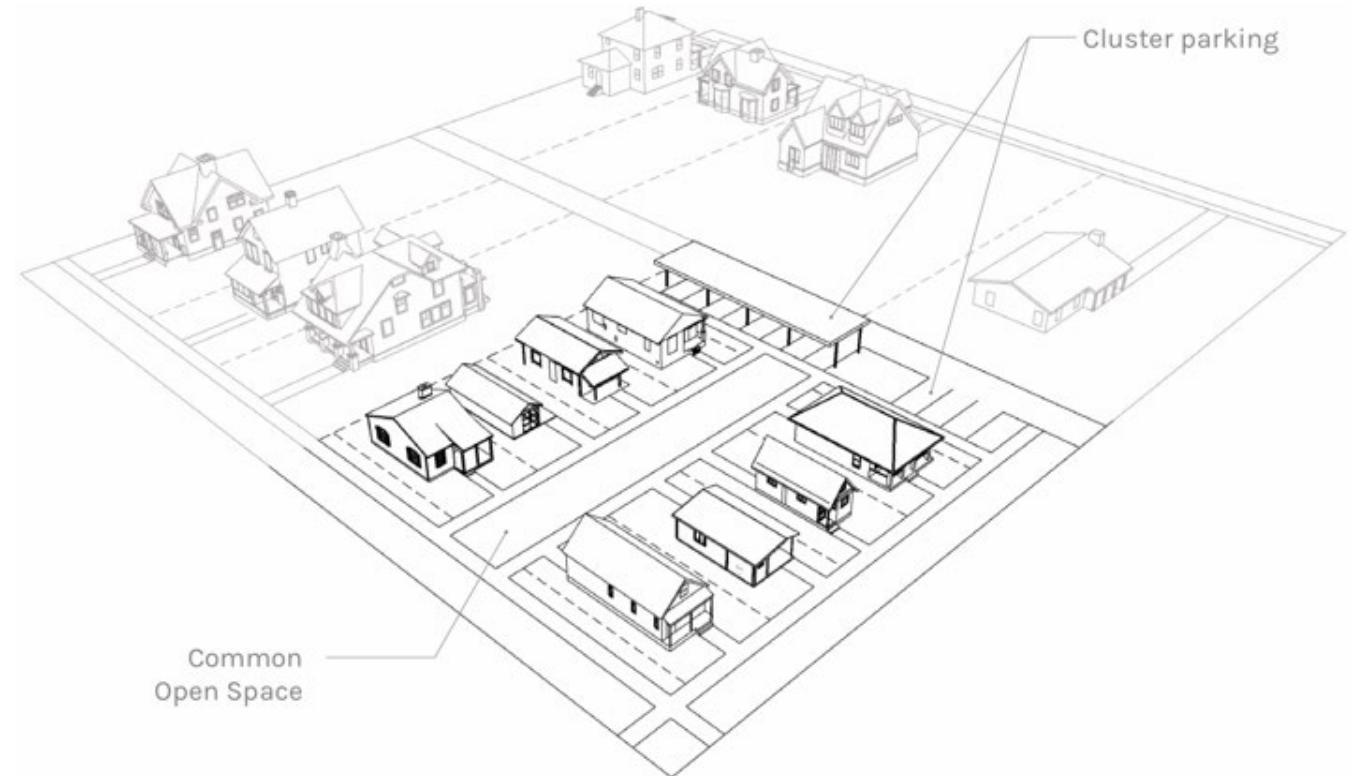
## Municipal side:

- Incentives to encourage production of additional units
- Simplify development approval process
- Allow greater density
- Zoning changes to permit more housing types by **eliminating:**
  - Min. lot sizes
  - Min. parking requirements
  - Min. dwelling unit sizes
  - Max. lot coverage
  - Max. height



# Small Lot Single-Family – “Cottage” Style Bungalows

- Appeals to empty nesters, young families, and singles
- More affordable; maintain detached house at ‘smaller’ scale



# Acts and Exemptions

## Land Bank Fast Track Act

- Act 258 of 2003

## Tax Reverted Clean Title Act

- Act 260 of 2003
- 5/50 Act
- Exemptions

## The General Property Tax Act

- Act 206 of 1893: 211.7gg
- Tax exemptions for land banks



# Statutes Collaborating for Redevelopment

## Land Bank Act (PA 258 – 2003)

- Authorizes counties to establish land banks
- Prescribes LB powers to operate, own, manage/maintain and improve

## Brownfield Act (PA 381 – 1996)

- Authorizes counties to establish brownfield authorities
- Prescribes BRA powers to operate, own and finance

Legislative history clearly demonstrates intent to link these statutory powers to broaden and promote economic development.

## Key Detail

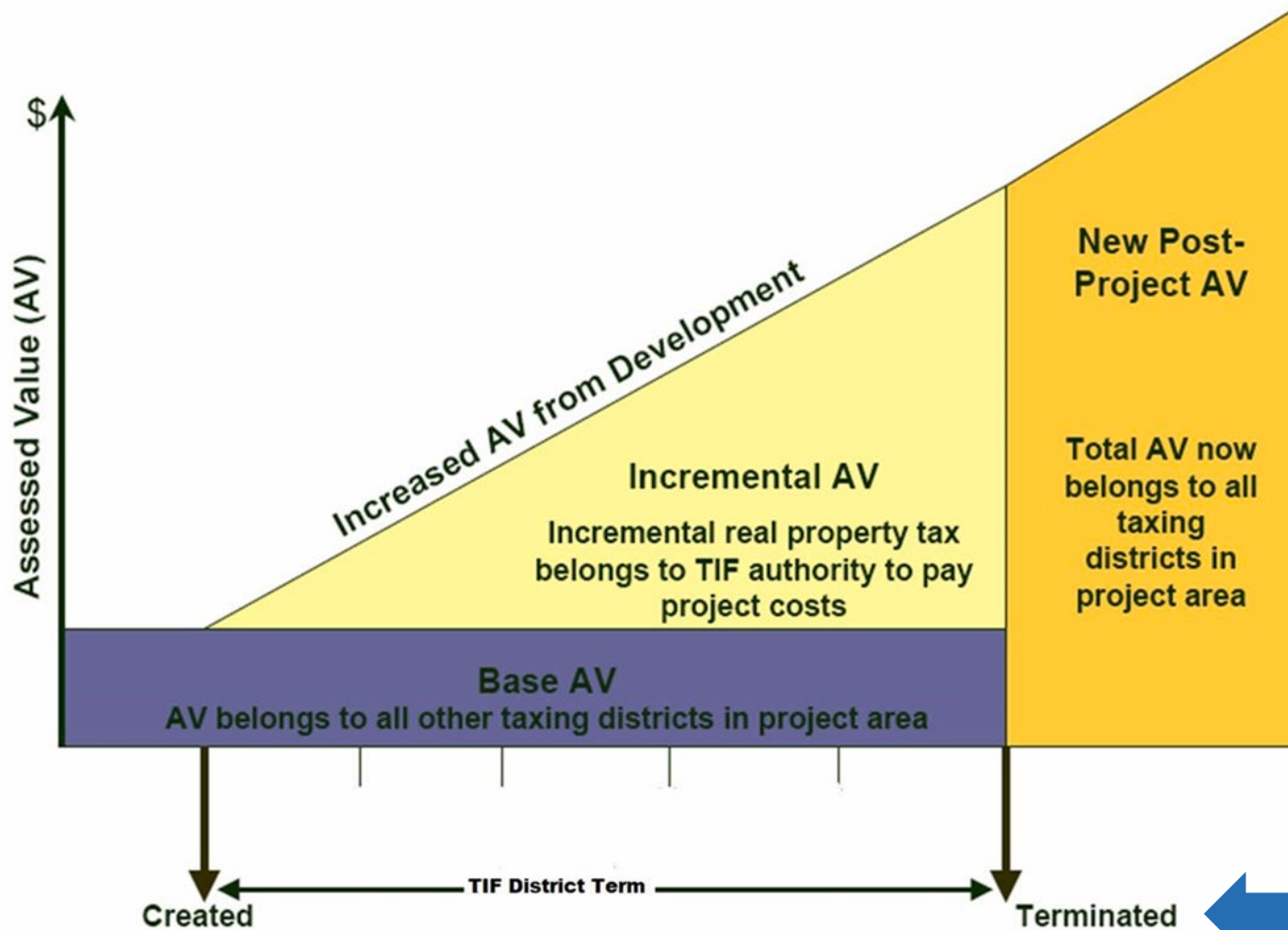
**Michigan's Brownfield Redevelopment Financing Act (Act 381 of 1996) says that properties that are owned/controlled by a land bank automatically qualify to utilize tax increment financing (TIF)**



# Act 381 “Parcel-based” Tax Increment Details

(Different From Act 57 “District-based” TIF)

Current taxable amount continues to go to taxing district (partial capture of new taxes is an option)



Returns properties to the tax rolls at end-of-term

“New” taxes captured only until TIF Bridge Loan is paid off (limited term)



## Problem

**Michigan needs more housing attainable for “workforce” households 80- 120% AMI so our schools and local businesses can operate and expand.**

- Housing developers need a tool to bridge the gap between construction costs and sales value that is available right now that can be used for households between 80-120%
- Communities have limited or no capacity – especially out-region/state.
- **Concerns of Overuse or Hurting Schools:** Brownfield Redevelopment Authorities are enabled to make local decisions and no school tax capture to be encouraged now..... Plus properties already in Land Bank inventory currently provide \$0 to locals/schools at present, and without offset they will **(a)** never provide any revenue, and **(b)** negatively impact current/future tax revenues from adjacent properties.

# Why is Act 381 TIF A Good Solution For Workforce Housing Development?

**Scalable:** While community land trusts and inclusionary zoning requirements offer some solution, they are unable to produce enough units to meet demand.

**Tangible public benefit:** Land Bank or Local Government should be a development partner to ensure the financial benefit goes to the low-to-moderate income households achieving decent, safe, housing at affordable prices

- **Homeownership:** allows for purchase prices at variable levels based on targeted audience
- **Rental:** allows for long-term equity ownership to ensure benefits like permanent affordable set-aside % of multi-family projects and permanent tax-paying without appeal

# Land Banks & Brownfield- Eligible Activities

## **ALL Eligible Properties:**

- Environmental Assessment/Due Care
- Relocation of Public Buildings/Operations
- Environmental Insurance
- Plan Preparation
- Plan Implementation
- Demolition
- Lead/Asbestos/Mold Abatement
- Reimbursement of Principal & Interest

# What Does This Mean For A Project Involving Your County Land Bank Or The SLBA?

- Land Bank properties may undertake **ALL** eligible Act 381 activities
- Land Bank properties are, by definition, Act 381-eligible properties
- Land Bank-sponsored Act 381 projects may include adjacent and contiguous parcels

Typical Land Bank actions necessary for successful property recycling are eligible for reimbursement from Act 381 tax increment capture:

- Phase I/II ESAs
- Blight removal/demolition
- Site preparation
- Acquisition
- Title clearance/QTA
- Selling/Conveyance

“Assistance in selling or otherwise conveying property owned or under control of a land bank...”

**Cost of Unit Construction**  
**\$190,000**

**Qualified Purchaser – 1st Mortgage**  
**\$150,000**

**Unfunded Gap**  
**\$40,000**

To sell the unit, a concession of value (subsidy) is required.

The Concession is “assistance in selling” and therefore an eligible expense for reimbursement by the TIF bridge loan.

## Principal amount to be reimbursed **40,000**

		Annual			
YEAR	RATE	PMT	INT	PRIN	BALANCE
Payment					40,000
2020	3.00%	4,007	1,200	2,807	37,193
2021	3.00%	3,550	1,116	2,434	34,759
2022	3.00%	3,603	1,043	2,560	32,199
2023	3.00%	3,657	966	2,691	29,508
2024	3.00%	3,712	885	2,827	26,681
2025	3.00%	2,768	800	1,967	24,714
2026	3.00%	2,824	741	2,083	22,632
2027	3.00%	2,881	679	2,202	20,429
2028	3.00%	2,940	613	2,327	18,102
2029	3.00%	2,999	543	2,456	15,647
2030	3.00%	3,059	469	2,589	13,057
2031	3.00%	3,120	392	2,728	10,329
2032	3.00%	3,181	310	2,872	7,458
2033	3.00%	3,244	224	3,020	4,437
2034	3.00%	3,308	133	3,175	1,263
2035	3.00%	3,372	38	3,335	-2,072

Identify Community Needs



Conversations with political leaders, housing developers, realtors, other stakeholders



Develop an initial budget and brownfield plan table

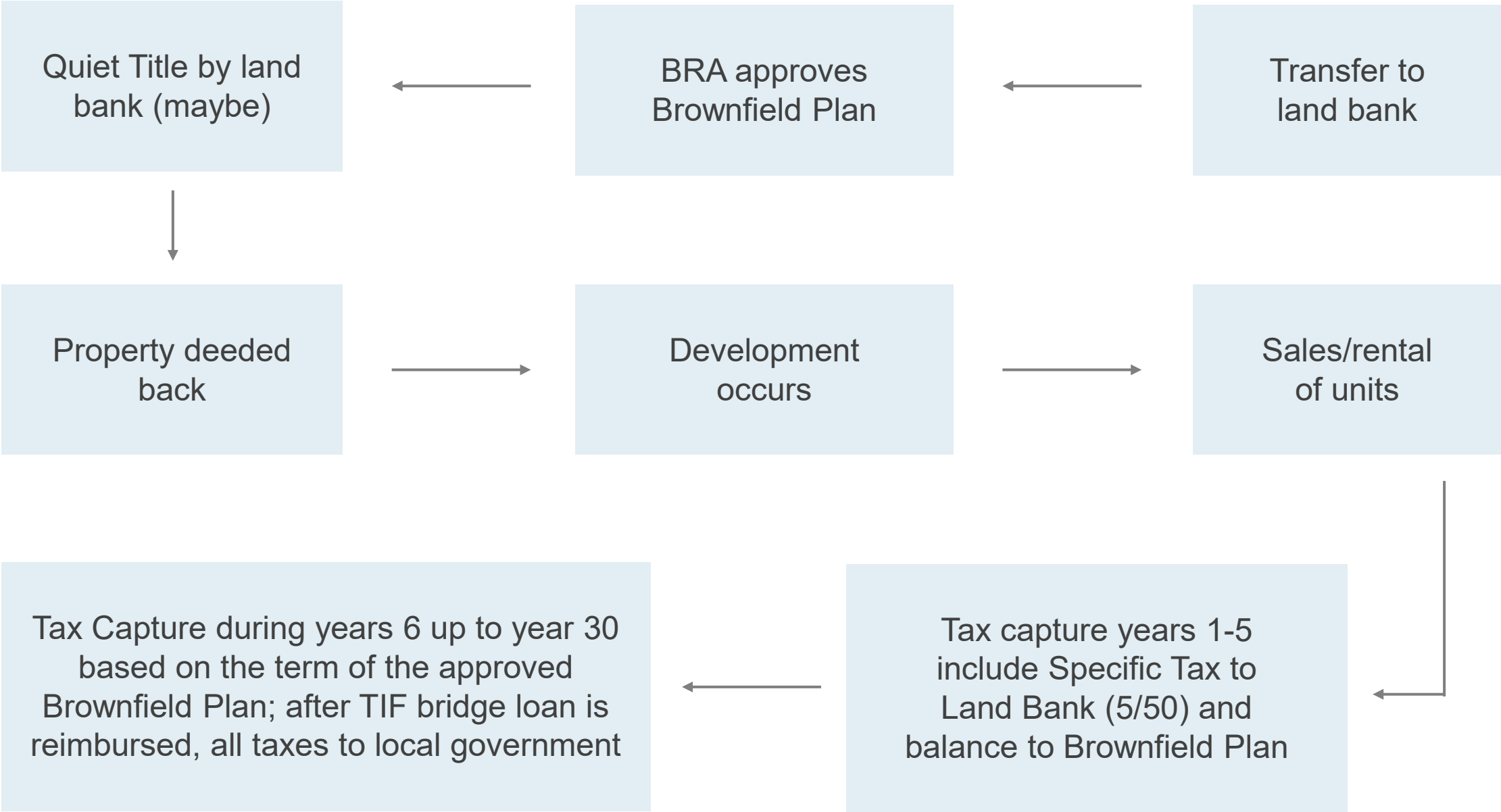


Look at specifics: location, infrastructure, costs, Brownfield Redevelopment Authority (BRA), local buy in, land bank partner – county or state (if no county)

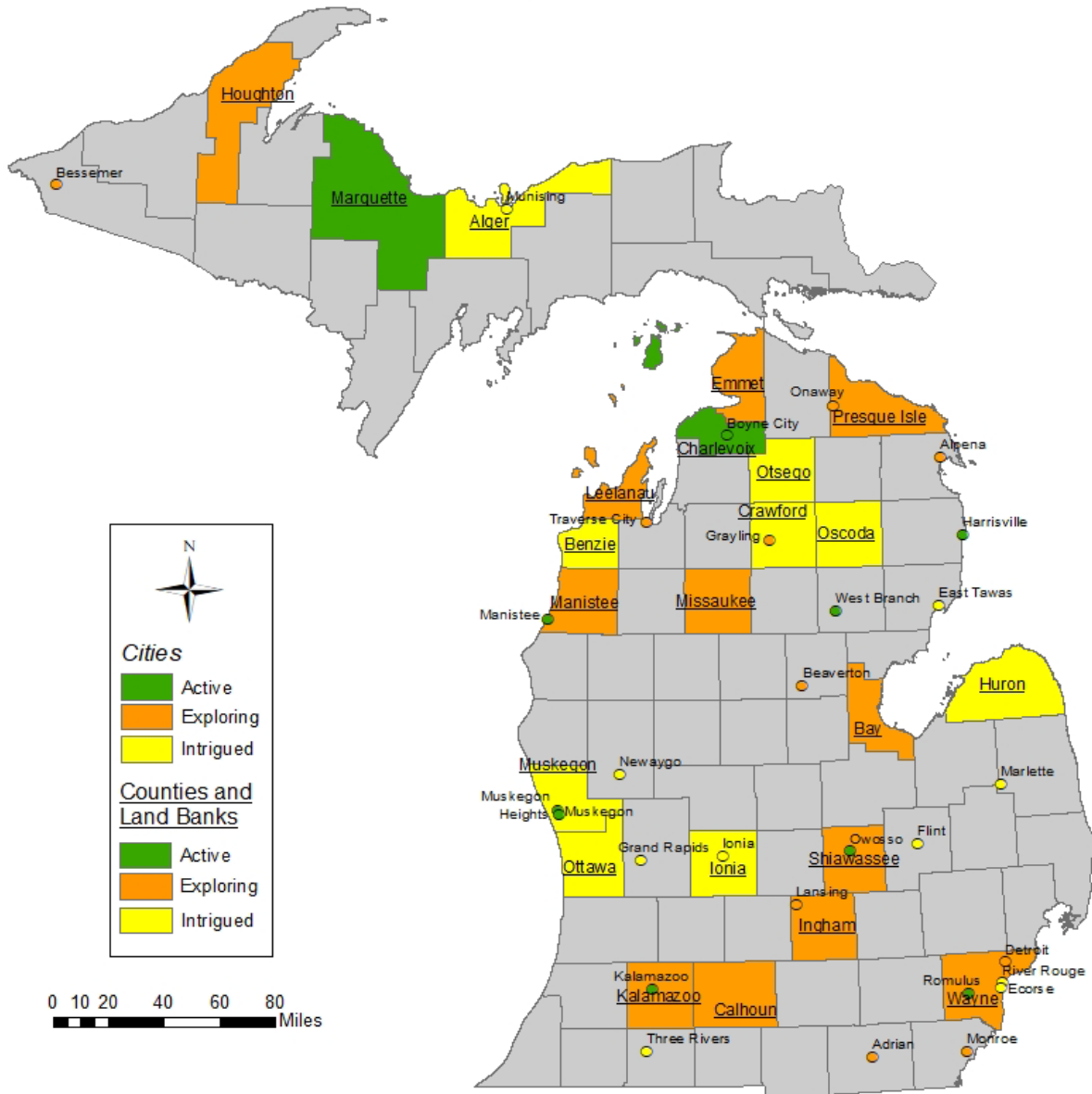


Discuss land sale/transfer and holding property details; at what point does the land bank deed property back; eligible activities by land bank while holding in escrow









### Active

- |                      |              |                  |
|----------------------|--------------|------------------|
| Boyer City           | Manistee     | Muskegon Heights |
| Charlevoix County LB | Marquette    | Owosso           |
| Harrisville          | Marquette LB | Romulus          |
| Kalamazoo (city)     | Muskegon     | West Branch      |

### Exploring

- |                  |                  |                    |
|------------------|------------------|--------------------|
| Adrian           | Grayling         | Ionia              |
| Alpena           | Ingham County LB | Manistee County    |
| Bay City         | Kalamazoo County | Detroit LB         |
| Beaverton        | Lansing          | Presque Ile LB     |
| Bessemer         | Leelanau County  | Houghton County LB |
| Calhoun County   | Monroe           | Onaway             |
| Cheboygan County | Traverse City    | Shiawassee County  |
| Emmet County     | Wayne County LB  |                    |

### Intrigued

- |                 |                 |                    |
|-----------------|-----------------|--------------------|
| Alger County LB | Oscoda Township | Oscoda County      |
| Ecorse          | Otsego County   | East Tawas         |
| Huron County LB | River Rouge     | Muskegon County LB |
| Ionia           | Three Rivers    | Ottawa County      |
| Mancelona       | Ionia County LB | Grand Rapids       |
| Marlette        | Flint           | Benzie County LB   |
| Munising        | Newaygo         | Crawford County    |



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**City of Newaygo BRA**  
Newaygo County (no county land bank)  
City North River Hills LLC & Sable Homes

## 2

# Former Sand & Gravel Mine

159 acres in Commerce Twp, Oakland County

- No township BRA so County BRA is working with them
- Proposal from housing developer is 203 single family homes
- Requires water & sewer (part of the township's Master Plan), utilities, roads – significant infrastructure costs that would drive housing costs to unattainable levels so those site prep / infrastructure costs are TIF-eligible
- In discussion on adding “assistance for sale” eligible activity for lower income



# Additional Resources

- **Land Holder** (parcels via tax foreclosure or direct transfer into escrow)
- **Housing Pre-Development Investment Program**
  - Rolling out October 2021 as a pilot program

[Michigan.gov/LandBank](https://Michigan.gov/LandBank)

## Housing Development Loan Program

- Available to local units of government, land banks, other public organizations
- To develop residential property
- Short-term loan
- Paid lump sum at time of property sale
- 5% simple interest (3% if SLBA receives 5/50 payments)
- No Fees