

August 27, 2020

Dear Governor and Legislative Leaders—

Michigan has a growing housing crisis and we, the undersigned organizations representing both non-profit and for-profit housing organizations, as well as economic developers, community leaders and others ask that you come together to develop a comprehensive and bi-partisan strategy that will help us more effectively deal with the housing availability and affordability challenges emerging across our state.

Our state's housing development problems are complex and, given the ramifications from the housing downturn more than a decade ago and the pandemic challenges posed right now, there are fewer builders, contractors, workers, parcels, operators and capital in today's marketplace. There is also a disproportionate rate of homeownership by race and income levels across our state, making home appreciation/equity and greater wealth generation out of reach for an increasing number of Michiganders.

To briefly summarize:

- Annual production of single-household homes has been dramatically below historic averages for more than a decade in our state. Further, those homes that are being built now have generally been at the high-end of the market. A recent study by our state housing agency showed that the median price of a newly constructed home in our state last year climbed to \$331,000. And, in some communities, those median price points are now approaching a half-million dollars or more. With little to no entry-level homes being built, lack of supply has sent existing home values soaring, making it difficult for first time home buyers and others to find homes.
- In multi-family housing, market analyses over the last decade (including those sponsored by MSHDA) finds steadily growing demand for rental and ownership in smaller-scale “missing middle” buildings ranging in size from 4 to 20 units. These buildings fit and compliment the economic and social needs of households in community neighborhoods because their walkability access can reduce housing and transportation costs – and hence increase affordability. Some key regulatory changes already underway in other states – e.g., missing middle housing returning to its historic by-right allowance in neighborhoods and having equal-footing in housing funding programs – have seen significant, positive impact but to-date have not been implemented here.

The net effect from these trends has limited households, homes, and units from a natural range and balance of choice and instead created more price pressure throughout the entire housing spectrum, meaning lower-income individuals and families have correspondingly seen increased rental costs. All of this has pushed workers further and further away from their places of employment in search of more affordable housing—exacerbating road congestion, increasing road maintenance costs and carbon emissions among other things. In more and more communities we are also seeing a lack of housing options impact economic growth and job opportunities for our state’s citizens.

There is no, one, simple policy solution to help address this crisis. However, our diverse group has identified critical needs/opportunities and implores you to consider a focused housing initiative, with enacting reforms to include but not limited to the following areas:

1. State Assistance (particularly discretionary programs for economic development, housing, etc.) should only go to communities that have encouraged housing development at price-points average Michiganders can afford. The State should look at density restrictions and other local community policies in determining whether a community is discouraging entry-level housing investment in making such determinations;
2. Create a “housing-investment-ready” community benchmarking program, similar to other states, to identify and spotlight best practices (things like expedited reviews, fee reductions or waivers, by-right zoning, and innovative partnership solutions should be encouraged);
3. Identify traditional economic development tools that could be modified (either legislatively or through MEDC action) to utilize in attracting needed housing investment, including but not limited to amendments to our Tax Increment Financing (TIF) statute;
4. Direct MSHDA to make “missing-middle” and “entry-level” housing an agency priority, including direction to make it a low-cost financing arm for these type of housing developments, including but not limited to projects that utilize tax increment financing;
5. Establish protocol by and between MEDC and MSHDA so that housing incentive options are included with business attraction/retention offers to address the “where are my employees going to live” dilemma;
6. Recognize and direct the multiple State development-focused agencies – MSHDA, MEDC, Land Bank, MDOT, MDARD – to organize in support for this initiative, to be undertaken in partnership with the signatories to this letter;
7. Create a tax credit and/or enhance loan and grant programs to encourage home repairs to help keep people in their homes and maintain current housing stock;

8. Expand the entry-level housing point to increase the number of potential home owners who are eligible for down payment assistance and financial education;
9. End the practice of using the cost of construction to determine permit fees across the state. This practice artificially inflates the cost of construction and renovation (and thus housing). It also pushes unscrupulous contractors to try and bypass permitting processes;
10. Require or incentivize road commissions and fire marshals to expedite any necessary review of housing development plans;
11. Discourage local communities from adopting any ordinance that prohibits building techniques or products that are allowed under the state's residential building code;
12. Recognize the design-range and affordability inherent in modular housing, and direct the DTMB to establish a fast-track plan review process and State-approved plan website so that access is enabled for developers, builders, and citizens to realize the time and cost-savings;
13. Restore the full authority of the State Construction Code Commission—so builders and local inspectors can get clearer direction on code interpretations and other disputes. In the past local inspectors and builders could get opinions/guidance with a quick phone call to the State. Now the State essentially requires a builder to file suit if he/she disagrees with a local interpretation, adding delays and costs to the housing development and construction process;
14. Re-establish a code promulgation system that uses building experts to help determine what ought to go into Michigan's Residential Code—this system was eliminated by the Snyder Administration as part of a larger regulatory reform effort. Without this system we may not be able to customize model codes to what is appropriate for our state, resulting in increased housing costs; and
15. Given the fact that it can take years to gain approvals for new developments which, in turn raises the cost of the homes in those developments, remove the non-homestead tax rate (for a defined period of time to prevent tax avoidance schemes) on development properties. This would mirror the current tax treatment of inventory/spec homes.

We appreciate your consideration of our request and stand ready to work with you on these and/or any other ideas you believe will positively impact and advance one of the most critical needs of people and families in our state – safe and decent housing for all.

Sincerely,

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