For The Sake of Housing

Michigan's policy approaches to affordable housing

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Executive Summary

Finding and maintaining affordable housing in Michigan is a real struggle. Per the National Low Income Housing Coalition, in Michigan, there are 35 affordable and available rental homes per every 100 extremely low-income rental households.[1] The Coalition describes an extremely low-income household as one whose income is 30% of the area median income.[1] Of these households, 73% are severely cost-burdened, meaning that they spend more than half of their income on housing costs/utilities.[1] When so much of a family's income is relegated to housing costs, sacrifices often need to be made in other areas such as healthcare, childcare, and food/nutrition.

One policy mechanism that Michigan has in place to assist with a lack of affordable housing is the Michigan Housing Community Development Fund (MHCDF), which is a housing trust fund. Created in 2004, the intention of MHCDF was that it would receive yearly funding, which would support efforts to "leverage public and private resources" in order to help low-income households with affordable housing needs.[2] Until recently, the MHCDF has received scant funding over its history.[3] To illustrate Michigan's underutilization of the MHCDF, I take a look at the state of Ohio's usage of their housing trust fund, noting the stark contrast between the two states. Though Michigan has employed the use of other policies related to affordable housing, some notably in response to the pandemic, the MHCDF is unique in that it is designed to serve as a more constant effort to combat a continuous problem.

[1] "The Gap: A Shortage of Affordable Rental Homes." *National Low Income Housing Coalition*, Mar. 2021

[2] "Michigan's Housing and Community Development Fund." *SOM - State of Michigan*, https://www.michigan.gov/mshda/about/transparency-and-reports/transparency/plans/michigans-housing-and-community-development-fund

[3] "How Gov. Whitmer's $100 Million MHCDF Funding Proposal Could Expand Affordable Housing and Shape Michigan's Economy." *CEDAM*, 27 July 2021,

A Difficult Situation

Housing is just one aspect of the various problems facing low-income Michiganders. Wages are closely tied to an individual or family's housing outlook. The National Low Income Housing Coalition's "Out of Reach" report helps to enumerate this connection.[1] According to the report, the "fair market rent" cost for a Michigan "two-bedroom apartment is $964."[1] For a family to afford this cost "without spending over 30% of their income on housing," they would have to be making about $3,215 per month.[1] For a standard work schedule, this works out to a family needing to earn about "$18.55 per hour."[1] This is problematic in that the current minimum wage in Michigan is only $9.65, and wages have been very static.[4] Additionally, housing challenges are compounded by increases in the cost of housing throughout Michigan.[5] The Citizens Research Council also reports that "household expenses" have risen "by 27% for a family of four between 2010 and 2017."[4] Compounded by the COVID-19 crises, low-income and middle-income families often do not have the resources to take on the burdens associated with high housing costs and a lack of housing options.

Housing-related Policies

In my research, I took a look at existing housing policies in Michigan. While this is not an exhaustive list, I found it beneficial to differentiate the policies between long-term ones, and more temporary/reactionary ones.

Long-Term Policies

Section 8/housing choice vouchers

Low-Income housing tax credits

HUD Veterans Administration Supportive Housing Vouchers

Temporary Policies

Hardest hit fund

COVID emergency response

MI homeowner assistance fund

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[4] Citizens Research Council of Michigan. "Overcoming Barriers for Underemployed: Opportunities for Michigan to Grow, Leverage Its Labor Force." *Crcmich.org*, Jan. 2020, https://crcmich.org/wp content/uploads/rpt408_Overcoming_Barriers_for_Underemployed_2020.pdf

[5] "The Alice Project." *Michigan Association of United Ways*, 2021, https://www.uwmich.org/alice.

Section 8 housing choice vouchers are funded by "the federal government and managed by public housing authorities."[6] The main function of the various public housing authorities is to ensure that "housing is safe, decent, and affordable."[6] With this program, individuals will pay roughly "30%-40%" of their "monthly household income for rent in privately-owned housing while the government pays the rest."[6]

Low Income Housing Tax Credits or LIHTC, are "dollar-for-dollar tax incentives" given to developers that partake in "low-income housing programs."[7]

HUD VASH vouchers, which stands for Veterans Administration Supportive Housing vouchers, are vouchers that are dedicated to veterans who are experiencing homelessness.[8] These vouchers incorporate "rental assistance," and "case management and clinical services" provided by the VA.[8]

Hardest Hit Fund was created by MHA to "help MI homeowners to stay in their homes."[8] The fund offered an "up to $30,000 interest-free loan" to help residents with "mortgage, property taxes, and/or condominium association fees."[8] The loans were "forgivable at 20%" per year, provided that the home continues to be the "homeowner's primary residence."[8] The Hardest Hit program ended at the close of 2021.

COVID Emergency Rental Assistance: Michigan obtained "$715 million in emergency rental and utility assistance from federal government" during 2021.[9] About "138,000 people have gotten an average of $4,366 since the program" took off in March 2021.[9] This help was "administered at the county level."[9]

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[6] "Voucher Program Rules." *DB101 Michigan - Housing: Voucher Program Rules*, https://mi.db101.org/mi/programs/income_support/housing/program2a.htm.

[7] Lewis, Olivia. "The High Cost of Affordable Housing in Detroit." *Bridge Detroit*, 1 Sept. 2021, https://www.bridgedetroit.com/the-high-cost-of-affordable-housing-in-detroit/.

[8] "Mshda Program Definitions." *SOM - State of Michigan*, https://www.michigan.gov/mshda/about/impact/mshda-program-definitions.

[9] White, Rose. "Pandemic Aid Buoyed Millions of Michiganders for Two Years. What's Left?" *Mlive*, 20 Mar. 2022, https://www.mlive.com/public-interest/2022/03/pandemic-aid-buoyed-millions-of-michiganders-for-two-years-whats-left.html.

Michigan Homeowner Assistance Fund provides "grants of up to $25,000 to homeowners who are behind on mortgage or utility payments."[10] This took off in February of 2022, and there is $242 million in federal money "available for applicants."[10] Funds are administered by MSHDA, and households "must have an income less than 150% of the area median income."[10]

MHCDF

The Michigan Housing Community Development Fund is an additional policy tool that does not fit neatly into either the long-term category or temporary category. This is due to the fact that up until this year, the MHCDF has received very little funding.[2] To put the funding into perspective, Ohio spends more in its housing trust fund in one year than Michigan has in the history of the fund.[11]

MHCDF funding since its inception:

$8 million

Ohio Housing Trust Fund[11]

FY 20-21:

$17 million secured for home-building & repairs.

$25 million allocated for homeless & supportive services.

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[10] White, Rose. "Michigan Offering $25K Grants to Homeowners behind on Mortgage, Utility Payments." *Mlive*, 15 Feb. 2022, https://www.mlive.com/public-interest/2022/02/michigan-offering-25k-grants-to-homeowners-behind-on-mortgage-utility-payments.html.

[11] "Ohio Housing Trust Fund." *The Ohio Housing Finance Agency (OHFA),* https://ohiohome.org/.

MHCDF

In March of 2022, the Michigan legislature approved a $4.8 billion dollar infrastructure plan, which includes $50 million in funding for the MHCDF.[12] Hopefully, this recent funding will inspire a more consistent effort to utilize the MHCDF on a regular basis. Funding of the MHCDF could have significant positive implications for residents of MI. In the first instance of funding to the MHCDF in 2008, initiatives that were funded ended up "serving 130 low-income households and prevented homelessness for 78 households in rural and urban areas."[13]

The Problem Will Only Continue to Grow

A lack of affordable housing will be compounded by the following factors:

An aging population – By 2025, people "65 and over" within the state "will outnumber young people under age 18," which is "ten years ahead of the national trend."[5] This points to a need for affordable housing that is accessible to seniors.

Stagnant Wages - The Citizens Research Council highlights that rent costs in the state have been rising while "wages" have been remaining fairly constant.[4]

Barriers to Homeownership for First Time Buyers - MSHDA reports that "millennials" possessing "college debt need an average of 12 years to save enough money for a 20% down payment on a house."[14] Alternatively, "college graduates without student debt need 7.6 years to save the same amount."[14]

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[12] "What's in Historic $4.8 Billion Infrastructure, Spending Deal That Can Help Mi Businesses." *MI Chamber*, 25 Mar. 2022, https://www.michamber.com/news/whats-in-historic-4-8-billion-infrastructure-spending-deal-that-can-help-mi-businesses/.

[13] "Michigan Housing and Community Development Fund (MHCDF)." *Mihomeless.org*, https://mihomeless.org/wp-content/uploads/2019/06/MHCDF-Talking-Points-1.pdf.

[14] "State of Michigan." *SOM*, https://www.michigan.gov/som.

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