The Center for Local, State, and Urban Policy

Gerald R. Ford School of Public Policy >> University of Michigan

Michigan Public Policy Survey June 2018

Michigan local government officials weigh in on housing shortages and related issues

By Debra Horner and Thomas Ivacko

This report presents the opinions of Michigan's local government leaders on local housing issues, including current housing capacity and condition in their community, local government policies that may hinder or help new renovation and construction, and support for possible state government action to address housing issues in Michigan. These findings are based on statewide surveys of local government leaders in the Fall 2017 wave of the Michigan Public Policy Survey (MPPS).

>> The Michigan Public Policy Survey (MPPS) is a census survey of all 1,856 general purpose local governments in Michigan conducted by the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan in partnership with the Michigan Municipal League, Michigan Townships Association, and Michigan Association of Counties. The MPPS takes place twice each year and investigates local officials' opinions and perspectives on a variety of important public policy issues. Respondents for the Fall 2017 wave of the MPPS include county administrators, board chairs, and clerks; city mayors, managers, and clerks; village presidents, managers, and clerks; and township supervisors, managers, and clerks from 1,411 jurisdictions across the state.

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Key Findings

- Statewide, 23% of Michigan local officials report a shortage of single-family housing options in their community, while 30% say they have a shortage of multi-family housing.
 - » By jurisdiction type, local officials from counties (41%) and cities (40%) are the most likely to say they have too little single-family housing. Meanwhile, nearly half (46%) of county officials say their county has too little multi-family housing.
 - » By population size, jurisdictions with more than 1,500 and fewer than 30,000 residents, are somewhat more likely than officials from either the smallest or the largest places to report these shortages, particularly when it comes to multifamily housing stock.
 - » By region, officials from the Northern Lower Peninsula are the most likely to say they have a shortage of single-family (30%) and multi-family (40%) housing supply.
- When it comes to different market price segments, a third of local officials (34%) believe their jurisdiction has too little entry-level housing, while around a quarter report they have too little mid-level (28%) or high-end (25%) housing supply.
 - » Insufficient entry-level housing is reported by half (50%) of county officials, while 53% of city officials say they have too little mid-range housing.
 - » By population size, officials from mid-sized and larger jurisdictions are the most likely to say they have too little of each market price segment.
 - » By region, Northern Lower Peninsula officials (43%) are more likely than those from any other region to report insufficient entry-level housing supply.
- Over half (52%) of local leaders from all jurisdictions report housing stock that is out-of-date, and 53% say they have housing stock that suffers from blight.
- When asked whether their jurisdiction currently has policies or zoning requirements that hinder new construction or renovation in the community, just 17% statewide agree, while 51% disagree.
- Meanwhile, just 18% statewide say their local government is taking action to reduce barriers to new construction or renovation, by streamlining local processes (e.g., reducing permitting time or requirements, etc.), reducing fees, or revising other zoning code requirements like lot size or density requirements. However, this rises to 39% among the state's largest jurisdictions. It also includes 26% of those who believe their current policies are hindering housing development.
- When looking at eight different possible actions Michigan's state government could take related to local housing issues, 60% of local leaders who report a shortage of housing today support leaving short-term rental regulation decisions to the discretion of local governments. Meanwhile, between 35% and 42% support expanding state affordable housing incentives, creating additional tax credits, encouraging private lenders to increase their financing, increasing state funding for project gap financing loans or grants, and recruiting more developers and builders to Michigan.

Background

As Michigan's economy continues its slow upward climb following the Great Recession, various fiscal indicators such as low unemployment and consumer confidence are sources for optimism.¹ However, new concerns have arisen regarding an array of challenges in the housing sector. New home construction across the state remains well below historical levels² and recent media coverage has highlighted challenges to widespread Michigan housing markets, from Southeast Michigan³ to Grand Rapids⁴ to the Traverse City area⁵ and beyond.

One particular concern is affordable housing. Last year, the City of Detroit passed several ordinances to require housing developers who receive a certain threshold of public subsidies or discounted city-owned land to set aside a percentage of units for lower income residents,⁶ even as some public funding from the federal Department of Housing and Urban Development for affordable housing is drying up.⁷ In other regions, such as Traverse City, there are worries that lack of affordable housing may hurt local businesses, as workers are priced out of the market and cannot afford to live near their work.⁸

Current troubles in Michigan's housing sector appear to stem from a variety of sources. Some analysts note that rising mortgage rates and competition over low inventory are driving up prices for home-buyers in every sector, particularly first-time or entry-level buyers. Meanwhile, the Home Builders Association of Michigan points to a number of factors contributing to housing challenges in the state, including "a shortage of skilled labor, rising building material costs, lot availability, and burdensome and inconsistent government regulations."

Beyond challenges to homebuyers and the local workforce, reductions in residential construction and renovation can also negatively impact the state's economy as a whole. According to the Detroit News, at the height of the housing market in 2005, Michigan's residential building industry "contributed more than \$3.3 billion in local and state taxes, generated nearly \$10 billion in income, and helped generate and sustain more than 153,000 jobs." A decade later, the article notes that the industry is now less than half that size. In fact, there are some concerns that demand for construction and renovation might go unmet, as Michigan subsequently lost an estimated 60,000 residential construction workers, or 43% of the housing workforce.

Although many of the factors associated with Michigan's housing struggles are outside of the control of state and local governments, they do have policy tools at their disposal—such as changes to planning and zoning requirements, review and inspection practices, and more—that can potentially help address current shortfalls and support future growth.¹³

To get a sense of how local government leaders view the issues surrounding housing in their jurisdiction, the Fall 2017 MPPS asked local officials both about the current supply and condition of their local community's housing stock as well as the role the State of Michigan and their own local government might have in improving housing conditions through a variety of policy mechanisms.



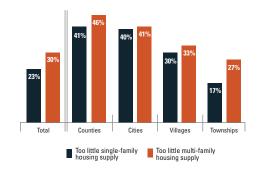
Officials from counties and cities as well as those from the Northern Lower Peninsula are the most likely to report insufficient single- and multi-family housing supply

The MPPS first asked local officials whether their jurisdiction currently has sufficient supply to meet local demand for single-family, duplex, and multi-family housing. [Note: since all housing is contained within townships, villages or cities, in presenting the data here, county officials' responses are omitted from "total statewide" calculations in order to avoid "double counting" particular communities within each county. In other words, a county official's response on housing supply within the county may already have been represented by an official from a township, village, or city.] Thus statewide, among all township, village, and city officials, 23% report their jurisdiction has "too little" single-family housing (see Figure 1a). Meanwhile, 69% overall say they have "the right amount" and only 2% believe they currently have "too much" single-family housing supply. Concerns over a shortage in multi-family housing are even higher, with 30% statewide saying their jurisdiction has too little multi-family housing. Meanwhile, 47% report having the "right amount."

Important differences do exists between county officials and those from other jurisdiction types, so they are broken out in *Figure 1a* (even while being excluded from the "total" bars). For example, officials from counties (41%) and cities (40%) are significantly more likely to report insufficient single-family housing supply compared with those from villages (30%) or townships (17%). A similar pattern holds true regarding multifamily housing, where 46% of county officials say their county has too little multi-family housing.

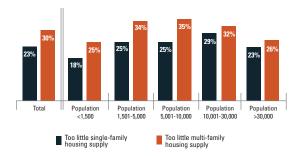
By jurisdiction size, officials from Michigan's smallest jurisdictions are the least likely (18%) to report shortages of single family housing, while those from places with 10,000-30,000 residents are the most likely (29%), as seen in *Figure 1b*. Meanwhile, the state's mid-sized cities, villages, and townships are more likely than those from either the smallest or largest ones to report a shortage in multi-family housing. Interestingly, while 26% of officials from Michigan's largest cities and townships—those with over 30,000 residents—say they have too little multi-family housing, almost a third (30%) say they have *too much*.

Figure 1a
Local officials' assessments of shortages in single-family and multifamily housing supply, by jurisdiction type



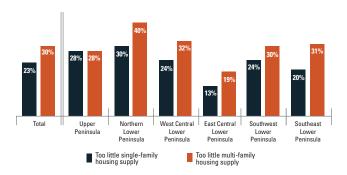
Note: the "total" column calculations exclude county responses

Figure 1b
Local officials' assessments of shortages in single-family and multifamily housing supply (among cities, villages, and townships), by population size



When looking at regional differences, local officials from the Northern Lower Peninsula stand out as the most likely to report insufficient single-family (30%) and multi-family (40%) housing options (see *Figure 1c*). By contrast, among their counterparts in the East Central Lower Peninsula, just 13% report a shortage of single-family housing and 19% report insufficient multi-family housing.

Figure 1c
Local officials' assessments of shortages in single-family and multi-family housing supply (among cities, villages, and townships), by





One-third of Michigan local officials say their jurisdiction has a shortage of entry-level housing

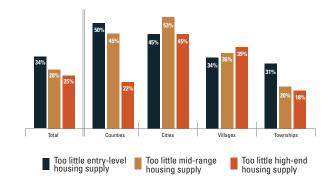
When it comes to the local housing supply in different market price segments, local officials are most likely to report shortages in entry-level housing, with 34% statewide saying their jurisdiction has too little entry-level housing (see *Figure 2a*). Meanwhile, 28% report a shortage in mid-range housing, and 25% say they have too little high-end housing supply. Statewide, few believe they have too much housing in any market price segment, with only 5% saying they have too much entry-level housing, 1% reporting excess mid-range housing, and 6% saying they have too much high-end housing.

By jurisdiction type—as with single- vs. multi-family housing—county officials (50%) again are the most likely to report insufficient entry-level housing supply. Meanwhile, 53% of city officials report their jurisdiction has too little mid-range housing, including 62% of those from cities with between 1,501-5,000 residents. By contrast, city officials from Southeast Michigan are the least likely to report their municipality has too little mid-range housing (36% in the Southeast vs. 63% for the rest of the state).

And by community size, local officials from mid-sized and larger jurisdictions are most likely report shortages in the local supply of entry, mid-range, and high-end housing. In particular, among those officials from jurisdictions with 10,001-30,000 residents, 45% say they have too little entry-level housing and 42% say they have too little mid-range housing (see *Figure 2b*). Meanwhile, among those from the state's largest cities and townships, 41% say they have too little entry-level housing, and more than a third say they have shortages in mid-range and high-end housing.

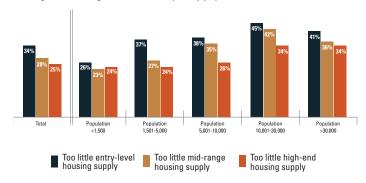
By region, again, officials from the Northern Lower Peninsula (43%) are significantly more likely than those from other regions to report shortages of entry-level housing supply (see *Figure 2c*). However, these Northern Lower Peninsula officials are also the least likely to say they have too little high-end housing (19%).

Figure 2a
Local officials' assessments of shortages in housing market segments, by jurisdiction type



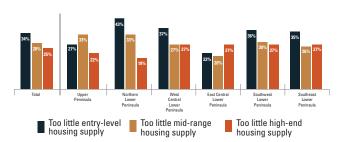
Note: the "total" column calculations exclude county responses

Figure 2b
Local officials' assessments of shortages in housing market segments
(among cities, villages, and townships), by population size



Note: calculations exclude county responses

Figure 2c Local officials' assessments of shortages in housing market segments (among cities, villages, and townships), by region

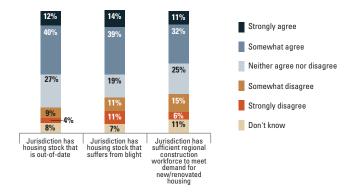


A majority of local leaders say their jurisdiction's housing stock is out-of-date or suffers from blight

The MPPS also looked at several other challenges to local housing markets (again, omitting county responses in order to avoid double-counting in specific jurisdictions). When it comes to the condition of local housing stock, overall, 52% of local officials somewhat (40%) or strongly (12%) agree that their jurisdiction has housing stock that is out-of-date (see *Figure 3*). This includes 62% in the state's largest cities and townships. Over half (53%) statewide also agree that their jurisdiction has housing stock that suffers from blight, while 22% disagree.

In terms of the regional construction workforce, 43% of local leaders statewide say they have a sufficient regional construction workforce to meet demand for new or renovated housing, while 21% disagree. By region, officials from the Northern Lower Peninsula (28%) are the most likely to report a shortage in their regional construction workforce. Perhaps one reason just one in five local jurisdictions overall report a workforce shortage is that the MPPS sample is dominated by smaller jurisdictions, many of which have been losing population, or have been holding steady, perhaps resulting in lower demand for new construction. In fact, statewide, about 60% of jurisdictions have lost population or shown zero growth since 2010. Heanwhile, local officials from urban jurisdictions are more likely to report a construction workforce shortage compared with those from rural places (32% vs. 19%).

Figure 3
Local officials' assessments of other local housing challenges (among cities, villages, and townships)





Few say their policies create barriers, while larger jurisdictions are more likely to say they are making policy changes to boost housing construction and renovation

Next the MPPS asked local leaders whether their jurisdiction has policies or zoning requirements—for example, utility connection fees, minimum lot sizes, required landscaping, etc.—that may be hindering new construction or renovation. In this case, county responses are included in the statewide total, as counties may adopt specific policies that have county-wide implications beyond ones adopted by individual cities, villages, or townships. Overall, just 17% of local leaders agree that their jurisdiction has policies that hinder new construction or renovation (see *Figure 4*). This includes 24% of officials from mid-sized jurisdictions with 10,001-30,000 residents. Meanwhile, over half (51%) statewide *disagree* that they have government policies that hinder construction, including 32% who disagree strongly.

And while relatively few believe their jurisdiction has policies that may be hindering construction or renovation, similarly few are actively pursuing new policies to reduce any barriers that may currently exist. Statewide, only 18% of local leaders report that their jurisdiction has recently attempted to reduce barriers to new construction or renovation by streamlining local processes (e.g., permitting, site reviews, inspections, etc.), by reducing fees, or by revising other zoning code requirements (see *Figure 5a*). City officials (37%) are the most likely to say their jurisdiction has enacted policy changes to boost housing construction and renovation, compared with 22% of county officials, 19% of village officials, and 13% of township officials.

Perhaps not surprisingly given greater housing pressures in larger places, there are also differences by jurisdiction size (see *Figure 5b*). While just 10% of officials from the smallest jurisdictions report making changes to local policies, 35% of officials from mid-sized jurisdictions and 39% from the largest places say they have recently experimented with new policies to reduce barriers to housing construction. Furthermore, looking just among cities, almost half (49%) of leaders from Michigan's largest cities—those with over 30,000 residents—say their government has recently taken policy action to reduce construction barriers.

Figure 4
Local officials' assessments of whether jurisdiction has policies hindering new construction or renovation

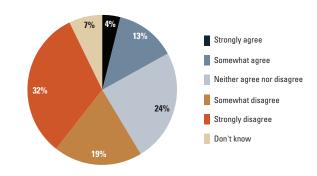


Figure 5aPercentage of local jurisdictions that have recently taken actions to reduce barriers to new construction or renovation, by jurisdiction type

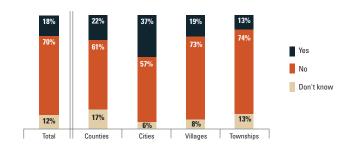
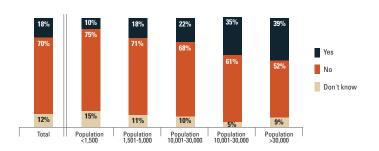


Figure 5b
Percentage of local jurisdictions that have recently taken actions to reduce barriers to new construction or renovation, by population size



There is also regional variation in local efforts to boost housing construction. While just 9% of jurisdictions in the Upper Peninsula report their government has recently introduced new policies to reduce barriers to housing construction, the same is true among 30% in Southeast Michigan (see *Figure 5c*).

As shown in *Figure 5d*, in communities where local officials believe they currently have policies that are hindering housing construction, 26% say they have recently introduced new policies to combat these barriers, compared to 19% among jurisdictions where the local officials believe no such barriers exist currently.

In addition, jurisdictions that have their own or a joint master plan (plans that address land use or infrastructure goals within the community) are slightly more likely to report introducing new policies to address housing barriers, compared with places that rely on a master plan by their county, or that have no master plan at all. However, even more significant differences are found when looking at officials from jurisdictions who say their master plan envisions significant changes in their community, compared with those who say their plans are designed to mostly maintain the status quo. In those places where officials say the master plan promotes community transformation, 45% have introduced policies to foster construction, compared with just 20% of those where the goal of the master plan is to preserve the community's current character. (For a more in-depth discussion of the goals of local government master plans, see CLOSUP's recent report "Approaches to land use planning and zoning among Michigan's local governments." [15]

Figure 5cPercentage of local jurisdictions that have recently taken actions to reduce barriers to new construction or renovation, by region

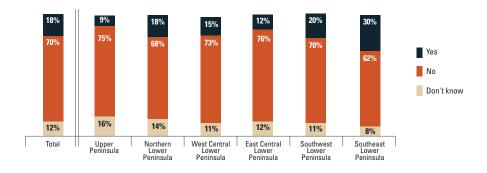
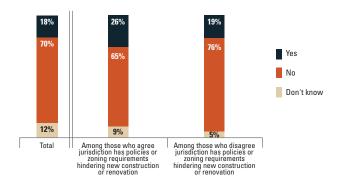


Figure 5d

Percentage of local jurisdictions that have recently taken actions to reduce barriers to new construction or renovation, by concerns over current policy barriers





Looking statewide again, for the 18% of local leaders overall who report their jurisdiction has recently taken actions to reduce barriers to new construction or renovation, the MPPS also provided an opportunity for respondents to share additional feedback, experiences, and concerns regarding their policy initiatives, through an open-ended survey question. The most frequent themes to the comments include a focus on either streamlining existing practices (e.g., reducing review/permit process time/requirements, or putting construction-related resources online) or revising ordinances (including changes to building/lot size/density requirements), as highlighted below.

Voices Across Michigan

Quotes from local leaders discussing ways their jurisdiction has recently attempted to reduce barriers to new housing construction or renovation

"The Village has frozen permit fees for the past five years. The Village Council has permitted administrative site plan reviews for certain categories of projects. We also have streamlined the review process by holding comprehensive plan reviews that include utilities, building officials, police, fire, DPW at the first submission of plans to the Village. These changes have been very well received."

"We reduced our minimum home size from 1200 SF to 800 SF. The next day a young fellow walked into city hall with building plans for a contemporary 920 SF home. Earlier this year we lowered the cost of roofing permits, which were surprisingly high. The change was made in order to encourage residents to replace their aging roofs."

"At the Township level, we have tried to offer customer service by having our Land Use Applications on line. Unfortunately, we don't have a payment mechanism in place as of yet or a 'fillable' form. Since many of our properties are secondary homes, it is inconvenient for our 'weekenders' to obtain permits during our business hours."

"Allowing smaller lot size and lowering minimum square footage of single family homes."

"Changes to our zoning ordinance to allow for more administrative allowances, less need for board or commission decisions."

"Engagement with the MEDC's Redevelopment Ready Communities program to increase efficiency, predictability and streamline development processes."

"[The] Township is a One Stop Ready Community working with Oakland County government. This is designed to expedite the process for getting all new and remodel construction up and running in a streamlined fashion. This is working very well and we will continue on with this process."

"We modified the Zoning Ordinance to include "Cottage Lots". These small lots were either vacant or the housing stock had to be renovated to such an extent the [original] Ordinance precluded rehabilitation or new development. The Ordinance was modified so property owners who owned these Cottage Lots could either renovate or build new structures in conformance with new defined building standards specific to these lot sizes."

"Reduced utility connection fees, created more flexibility on changes requested by developers and builders on existing sites, expedited site plan reviews with pre-planning meetings, reduced the number of meetings required for site plan approval, worked to make sure building department staff is available on short notice and responsive to inspection requests."

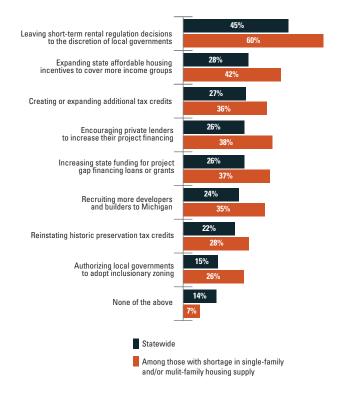
"Restructured fees to put the full burden of professional, engineering, publication fee on the contractors, this is freeing up more revenue for road improvement and parks, which is a positive pull for the entire community. Put together a weekly Economic Development team that reviews all plans and gives feedback before the public hearing and Planning Commission to streamline the process in a quicker fashion and allows construction to move forward without having to bring revision back to the Planning Commission that only meets monthly. Our millage has not increased for many years this is a plus for development, their overall future cost are lower than most townships around us."

Local jurisdictions with supply shortages are most likely to support State actions to address housing issues

When provided with a list of eight actions the state government might take in order to address housing issues, local officials are most likely to encourage the State to allow local control over short-term housing rental regulation (see *Figure 6*). While not directly related to housing construction or supply, the issue of short-term rentals may impact home affordability in a community, either positively or negatively. Overall, 45% of all local officials statewide support local authority over shortterm rental policy, including 60% of officials who report their jurisdiction has a shortage of single-family and/or multifamily housing supply. Meanwhile, among these jurisdictions that report housing shortages, between 35% and 42% also support a range of other actions the state government could take to help boost housing supplies, including expanding state affordable housing incentives, creating additional tax credits, encouraging private lenders to increase their financing, increasing state funding for project gap financing loans or grants, and recruiting more developers and builders to Michigan. There is slightly less support for reinstating historic preservation tax credits and authorizing local governments to adopt inclusionary zoning (that requires a share of new construction to be set aside for affordable housing), either among officials from jurisdictions with a current shortage or among local officials statewide. And while there is not an outright majority of support for these kinds of actions, only 7% of those in jurisdictions with housing shortages think the State should take none of the actions asked about on the survey and only 14% statewide recommend no state-level action at all.

Support for many of these possible State actions tends to be higher among officials from larger jurisdictions compared to those from the state's smaller places. For a breakdown of the overall responses by population size, see *Appendix A*.

Figure 6Percentage of local officials who support potential State actions on housing issues





Conclusion

Despite Michigan's gains in a number of economic measures over the decade since the Great Recession, the housing sector continues to be a source of concern for many residential builders, buyers and renters, and policymakers alike. Although more local officials across the state report their jurisdiction currently has "the right amount" of housing supply than too much or too little, there are substantial percentages who say their local community currently suffers from a shortage of entry-level (34%), midrange (28%), or high-end (25%) housing stock. These concerns are particularly prevalent among county and city officials, where approximately half report shortages in entry-level and mid-range housing, as well as among officials from mid-sized jurisdictions, where 45% report shortages in entry-level housing. In addition, more than half of local leaders overall report that their jurisdiction has current housing stock that is out-of-date (52%), and that suffers from blight (53%).

Relatively few local officials statewide (17%) believe that their jurisdictions' policies are hindering new residential construction or renovation in the community. Relatedly, just 18% statewide say their local government is taking action to reduce barriers to new construction or renovation by streamlining local processes (e.g., permitting, site reviews, inspections, etc.), reducing fees, or revising other zoning code requirements. However, the percentage of local governments making these kinds of policy changes rises to 39% among the state's largest jurisdictions.

Addressing local housing shortages where they exist around the state can help not only potential owners and renters, but can also increase local government revenues from property taxes, create new jobs in the residential construction workforce, and decrease blight. Although there does not appear to currently be consensus among all local government leaders statewide regarding particular actions either the State of Michigan or their own government might take to fend off the kind of housing "crisis" being warned of in media reports, local leaders can look to peers across the state to find potential policy interventions that may benefit their local housing markets, and many do support a range of potential state actions as well.

Notes

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Survey Background and Methodology

The MPPS is a biannual survey of each of Michigan's 1,856 units of general purpose local government, conducted once each spring and fall. While the spring surveys consist of multiple batteries of the same "core" fiscal, budgetary and operational policy questions and are designed to build-up a multi-year time-series of data, the fall surveys focus on various other topics.

In the Fall 2017 iteration, surveys were sent by the Center for Local, State, and Urban Policy (CLOSUP) via the internet and hardcopy to top elected and appointed officials (including county administrators and board chairs; city mayors and managers; village presidents, clerks, and managers; and township supervisors, clerks, and managers) from all 83 counties, 280 cities, 253 villages, and 1,240 townships in the state of Michigan.

The Fall 2017 wave was conducted from October 3 – December 11, 2017. A total of 1,411 jurisdictions in the Fall 2017 wave returned valid surveys (67 counties, 226 cities, 176 villages, and 942 townships), resulting in a 76% response rate by unit. The margin of error for the survey for the survey as a whole is +/- 1.28%. The key relationships discussed in the above report are statistically significant at the p<.05 level or below, unless otherwise specified. Missing responses are not included in the tabulations, unless otherwise specified. Some report figures may not add to 100% due to rounding within response categories. Quantitative data are weighted to account for non-response. "Voices Across Michigan" verbatim responses, when included, may have been edited for clarity and brevity. Contact CLOSUP staff for more information.

Detailed tables of the data analyzed in this report broken down three ways—by jurisdiction type (county, city, township, or village); by population size of the respondent's community, and by the region of the respondent's jurisdiction—are available online at the MPPS homepage: http://closup.umich.edu/mpps.php.

The survey responses presented here are those of local Michigan officials, while further analysis represents the views of the authors. Neither necessarily reflects the views of the University of Michigan, or of other partners in the MPPS.

Appendix

Appendix APercentage of local officials who support potential State actions on housing issues, by population size

	Total Statewide	Population <1,500	Population 1,500-5,000	Population 5,001-10,000	Population 10,001- 30,000	Population >30,000
Leaving short-term rental regulation decisions to the discretion of local governments	45%	38%	45%	55%	62%	56%
Expanding State affordable housing incentives to cover more income groups	28%	25%	29%	26%	37%	32%
Creating or expanding additional tax credits	27%	24%	26%	35%	30%	33%
Encouraging private lenders to increase their project financing	26%	24%	26%	28%	33%	30%
Increasing State funding for project gap financing loans or grants	26%	21%	25%	28%	37%	36%
Recruiting more developers and builders to Michigan	24%	18%	23%	23%	38%	41%
Reinstating historic preservation tax credits	22%	20%	21%	30%	25%	29%
Authorizing local governments to adopt inclusionary zoning	15%	11%	14%	15%	24%	35%
None of the above	14%	15%	16%	12%	8%	6%



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The Center for Local, State, and Urban Policy (CLOSUP), housed at the University of Michigan's Gerald R. Ford School of Public Policy, conducts and supports applied policy

of Public Policy, conducts and supports applied policy research designed to inform state, local, and urban policy issues. Through integrated research, teaching, and outreach involving academic researchers, students, policymakers and practitioners, CLOSUP seeks to foster understanding of today's state and local policy problems, and to find effective solutions to those problems.

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