



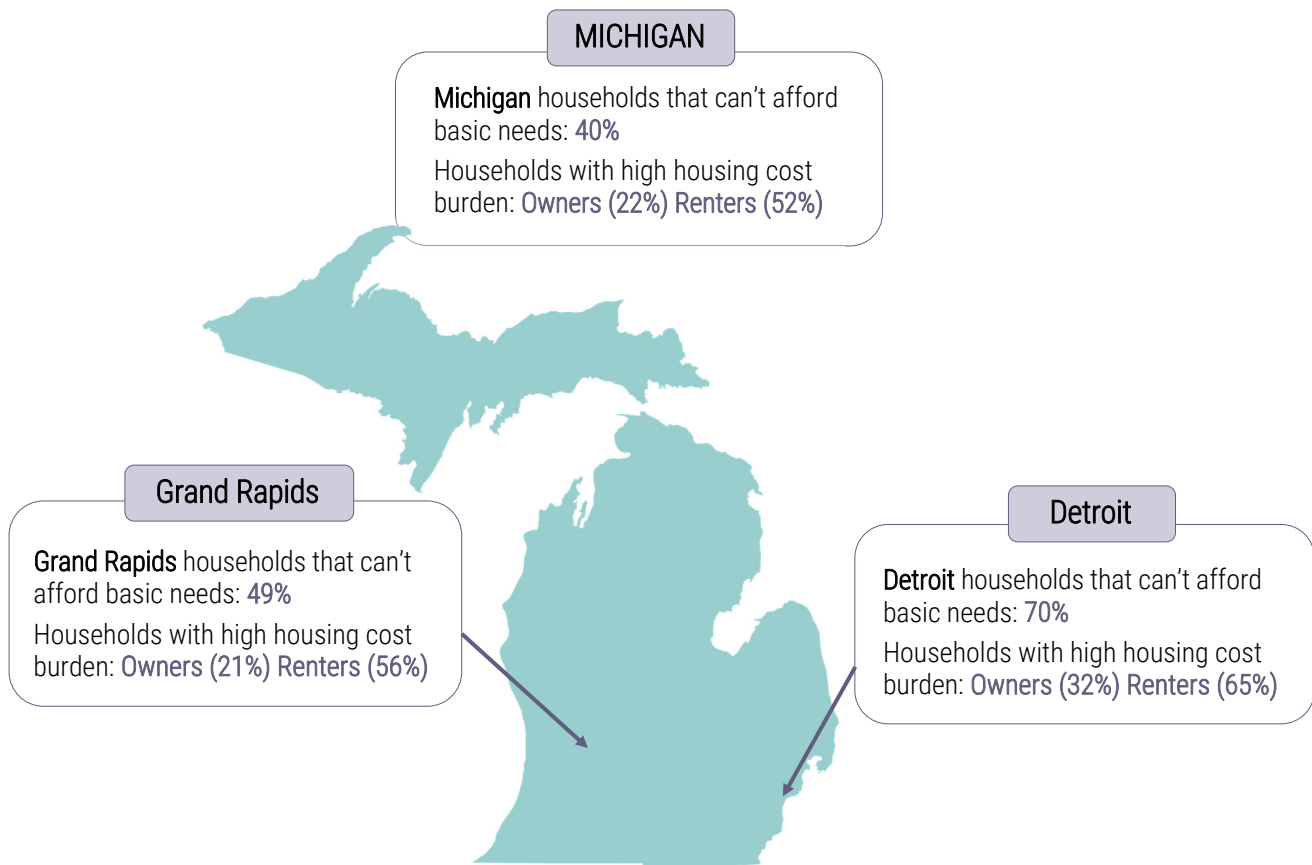
A CRACK IN MICHIGAN'S FOUNDATION

Julie Cassidy, Senior Policy Analyst | June 2018



Michigan families are experiencing a crisis-level shortage of affordable housing, a symptom of the income inequality that has been growing in the state for decades. Since the 1980s, incomes have declined for 99% of the state's households¹ and African American and Latinx households have lost 75% and 50% of their wealth, respectively.² Despite Michigan's recovery from the Great Recession, many families still must make difficult choices between shelter and other basics, leading to poor health, critical life disruptions that limit achievement in school and at work, and significant losses to the economy.

This opening installment of the *Home, Health, Hope* series provides an overview of Michigan's afford-able housing crisis. Future installments will examine the situations in



Sources: United Ways of Michigan. (2017). *ALICE Study of Financial Hardship: 2017 Update*. American Community Survey Data Profiles (2012-2016 5-Year Estimates).

Detroit and Grand Rapids, as well as the underlying factors that make it hard to secure healthy housing at a manageable cost, including discrimination, unaffordable utility bills and barriers confronting people with disabilities and other health conditions.

To ensure adequate homes for all Michiganders, government must reverse its decades-old strategy of underinvestment in housing, address discriminatory policy designed to create inequitable housing access, and support measures that promote economic opportunity for families with low incomes.

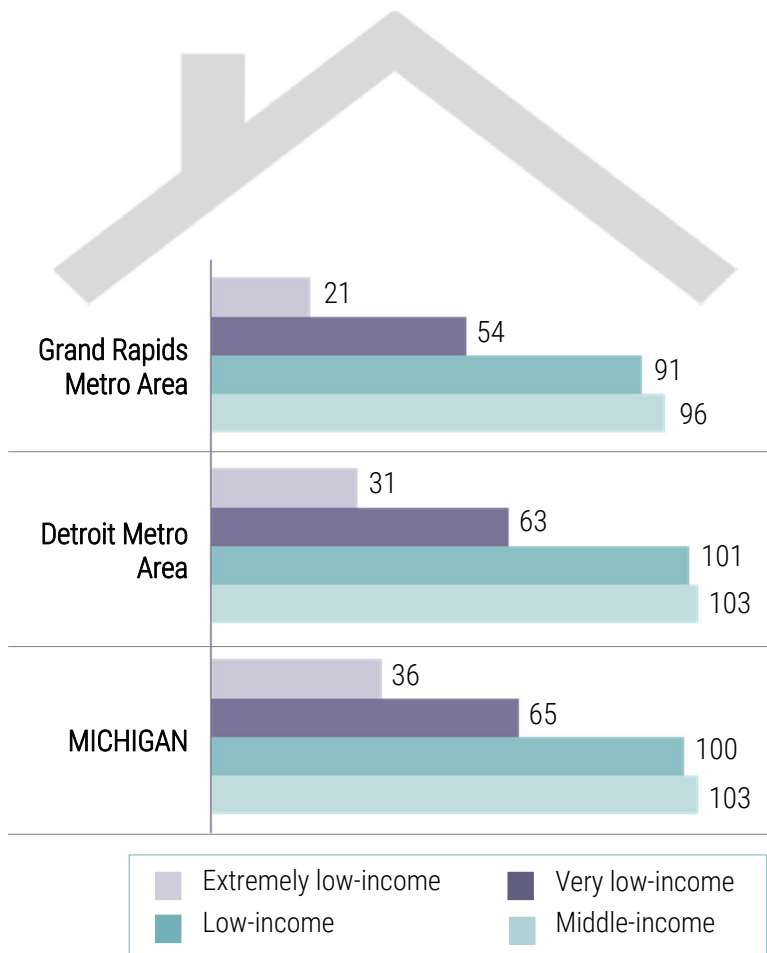
Breaking the Budget

Housing (including utilities) is considered “affordable” when it costs no more than 30% of household income. Many families, however, are housing cost-burdened, meaning they spend even more than that. More than 1.5 million Michigan households don’t earn enough to meet their basic needs,³ and in Detroit and Grand Rapids, housing costs put an even greater strain on family budgets. The average household wage necessary to afford a modest two-bedroom rental unit in Michigan is \$16.85 per hour—almost twice the state minimum wage (\$9.25 per hour at the time of this calculation).⁴

Throughout the state, the demand for affordable housing exceeds the supply, especially among renters and the most economically disadvantaged households.

Unlike a number of other means-tested services, federal housing programs receive a finite amount of funding every year.

Affordable, Available Rental Units Per 100 Households



Extremely low income (ELI): Household income at or below Poverty Guideline or 30% of area median income (AMI), whichever is higher

Very low income (VLI): Household income between ELI and 50% of AMI

Low income (LI): Household income between 51% and 80% of AMI

Middle income (MI): Household income between 81% and 100% of AMI

Source: National Low Income Housing Coalition. (March 2018). *The Gap: A Shortage of Affordable Homes*.

Due to limited funding, only 1 out of 4 eligible households receives federal housing assistance.

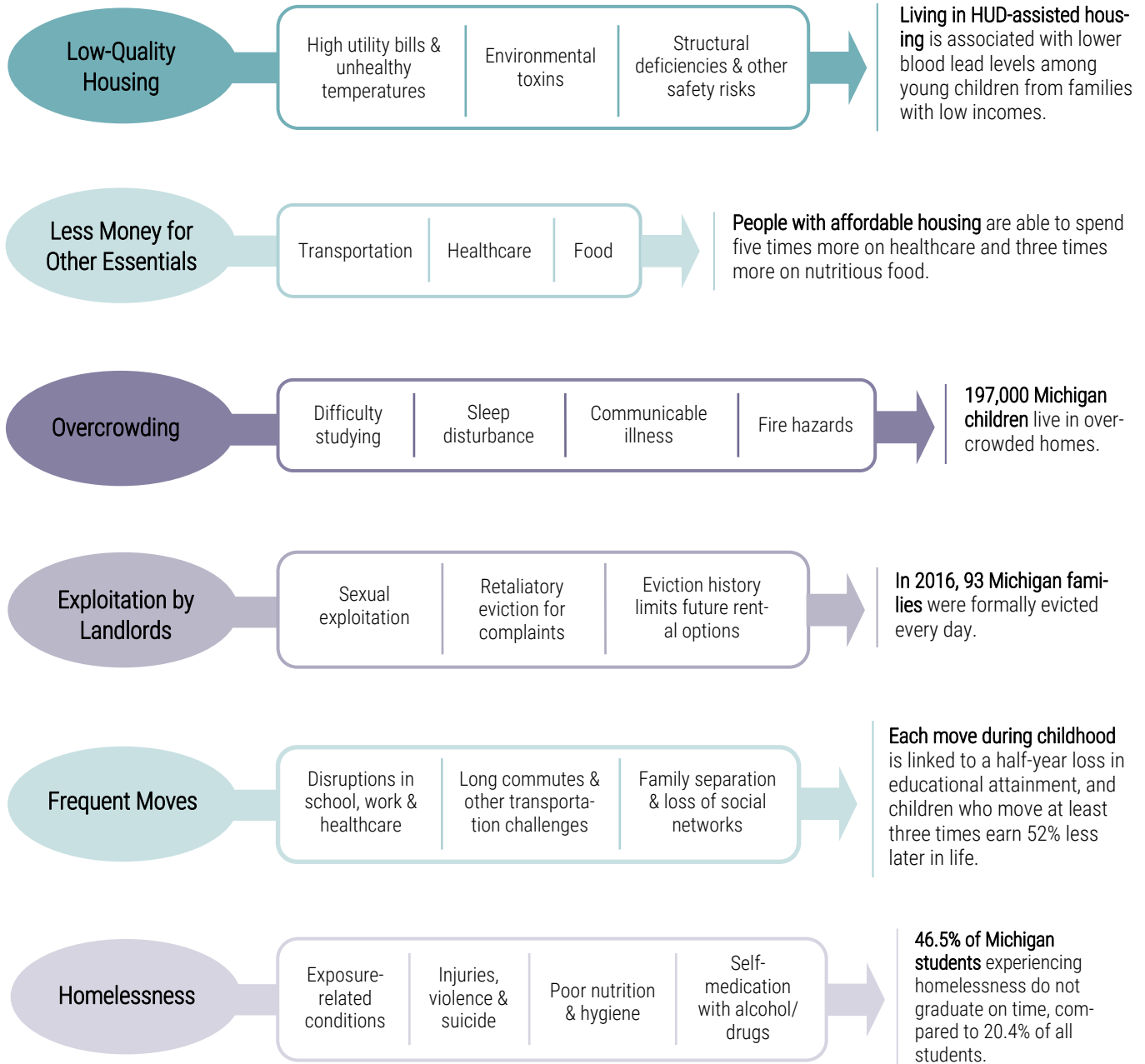


Source: Congressional Budget Office. (2015). Federal Housing Assistance for Low-Income Households.

The Cycle of Poor Health, Lost Opportunity and Poverty

High housing costs drive the cycle of generational poverty by threatening health, creating toxic stress and limiting academic achievement, work productivity and earning potential.

What High Housing Costs Mean for Struggling Families



Sources: Ahrens, K. A., Haley, B. A., Rossen, L. M., Lloyd, P. C., & Aoki, Y. (2016). Housing Assistance and Blood Lead Levels: Children in the United States, 2005–2012. *American Journal of Public Health*, 106(11), 2049-2056. Our Homes, Our Voices. (2018). Annie E. Casey Foundation. (2018). *Kids Count Data Center*. Princeton University, Eviction Lab. (2018). *Michigan Eviction Map & Data*. Kalil, A. & Ziol-Guest, K. MacArthur Foundation. (2014, March). *Frequent Moves in Childhood can Affect Later Earnings, Work, and Education*. Michigan League for Public Policy. (2018). *Kids Count in Michigan 2018*.

Policy designed to promote racial segregation has led to the concentration of poverty and low-quality housing stock in certain neighborhoods, as well as disinvestment in these areas by both government and the private sector. The result is a lack of amenities that promote health, education and employment. Revitalization efforts are often focused on attracting wealthier people to the area, displacing current residents and potentially leaving them with no place to go.

Policy Recommendations

Federal housing services have been underfunded for decades and the 2017 tax overhaul's impact on the Low-Income Housing Tax Credit—historically, the primary incentive for private-sector development of affordable housing—could discourage the production of more than 3,600 affordable units in Michigan over the next 10 years.⁵ To ensure quality homes for all Michiganders so they can stay healthy, be productive students and workers and keep the state competitive in the global economy, it's critical that state policy creates a friendly environment for local housing efforts and empowers families facing housing challenges.

Promote inclusionary zoning (IZ): Local IZ ordinances call for a number of units in new housing developments to be priced affordably for people of modest means. Such ordinances can easily be tailored to address conditions in a particular community and can be either mandatory, applicable to all development projects meeting the criteria set by the local unit, or voluntary, meaning developers can agree to provide an affordable set-aside in exchange for certain benefits from the municipality, such as a tax break, flexibility regarding certain land use regulations or a discount on the purchase of public land.

Michigan law prohibits local units of government from adopting rent control policies, including mandatory IZ, and does not make it clear that communities may offer incentives to encourage the development of affordable housing. A handful of Michigan communities have adopted voluntary IZ (also known as incentive zoning). At a minimum, the state should clarify that voluntary IZ does not violate the rent control ban. Ideally, Michigan should give local units the option to adopt mandatory IZ, which overall has been shown to produce more affordable units than incentive zoning.⁶

Fund Michigan's housing trust fund (HTF): State HTFs can supplement federal housing programs, fund projects and services precluded by federal program rules, and support nonprofit organizations in implementing affordable solutions for a market that's often under-served by for-profit developers.⁷ On average, every dollar a state HTF invests in the creation, rehabilitation and preservation of affordable housing generates \$7 in further public and private investment.⁸ Since its creation, the Michigan Housing and Community Development Fund (MHCDF) has received only two rounds of one-time, limited funding—in 2008 and 2012. Funded projects attracted as much as \$11 in new investment for every \$1 of MHCDF money and created thousands of jobs.⁹ Michigan should examine HTF funding methods used in other states and identify a robust, sustainable revenue stream for the MHCDF.

Prohibit source-of-income (SOI) discrimination: The federal Housing Choice Voucher (HCV) program is designed to diffuse concentrated poverty and desegregate neighborhoods by giving families with low incomes the option to move to neighborhoods with better

opportunities for health, education and employment. Some landlords, however, are unwilling to rent to HCV holders. In some cases, SOI discrimination may provide cover for landlords to violate fair housing laws. Local anti-SOI discrimination ordinances (which already exist in several Michigan communities) are linked to an increase in the HCV use rate and neighborhood racial integration.¹⁰ A state-level ban should be enacted to protect all Michigan families using HCVs no matter where they live and reduce the long waiting lists for vouchers that exist in many communities.

Promote economic opportunity for struggling families: The state should raise the minimum wage and invest more in measures that promote health, improve outcomes for children and boost adult earning capacity, such as quality child care, the Healthy Michigan program and the earned income tax credit. In particular, the state should invest more in adult education, career and technical education and job training to ensure that Michigan's workforce can meet the high demand for skilled labor. This would prepare individuals for family-supporting jobs and alleviate the shortage of construction and other trade workers that is contributing to housing scarcity and further driving up home prices.

Endnotes

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