

CHAPTER 10: RECOMMENDATIONS

There are many actions that could improve affordability in Oakland County without harming the quality of life and solid housing market that exists. Some actions, such as creation of employer-assisted housing programs and more creative financial assistance programs for households seeking housing at the low end of the cost spectrum deserve immediate attention. Yet, the ultimate decision on which actions should be pursued must be made through a participatory and deliberative process involving the relevant stakeholders.

In this chapter of our report we identify and briefly discuss an array of options that we believe deserve consideration in the deliberative process. Some of the options are very specific. Others refer to broader efforts that can be undertaken to identify specific actions to address specific needs. Some additional work will need to be undertaken to refine and/or eliminate some options, but we have limited our list of options to those that we believe have a strong base of legitimacy in the findings that we have presented in the report.

It is important to understand that not all of the options are applicable countywide. In fact, the variation in affordability conditions across communities suggests that the interventions adopted should vary by community to have the greatest impact and avoid negative and unintended consequences. In other words, certain interventions should be geographically targeted in a strategic manner. We present the recommendations as a menu of options from which the county government and other stakeholders can select the appropriate mix.

Equally important is the notion that the actions outlined in this chapter are, by no means, limited to the Oakland County government, or even the public sector. Rather, they involve participation from the public, private, and nonprofit sectors. Collaborative, public-private partnerships are essential for addressing housing market issues effectively. Collaboration within sectors is also critical. Fully addressing affordability requires actions that extend beyond the resources of the county or local governments.¹ State and federal action is also important. Given the regional nature of the housing market, regional collaboration on housing issues also offers promise for long-term benefits. While the county is limited in its ability to affect change within governments outside of its jurisdiction or higher governmental levels, it can play a vital role in stimulating action, especially given the critical role that it plays in the regional, state, and national economy.

In the interest of readability and brevity, we limit the details provided for many of the options below. Readers who are interested in obtaining additional detail and/or models of many of these options in action elsewhere in the country can access a report produced by Dale Thomson, Ph.D. of this research team entitled “City of Detroit Housing Needs Assessment: Data Findings and Review of Policy Options 2001-2002.” The report can be accessed by clicking on the Tech Docs tab found a www.cus.wayne.edu/cdbg. Other resources relevant to specific options are cited throughout this chapter.

¹ We have tried to ensure that specific policy options reflect the actual statutory authority of the county and its local governments. However, in some cases, legislative changes may be necessary to enable the county or local governments to adopt certain options. We have tried to note where we know this to be true, but we acknowledge that changes beyond those noted may be necessary.

Importance of Market Impacts

Oakland County has a unique opportunity to address affordability before it significantly impacts the viability of the county as a destination of choice in southeastern Michigan. As suggested elsewhere in this report, the county is losing some of its population growth to other parts of the region. Affordability appears to be a growing factor influencing this trend. The county is still thriving economically and fiscally relative to many other counties, its tax base is strong, its housing market is strong, its quality of life is considered quite high by many in the region, and it has a considerable amount of undeveloped land. Decreasing affordability may alter these conditions. The county and its local governments have historically demonstrated a proactive approach to ensuring that their communities are attractive to residents and businesses. Timely, proactive attention to housing affordability by the government and the private sector could ease the housing cost burden faced by many residents and help the county ensure its long-term sustainability as a community of choice for businesses and residents.

When selecting interventions *it is absolutely critical to consider the impact of the intervention on housing market activity.* The primary means of providing affordable housing in America is through filtering. This is the process whereby the price of existing housing lowers as new and more attractive housing is built. It is called filtering, because it involves households moving up to more expensive housing and having their existing housing filter down to a family that would have previously been unable to afford it. The process is sometimes slow. The homes at the bottom of the price range tend to drop in price more quickly than homes in the middle. The process is especially slow in hot housing markets. As noted in the housing constraints and affordability chapters, the filtering process may be improving affordability in relative terms (i.e. compared to what prices would be if new housing wasn't being built); however, there is no evidence of significant price reductions in existing communities in Oakland County. That said, there is evidence that households are increasingly moving to counties where land costs and housing are more affordable. If that continues, demand in Oakland could drop significantly enough to cause greater improvements in affordability countywide.

The bottom line is that it is important to ensure that interventions from any sector do not unintentionally prevent the filtering process from occurring. Yet, many government and private sector actions impact the housing market in an artificial manner. From the private sector's reliance on the government-initiated secondary mortgage market or publicly funded infrastructure to government regulation of development in individual communities, the blending of public and private sector actions result in a housing market that is not as free and open as some might suggest, especially when you focus on housing in a specific community. Thus, interventions that impact market activity are acceptable as long as those developing the interventions attempt to assess the unintended consequences (good and bad) that could result and determine that the benefits outweigh the costs.

We divide the various actions that the public, nonprofit, and private sectors could consider to proactively address housing affordability in the county into supply-based and demand-based interventions. Supply-based interventions focus on increasing the supply of affordable housing. They attempt to either increase the supply of homes where costs are formally restricted, decrease the costs of providing housing so that the providers charge lower costs for that housing, or increase the overall supply of housing at a rate sufficient to ensure that the cost of existing housing decreases

as newer housing becomes available. Demand-based interventions focus on the household, rather than the housing unit. They attempt to improve the ability of households to afford the housing that exists or will be built by increasing the income of such households or providing incentives that can be used to offset housing costs.

Supply-Side Interventions

Actions to Address Land and Development Costs. As explained in the housing constraints chapter of this report, land costs appear to be a very important factor driving the cost of new housing in the county. Any actions to increase the supply of housing (subsidized or not) will be limited in impact if the cost of land is not factored in. Inevitably, land costs are driven by the market, but there are a variety of regulatory factors that can artificially inflate land costs. Regulatory practices can also negatively impact other inputs to housing cost. Specific actions can be taken to reduce the inflationary cost effect of unnecessary regulations or directly reduce land costs in certain situations.

Initiate a Thorough Review of Regulatory Barriers. There are a variety of government-imposed regulatory barriers that can increase the cost of producing housing. While not all of those barriers directly impact land, many do. Common categories of regulatory barriers include building codes, environmental regulations, land use and zoning laws, impact fees, and administrative processes (e.g. development approval, permitting, and inspection processes). The simple existence of a regulation that causes housing cost to increase does not mean that the regulation should be removed. The societal benefits of the regulation may exceed the costs imposed by the regulation. Still, there is growing evidence that some regulations create unnecessary or excessive costs and that these can be removed or replaced with better regulations that reduce the marginal cost associated with the regulation (see housing constraints chapter for more detail). Our research suggests that some Oakland County communities have much more inconsistent and problematic development regulations/processes than others. Some communities clearly have zoning and land use laws that make it virtually impossible to build housing that would be considered affordable to certain income groups.

We were able to make preliminary assessments of regulatory barriers in this report, but some additional work is necessary to identify them more definitively at the community level. The county would be well-advised to work with state, county, and local government officials, as well as building and affordable housing industry representatives to identify specific regulatory impediments (e.g. exclusionary zoning, unpredictable development approval processes, excessive delays in approvals of permits, etc.) to affordable housing that could be removed to decrease land and other costs without sacrificing the intended benefits of the regulation. The review could begin by convening a focus group or advisory group of builders/developers, planning professionals, building inspectors, and other housing stakeholders from local communities and asking them to identify regulatory barriers that they have encountered in their work. The communities could then examine the alleged barriers more closely to determine whether or not their benefits warrant their continuation or if the regulations could be improved or removed.

In addition to barriers identified by the group participants, communities could create lists of potential barriers using the general lists in the housing constraints chapter of this report and a more detailed list of regulatory barriers available through the U.S. Department of Housing and Urban Development's (HUD) Regulatory Barriers Clearinghouse at <http://www.huduser.org/rbc/>. This site contains a wealth of information on regulatory barriers and potential solutions to those barriers. Data are gathered from actual examples of barriers in communities throughout the country. Much of the information is provided directly by the people operating in local communities. This web site is a very valuable tool for assessing regulatory barriers.

As an alternative or supplement to the participatory process described above, a small group could be assembled to compare a community's specific land use and zoning regulations and development processes to lists of regulations that have been identified by researchers as potentially creating cost barriers.

Explicitly Address Affordability and Regulatory Barriers In County's Review of Local Land Use Plans. Currently, the county's division of Planning and Economic Development Services reviews and comments on locally generated land use plans. As part of this review, it considers how the plan addresses housing. However, by the county's own admission there is much more that could be done in this area, particularly as it relates to affordable housing. The county's planning staff could make housing affordability a formal element of review for all relevant land use plans. This review could provide more extensive consideration of the extent to which local jurisdictions consider housing affordability, especially the implications that planned land use will have for affordability. As part of this process, the county could create checklists of potential regulatory barriers based upon sources such as those found through HUD's Regulatory Barrier Clearinghouse that it could use in its review. Information available through the American Planning Association's Growing Smart initiative (<http://www.planning.org/growingsmart/>) may also prove helpful in this regard. It could also provide the checklists to the local governments and request that they provide explanations for any barriers on the list that are evident in the land use plan.

Conduct a Campaign to Train Local Planners, Development Officials, and Elected Officials on Potential Regulatory Barriers. Many planning and development officials are well-aware of regulations and processes that can create barriers to housing affordability. Yet, a good portion are not. The county could initiate a campaign to make local officials more aware of potential barriers and enable those officials to conduct their own regulatory barrier audit. The campaign could include printed material, publicity regarding HUD's Regulatory Barrier Clearinghouse, symposia, face-to-face meetings, and a variety of other low-cost activities.

Explore Adoption of Smart Rehab Codes. Some states (e.g. Maryland and New Jersey) have recently overhauled their building codes to make them more performance based and eliminate elements that made it extremely costly to rehabilitate older housing. HUD, in cooperation with building industry representatives and other stakeholders has created a set of Nationally Applicable Recommended Rehabilitation Provisions (NARRP) designed to achieve the same purpose. There is evidence that these new codes can and do reduce rehabilitation costs without unnecessarily sacrificing standards. The county could work with

the state and local governments to determine if adoption of some of the provisions would improve potential for housing rehabilitation in the county. Resources explaining these codes and their impact are available at http://www.huduser.org/rbc/relevant_publications.html.

Enhance the Training of Code Enforcement Officials. The regulatory barrier review described above would identify communities where code enforcement is inconsistent, insufficient, or unnecessarily rigid. This can lead to unnecessary development costs. If such communities are identified, the relevant local governments, perhaps in cooperation with private sector participants and the county could undertake more formalized and consistent training of code enforcement officials. Such training could include a section on the potential affordability benefits that can arise when inspectors utilize their discretion to conduct “facilitative enforcement.” Training could also be provided to groups of builders/developers to help minimize problems that arise from misunderstanding on their end.

Consider Alternative Administrative Arrangements for Integrating Disbursed Regulatory Functions. It is common for regulatory functions to be dispersed among many different departments within a local government, as well as across governmental levels. In some cases it might be appropriate to re-organize local regulatory operations to create a central point of contact for developers to work with for acquiring the necessary development approvals. This could be a single liaison that helps each developer work his/her proposal through the system, a “permit czar” responsible for overseeing and coordinating all permitting activity, or simply a one-stop shop where all applications and other requirements are submitted and coordinated. The county government has already done extensive work in this area and may be able to provide useful guidance to local governments.

Greater Publicity of Development Procedures and Regulations. A common regulatory complaint among developers/builders is that the regulatory administrative processes in a given community are unclear or unpredictable. A simple step that can be taken to reduce uncertainty is to make public information on actual development procedures more widely available. The county could facilitate this effort by devising and providing guidance on aspects of the process to include in public information, useful ways of disseminating information, standard formats for presenting the information, and any other guidance that it deems useful.

Promote the Utilization of Innovative and Cost-Saving Construction Techniques. Innovations in the home construction industry have led to considerable reductions in cost for certain materials or construction processes, thereby reducing overall construction costs. Manufactured housing is an obvious example, but many advances have also been developed for housing built on-site. Yet, developers/builders are often slow to adopt the innovations. One reason is that changes in local regulations are often necessary, and these changes are often slow. But there are also other factors of inertia within the building industry. Several years ago, a unique public-private partnership of government, nonprofit, and private housing industry stakeholders joined forces to create the Partnership for Advancing Technology in Housing (PATH). A primary goal of PATH is to cut down the time between development of and adoption of new construction technology. The website <http://www.pathnet.org> provides a great deal of information on how this can be accomplished. The county can use the

information available through this site and/or contact PATH representatives and determine whether or not strategies for increasing the adoption of cost-saving technologies are appropriate for the county and its local governments.

Developer Density Bonuses. Density bonuses allow developers to build residential units at higher densities than otherwise allowed by zoning laws. In exchange, the developers must include affordable housing in their development. Density bonuses result in lower land cost per unit, which enables developers to sell the affordable units at lower costs than would otherwise be possible. Density bonuses have the added benefit that they tend to result in affordable housing units that are not noticeably different in appearance than the more costly units in the development.

Community Land Trusts (CLTs). CLTs are private, nonprofit organizations that acquire and hold land for the benefit of the community by providing access to permanently affordable housing on the land acquired. CLTs retain ownership of all land acquired and lease it to low/moderate-income persons who purchase homes located on the land. The CLT arrangement eliminates land costs from home purchase prices. CLTs require that homes be resold only to low/moderate income households or the CLT and, while profits on the resale are allowed, they are capped to ensure both a profit to the owner and an affordable sales price for the new purchaser. Moreover, through the land leases, CLTs can impose and enforce certain quality standards for the properties they own. This can help eliminate some of the stigma associated with low/moderate-income homes located in mixed-income areas. Community land trusts require minimal, if any government involvement. Government involvement tends to be focused on the initial creation of the trust, which may include providing start-up funds or access to government-owned land. Community land trusts tend to be most effective in areas where housing costs are increasing, as is the case in Oakland County. Additional user-friendly information on CLTs can be found at special CLT project web sites for Community Legal Resources <http://www.clronline.org/clt/index.htm>, the Institute for Community Economics <http://www.iceclt.org/clt/>, and Burlington Associates <http://www.burlingtonassociates.com/resources/>. These sites provide everything from primers on CLTs for various stakeholder groups to sample legal documents used in structuring CLTs. Various examples of CLTs from across the country are also available.

Urban Homesteading. Recent legislation passed by the state allows local communities to create urban homesteading programs. The focus is to enable communities to turnover troubled properties to qualified buyers/renters for a minimal charge (as low as \$1). These programs are best-suited for communities that have experienced decline and disinvestment in certain areas. There are a few such communities in the county that may benefit from the creation of such a program. The program would reduce the cost of all property, not just the land, but it would essentially eliminate land as a cost factor.

Provision of Publicly-Owned Land. One of the most common ways of addressing land costs specifically for affordable housing projects is to provide publicly-owned land for the projects. Under this option, the county could encourage local governments to provide preferences for affordable housing developments in their public property disposition procedures. The county could also adopt such a preference for land that it owns.

Land Bank Authority. Legislation passed recently by the state allows certain communities to create land bank authorities to handle disposition of publicly owned land with a focus on land that has been obtained through tax reversion. Because of flexibilities associated with their quasi-public status, such authorities have the potential to assemble and transfer ownership of land more efficiently and at lower cost than traditional governmental organizations. Thus far, disposition of publicly owned land does not appear to be an especially significant factor in housing affordability countywide. However, it is a growing issue in some communities. Moreover, it may grow in importance over time for the county as a whole. The county could assess the desirability and feasibility of creating a land bank authority for publicly owned land in Oakland County. Genesee County has an established land bank authority that has served as a model for handling tax reverted properties for many communities across the country.

Initiate a Systematic Study of the Impact of Land Costs on Housing Price. Conventional wisdom and anecdotal accounts indicate that high land costs are driving up housing prices in Oakland County. Resources prevented us from thoroughly examining the impact of land costs. However, we believe that the county has the data necessary to complete such a study. Further, we believe that it would require relatively modest resources to complete. Having hard data on the actual role of land prices in Oakland County would enable the stakeholders to target actions to address land costs where they will be most effective. The research team would gladly discuss with county representatives possible models to use in such a study.

Actions to Directly Increase the Supply of Affordable Units. Actions to reduce the cost of land indirectly improve housing affordability by addressing one element of housing cost. Actions to reduce NIMBYism (see below) are also an indirect approach to increasing the availability of affordable housing.² Because these approaches are indirect, they do not, necessarily, guarantee that affordable housing will be built. More direct interventions are required for this to occur.

Increase Government Financial Assistance for Affordable Housing Developments. One of the most direct means of ensuring the production of affordable housing is for the government to help finance it. Ensuring housing affordability for low- or moderate-income households in Oakland County is sure to require some form of supply-side or demand-side subsidy from the government. Our study found additional funding to be one of the most pressing needs related to affordable and special needs housing. The County has dedicated its limited federal funding to critical programs with significant impact, such as the Home Improvement Program, financial support for Community Housing Development Organizations (CHDOs), and housing counseling. Other local communities that receive federal funds provide similar types of support. Yet, the federal and state resources available for government-assisted housing construction have diminished significantly over the past several years. While we recognize the great difficulty of securing public funding, we view increased public funding as essential to ensure direct impact. Overall, county and local funding for affordable housing has been relatively modest in the county (partly a result of modest federal funding), but the county could work with local, state, federal, and private-

² NIMBY stands for “Not In My Back Yard.” The term refers to the general tendency of residents to oppose location of affordable or special needs housing near their homes.

sector partners to identify ways to create more funding opportunities (e.g. directly facilitate/encourage more organizations to apply for low-income housing tax credits (LIHTC), create a housing trust fund (see description later), increase matching funds for LIHTC projects in the county, matching funds for employer-assisted housing efforts, buying-down interest rates on bank financing, grants and low-cost loans for pre-development expenses, commercial development linkage fees, leveraging special lending programs from banks, etc.). While Oakland County and its local governments are limited in their ability to generate new public revenue, they have much greater capacity than many other areas in the state. The idea is not to create a large publicly-funded housing segment. Rather, it is to provide targeted funding in communities where it is most needed to fill financing gaps and leverage private investment. Financing can be directed towards new construction or major rehabilitation. In addition to subsidies to directly support construction of housing, the subsidies can be directed to provision of infrastructure for the homes that are constructed or rehabbed.

Housing Trust Fund. Given the limitations in public funding for affordable housing, but the growing need to address affordability, one option for the county or localities to consider is creating a housing trust fund. Such a fund would access a dedicated revenue stream to provide a pool of resources that could only be used for alleviating housing affordability problems. The precise source of funding and allowable uses could be determined by the jurisdiction establishing the fund. The critical component is establishing a restricted fund that has a dedicated revenue stream. Of course, identifying a revenue stream will be a challenge, but the county is in the positive position of having a strong housing market and tax base that could be tapped for trust fund dollars. A housing trust fund would likely entail the redirection of existing revenue streams to the trust fund. A detailed analysis of potential housing trust fund revenue streams created by Dale Thomson, Ph.D. for the City of Detroit is available at www.cus.wayne.edu/cdbg (click on “Tech Docs” tab). It can provide some guidance to those interested in considering establishing such a fund.

Employer-Assisted Housing. Employers use employer-assisted housing (EAH) programs to help their employees attain quality, affordable housing. Through EAH programs, employers provide financial and/or technical assistance to employees to help reduce the cost of buying or repairing a home. Sometimes this assistance is matched (in whole or part) by contributions from public or nonprofit agencies. EAH programs are a creative way of utilizing public-private partnerships to provide affordable housing. Many EAH programs are demand-side programs that provide financial assistance to employees, but some programs are supply-based and aggressively work to produce affordable housing near the employer’s place of business. The county and other stakeholders could work with major businesses to assess the utility of supply-based EAH programs in the county. A detailed report on EAH programs produced Dale Thomson, Ph.D. is available at www.cus.wayne.edu/cdbg (click on the Tech Docs tab). The report includes models of EAH programs used in other parts of the country. Recently, MSHDA initiated an EAH pilot initiative with employers in the Lansing area. As the economic engine of Michigan, Oakland County seems like a natural spot for such initiatives to thrive.

Inclusionary Zoning and/or Development Set-Asides. Development set-asides and/or inclusionary zoning mandate that developers of new housing reserve a certain percentage of new or rehabbed units as affordable rental or for-sale units or make a financial contribution to a fund for the creation of affordable housing. Set-asides are normally adopted on a project-by-project basis in conjunction with public subsidy packages. However, some communities require set-asides for all housing developments that reach a certain size. For example, since 1974, Montgomery County, MD has required up to 15 percent for developments that reach a certain size. Recently, the American Planning Association incorporated model legislation for including development set-asides, combined with affordable housing incentives as part of model redevelopment statutes in its Growing Smart Legislative Guidebook. The preceding discussion of regulatory barriers suggests that the benefits of inclusionary zoning must be weighed against the imposition of a regulatory barrier to affordability. Adoption of such zoning is probably best suited for parts of the county where affordable units are notably lacking and the market for new housing is strong. As documented in this report, several Oakland County communities fit this description.

Developer Density Bonuses. Density bonuses allow developers to build residential units at higher densities than otherwise allowed by zoning laws. In exchange, the developers must include affordable housing in their development. Density bonuses result in lower land cost per unit, which enables developers to sell the affordable units at lower costs than would otherwise be possible. Density bonuses have the added benefit that they tend to result in affordable housing units that are not noticeably different in appearance than the more costly units in the development.

Increase Availability of Multifamily Rental Housing In Communities Where it is Lacking. Our housing stock analysis showed that Oakland County actually has a relatively large number of multifamily units. While these units are located throughout much of the county, there are certain communities with especially high concentrations and some communities where very little multifamily housing exists. Multifamily housing tends to be rental and tends to be more affordable than single-family housing. The county and other stakeholders could consider ways in which it could encourage or ensure (e.g. subsidies, zoning changes, inclusionary zoning, density bonuses, etc.) the creation of multifamily rental housing opportunities in those parts of the county where such opportunities are low. To ensure that this multifamily housing is affordable, stakeholders could focus their efforts on broadening the spatial distribution of subsidized multifamily units. Of course, a broader focus would likely increase the political feasibility of such an effort.

Encourage Localities to Provide More Housing Alternatives to the Large Lot and/or Large House That is Becoming Prevalent. With the exception of the growth in condominiums and/or townhouses, the general trend for new housing production is large homes. Inevitably, these cost more than their smaller counterparts. While we recognize that market trends dictate much in terms of housing size, surveys of consumer preferences have also shown that if more housing options were available consumers would often choose smaller housing. If the new housing in the county continues to be predominantly large, little of it will be affordable. Eliminating regulatory barriers that prevent the construction of smaller homes is one way to encourage diversity in housing size and cost. Encouraging localities to adopt

incentives that encourage developers to provide a greater mix of housing sizes could further help to improve affordability.

Promote Infill Construction and Rehabilitation of Existing Units. Many of these supply-side options focus on construction in newly developing communities. We would be remiss if we did not also highlight the opportunities to apply many of these strategies to infill construction and rehabilitation in existing communities. Oakland County has the good fortune of not having an extensive amount of blight or deteriorating communities relative to other parts of the region. Yet, where they exist there also exists an opportunity to increase affordability. Where there are vacant lots or units in older communities, facilitating new construction and infill can improve affordability. Many of the recommendations above can be applied to such situations, but the county and other stakeholders may want to develop special incentives, beyond those identified above, to encourage infill construction and rehabilitation in older communities. Oakland County already has a revolving loan fund for home improvements (i.e. the Home Improvement Program) and it has used federal funding to enable CHDOs to acquire, rehabilitate, and sell properties, but additional funding for major rehabilitation would further efforts to revitalize communities and provide affordable housing.

Work with HUD, MSHDA, and Owners of Subsidized Projects with Expiring Contracts to Preserve the Units as Affordable. The rental restrictions on a considerable number of subsidized housing units in the county are scheduled to expire in the next decade. If these units convert to market-rate, a considerable number of them will no longer be affordable to households with the greatest need. While it is likely that the owners of many of these units will renew their subsidy contracts, it is possible that some will not. HUD and MSHDA have already undertaken actions to help ensure that projects with expiring contracts are preserved as affordable. The county and its stakeholders would be well advised to work with HUD and MSHDA to identify the projects with expiring units and work with the owners of these properties to ensure that they are not converted to market rate. MSHDA's five year action plan and HUD's website detail specific strategies that can be pursued in this vain.

Consider Targeting a Portion of Newly Subsidized Units to Highest Need Populations. While the data show that affordability concerns cross many income groups, they also show a very clear need for assistance among households with the lowest incomes. Elderly, persons with disabilities, and other special needs populations also clearly face the greatest need. While it is important to ensure affordable units for the range of households with needs, housing stakeholders in the county might consider adopting policies that ensure a certain percentage of newly subsidized units are targeted to those households with the greatest need. Ideally, these units can be part of mixed-income or mixed-needs communities to ensure that concentration of high-needs housing does not occur.

Actions to Reduce Opposition to Affordable Housing (NIMBYism). While market activity has the most significant impact on housing affordability, one of the primary obstacles to providing affordable housing, especially for lower-income groups is opposition from citizens and government officials. This phenomenon, commonly referred to as NIMBYism (i.e. Not In My Back Yard), is often driven by fears that affordable housing will negatively influence property values, decrease tax base, increase service demands, and cause undesired changes in the social environment. The

absolute domination of high-cost housing in many Oakland County communities, the concentration of low-income housing in certain communities, and responses provided in several of our interviews suggest that NIMBYism is alive and well in parts of the county. Unless this is addressed, it is unlikely that much progress will be made on affordability, at least for the households at the lower-end of the income scale. No one has demonstrated a foolproof method for diminishing NIMBYism, but Oakland County has a unique opportunity to make advances in this area and serve as a national model. Some of the following actions have been adopted in other communities with mixed success.

Education On Impact On Property Values. There is growing evidence that affordable housing (when it is not heavily concentrated) does not have a negative impact on property values. In fact, under the proper conditions it can actually have a positive effect (Galster, 2003). Many communities in Oakland County have the “proper conditions” to avoid negative effects. If county, local, and private industry leaders were to engage in a campaign (targeted or broad-based) to increase the awareness of the impact on property values opposition to affordable housing might decrease in some communities. In fact, the county might be able to use existing data through the Equalization Division to demonstrate the actual impact in Oakland County.

Education on What Affordability Means. Most often when people hear the term “affordable housing” they assume it means subsidized housing for low-income people. This tends to elicit deeply held emotions about whether or not such housing is acceptable. Yet, there is growing recognition that affordable housing encompasses housing for a wide range of income groups. As the data presented in this chapter show, moderate- and/or middle-income groups also face affordability problems. Educating people on the true meaning of affordable housing and using terms with less stigma, such as “workforce housing” may help reduce NIMBYism in some communities.

Spotlighting Mixed-Income Communities. One of the most promising ways to minimize or eliminate the potential negative effects of affordable housing is to ensure that it is not concentrated, but is, instead provided as part of a mixed-income community. The government, nonprofit, and private sectors could identify existing mixed-income communities in the county and/or support the construction of new mixed-income communities (e.g. through subsidies, regulatory incentives, etc.) and widely publicize the positive characteristics of those communities to residents, builders, public officials and other relevant stakeholders. Seeing the positives of mixed-income communities might reduce NIMBYism.

Encouraging Utilization of Proven Design Techniques. Historically, affordable housing has not been aesthetically appealing, because the focus has been on minimizing design and construction costs. Throughout the country, private and affordable housing providers are recognizing that good design and construction does not need to be especially expensive. They have also recognized that some additional costs for good design and construction are worth incurring to ensure the long-term acceptability and viability of affordable housing and promote more livable communities for those living in the housing. There are numerous publications and demonstrations (some accessible through www.hud.gov or www.huduser.org) that show these designs and their impact on communities. In many

cases, the affordable units built in these programs are more attractive than existing units that are not as affordable. The relevant stakeholders in the county could engage in an effort to increase the awareness of the importance and impact of good design and construction techniques to increase the acceptability of affordable housing in selected communities.

Counseling or Special Services to Those Moving Into Subsidized Units. While many NIMBY reactions to affordable housing are unjustified, there is ample evidence to suggest that when lower-income households move out of an area of concentrated poverty into a mixed-income or middle-income area, they face social and community dynamics to which they are not accustomed. If they are moving to these neighborhoods as first-time homeowners, they may be unfamiliar with maintenance and other responsibilities of homeownership. It is becoming increasingly common for affordable housing providers to provide homeowner education and other counseling services to households that are moving into neighborhoods with different socioeconomic characteristics. This helps to minimize actions or inactions by the in-movers that might cause friction with existing residents. This practice could prove useful as mixed-income and/or affordable housing communities are built in the county.

Identifying Local Planning and Land Use Practices that Lead to Concentrations of Affordable Housing. One of the best ways to avoid possible negative spillover effects of affordable housing is to ensure that it is not heavily concentrated in a limited number of areas. The county, through its review of local land use plans, and broader interactions with local governments could help local governments identify practices that may be leading to concentration of affordable housing that could create negative consequences. This could be part of the regulatory barrier review and education campaign initiative discussed above.

Campaign to Improve Racial Understanding. History has shown that much, though certainly not all, of the opposition to affordable (especially low-income) housing is based in a concern among the racial majority that the people occupying that housing will be racial or ethnic minorities. In such cases, rather than being concerned about the presence of lower-income households, the residents are reacting to racial fears/biases. There is no easy way to tackle this issue, but addressing it could go a long way towards reducing NIMBYism. A creative campaign to increase appreciation for racial/ethnic diversity may be warranted. The campaign could be designed in collaboration with groups like the Oakland County branches of the NAACP, New Detroit, ACCESS, and other groups whose mission includes improving inter-racial/ethnic relations and understanding. Given the growing diversity of the county's population, such a campaign could have benefits far beyond the issue of affordable housing.

Other Actions. A variety of other supply-based actions might be taken that do not directly relate to land costs, the direct provision of affordable units, or NIMBYism.

Formally Declare Housing Affordability as a Priority for the County and Appoint a Central Contact for Making it a Reality. One way of pushing affordability in the county would be for the County Executive to declare housing affordability to be a formal priority and to create a central point of contact in his administration for dealing with affordability. This

would be a significant symbolic move and might encourage further action by others. It would also make it easier for those dealing with affordability to know whom to contact in the county government.

Repair and Energy Improvements to Rental Units. Another way of addressing cost of rental units would be to provide loans and other financial assistance for home repair to landlords who rent to low- or moderate-income families. The assistance could be targeted to repairs that improve energy efficiency and reduce utility costs, an important factor in the affordability equation. Some owners of rental properties, particularly those that have a small number of units, may want to make repairs, but may be reluctant to incur the costs for fear that they could not be recovered through rental income. Government assistance could encourage such landlords to make the repairs and ensure that the costs were not passed on to the renters.

Repair and Energy Improvements to Homeowner Units. Just as landlords who own single-family units may face financial obstacles to making repairs that lower housing costs in the long-run, so may homeowners, particularly elderly homeowners. The data showed that even among homeowners with no mortgage, affordability was a problem for some households. Such households face three types of housing costs (in terms of government definitions of cost)—utilities, insurance, and property taxes. Escalating home heating and cooling costs in recent years are likely to be a factor behind some of the affordability problems, among these owners. Thus, while the temporary assistance provided through The Heat And Warmth fund (THAW) and similar programs could be important for these owners, loans, grants, and technical assistance for home repair directed towards energy improvements could result in long-term improvements in affordability. Oakland County's Home Improvement Program and the Oakland Livingston County Human Service Agency's (OLHSA) weatherization program are the primary vehicles for financing repairs related to energy improvements for low-income owners in the county. We suggest continued support for these and similar programs, including increased funding.

Continue to Support Construction of Condominiums and Townhouses. Condominiums and townhouses have become increasingly common throughout the county. These housing styles are typically sold at prices that are lower than their detached-unit counterparts. Analysis provided elsewhere in this report shows that condominiums account for a lower share of all foreclosures than their share of housing sales would suggest. Thus, continued support of these housing styles could help promote greater affordability.

New Housing Options For the Elderly. Affordability problems are particularly prevalent for the elderly. Many of them likely live in housing that is too big and or too burdensome for upkeep. While nontraditional housing options have grown for the elderly in some communities, they have not caught on in Oakland County. Providing more options might enable elderly owners to move to more affordable and manageable units. Alternative housing might also help the county retain more of the 55 and older households that account for such a large share of people moving out of the county. Stakeholders could work with developers to determine if there are barriers inhibiting the provision of such units and, if so, what could be done to remove them. Increased availability of multifamily and condo units

(discussed above) and enabling construction of accessory dwelling units so that families can house their elderly relatives can help address the elderly housing issue. Enabling development of active living retirement communities; assisted living facilities; and continuing care retirement communities which provide housing and necessary services to residents as they transition from active, independent lifestyles to ones that are dependent upon nursing assistance, may also prove helpful.

Improving the Capacity of Nonprofit Developers. As we discuss in the housing delivery system chapter, there is a nascent nonprofit housing developer industry in the county. It is composed of a relatively small number of organizations that tend to focus their activities in a limited number of communities and the special needs portion of the low-income market segment. Many of them have or are developing impressive capacity. Additional funding is critical; yet, it is worth examining whether or not there are other ways in which the county government or other stakeholders could help improve the capacity of nonprofit developers in the county. This would help improve the potential that affordable housing for lower-income and special needs populations could be developed. We do not mean to suggest that there should simply be a greater number of nonprofits. In fact, growth in number could diminish capacity. Indeed, the focus of this option is to strengthen what is already in place and expand the ability of these providers to serve communities where there is unmet need. Including the Local Initiatives Support Corporation (LISC), the Michigan State Housing Development Authority (MSHDA), the Corporation for Supportive Housing, or other organizations with experience in nonprofit developer capacity-building is advised.

Improving Inter-Jurisdictional Collaboration on Housing Practices. The housing market is not constrained by governmental boundaries; yet, most planning and regulation of housing is. One local government's actions can have significant positive or negative impact on a neighboring government's housing market. It seems appropriate for the county to take on a greater role in facilitating coordination of housing planning and practices across the local governments that operate within its borders. This does not have to be a top-down authoritarian effort. The county is already involved in assuring that local land use planning processes have observed the necessary process for notifying neighboring jurisdictions of their plans. The county has also undertaken creative partnerships for facilitating natural resource and other planning by its local governments. Seeking ways to better coordinate housing planning and regulations seems a natural next step. Some of the actions discussed above may naturally evolve into greater collaboration, but stimulating and facilitating collaboration is a proper role for the county.

The regional nature of the housing market begs for better collaboration in housing planning and regulation among large governmental units within the region. Oakland County could take a bold leadership step in forging collaborative efforts to ensure an appropriate distribution of affordable housing opportunities throughout the region.

Improving Coordination of Housing and Transportation (and other infrastructure) Planning. There has been an historic disconnect in most regions between housing planning and planning for transportation and other infrastructure. This disconnect has often led to mismatches between housing development and infrastructure capacity. This can lead to

housing and other cost increases that the general public must bare. The chapter on land use and development capacity showed that in many areas where growth is anticipated much infrastructure will have to be developed. This provides the county with an opportunity to affect greater coordination between housing and infrastructure planning. We do not have specific recommendations on how to achieve this, but we suggest that the county look to efforts undertaken in other parts of the country and apply useful strategies within the county.

Investigate the Desirability of Increasing Allowable Densities in Communities Where Housing Capacity Deficits are Forecast. As noted in Chapter Seven, six communities, which are projected to account for 47% of total household growth in the county through 2030 are projected to have a housing deficit of over 26,000. Increasing allowable densities in these communities might enable them to avoid, or at least minimize, the projected deficits. The County could raise the issue with these communities and assess whether or not increasing allowable densities would be appropriate. Such efforts could be combined with developer density bonuses and other tools to ensure that a portion of the extra housing that could be produced under the new densities is affordable.

Create Geographically-Targeted Incentive Programs to Encourage Development in Communities with Existing Infrastructure and Surplus Housing Capacity. Another way of avoiding the projected housing deficits in select communities through 2030 is for a greater share of the projected growth to occur in communities where both existing infrastructure and surplus housing capacity already exist. Geographically-targeted incentive programs are one way of encouraging development in such communities. Through its Neighborhood Preservation Program and other initiatives, MSHDA has experience in facilitating development in existing communities. County stakeholders could work with MSHDA and other organizations to identify appropriate incentives and sources of funds for those incentives. If the county develops a housing trust fund, it could consider targeting a portion of the available funds to developing housing in areas with surplus capacity.

Tracking Community Indicators. The final chapter in this report identifies a variety of indicators that the county and its local jurisdictions can track to keep tabs on various community characteristics that are critical to quality of life. We highly recommend that the county and its jurisdictions adopt a useful set of indicators, establish data sources for actively tracking those indicators, report on those indicators regularly, and explicitly integrate those indicators into housing and community development decisions. In addition to helping stakeholders design and assess interventions, actively reporting information from a community indicator tracking system provides regular opportunities to direct people's attention to housing and community development issues.

Consider Adoption of MSHDA's Recommendations for Special Needs Populations as Outlined in its Five-Year Action Plan. As the state's affordable housing agency, MSHDA has developed considerable expertise in issues related to affordable housing, particularly for special needs population. MSHDA's Five-Year Action Plan (available at <http://www.michigan.gov/mshda/0,1607,7-141--125527--,00.html>) includes an array of recommendations designed to improve housing access and affordability for special needs populations. They range from broad to detailed. They cover both supply and demand-side

interventions. They cover issues from funding and technical assistance to program coordination and changes in state and federal programs. The details of these recommendations are important, but beyond the scope of this document. We strongly encourage county stakeholders to directly examine these recommendations related to special needs populations to determine which could be useful in Oakland County. A dialogue with MSHDA representatives who are knowledgeable about the recommendations could also lead to identification of options not presently detailed in MSHDA's action plan.

Demand-Side Interventions

Employer-Assisted Housing. Employers use employer-assisted housing (EAH) programs to help their employees attain quality, affordable housing. Through EAH programs, employers provide financial and/or technical assistance to employees to help reduce the cost of buying or repairing a home. EAH programs are a creative way of utilizing public-private partnerships to provide affordable housing. Sometimes this assistance is matched (in whole or part) by contributions from public or nonprofit agencies. Many EAH programs are demand-side programs that provide financial assistance to employees. The county and other stakeholders could work with major businesses to assess the utility of demand-based EAH programs in the county. A detailed report on EAH programs produced Dale Thomson, Ph.D. is available at www.cus.wayne.edu/cdbg (click on the Tech Docs tab). The report includes models of EAH programs used in other parts of the country. MSHDA is also engaged in a pilot effort to promote EAH programs in the Lansing area. Oakland County is a natural extension for such efforts.

Property Tax Relief. Property taxes are an important component of housing costs. While we were not able to provide a direct analysis of the impact of property taxes on affordability, they are certainly more relevant in some communities (usually the ones with the greatest need for revenue and the poorest populations) than others. Moreover, regardless of whether property tax levels are appropriate, the bills simply put some households over the edge. The various stakeholders should examine whether or not there is the potential to provide (or increase) property tax relief for households with particularly high affordability problems. Given the fundamental role that property tax revenue plays in supporting services, it would be difficult to enact widespread relief for most households who face affordability problems. However, relief targeted to older homeowners, particularly those with low-incomes, might have significant impact. It might also reduce other government costs incurred when special collections, liens, or foreclosures must be pursued to recover tax payments on such properties. Such tax relief might require changes in state laws.

Initiate a Systematic Study of the Impact of Property Taxes on Housing Price Since Passage of Proposal A. Many stakeholders that we consulted for this study raised property taxes as an issue of concern. The impact of changes in property tax law since passage of Proposal A was identified as a particular concern when it came to selling homes. As with land prices, we recommend that the county initiate a systematic study of the impact of property taxes since passage of Proposal A. This information might identify the need for policy changes and, if so, could provide useful data for pushing legislators to adopt the proper changes. If

the study identifies no need for changes, then it could help the county direct stakeholders' attention to the more critical issues impacting housing in the county.

Utility Assistance. One housing cost component that has become increasingly important, in recent years is utility costs. This particularly true for elderly households and other fixed-income households. Expanded financial support to programs like The Heat and Warmth Fund (THAW) that provide utility assistance to low-income households could have a noticeable impact on affordability for both renters and owners, particularly during the winter months. Moreover, this is a relatively low-cost means of serving a large number of households. County stakeholders should explore options for providing additional funding for utility assistance programs.

Mortgage Foreclosure Assistance. Homeowners that face affordability problems are at high risk of defaulting on their mortgages, especially during periods of economic decline or slow growth. When default occurs, foreclosures often follow. Foreclosures have a debilitating credit, wealth, and mental impact on the homeowner. They can also have a debilitating effect on the neighborhood where the foreclosure occurs, as investors often purchase these former homeowner units and turn them into rental properties or the properties lie vacant. As our analysis showed, foreclosures have greatly increased over the past several years, and they are especially problematic in certain communities. Providing mortgage foreclosure prevention assistance through counseling and small, temporary loans could have a very positive immediate impact on affordability and neighborhood stability. This assistance might be targeted to the communities identified elsewhere in this report as having an exceptionally high number of foreclosures compared to sales.

Downpayment Assistance. A common way of increasing access to affordable homeowner housing is by providing financial assistance to help buyers cover downpayment and other up-front costs of buying a home. There are a variety of ways through which this assistance can be provided. Under this option, the county would work with stakeholders to expand any existing and perhaps develop new downpayment assistance programs.

Use County or Local Bank Deposit Accounts as Linked-Deposits for Interest Buy-Downs. Over the past several years, interest rates for housing loans have been very low. As such, programs to try to reduce interest rates to improve affordability have not been a high priority. However, as interest rates rise their impact on affordability will grow. One creative way to provide low-cost loans to homebuyers is to work with lenders to “buy-down” interest rates from them. Interest rate buy-downs generally require the government to provide a cash grant to lenders to compensate them for the interest revenue lost by providing loans at below-market interest rates, but an alternative means of financing buy-downs is through linked-deposit programs. In a linked-deposit program, for each loan issued by a private lender, the government deposits an amount equal to the loan and agrees to accept an interest rate on that deposit that is below the market rate. The difference between the market rate and the actual rate on the deposit equals the interest rate discount provided to the borrower. As they are funded through foregone interest revenue, rather than direct expenditures, linked deposits can be an attractive way of financing buy-downs.

Promote use of FHA's Home Equity Conversion Mortgage to Provide Seniors a Means of Paying for Housing Costs. The Federal Housing Administration (FHA) provides a reverse mortgage product known as the Home Equity Conversion Mortgage (HECM) designed to provide income to home-rich but income-poor seniors who are unlikely to qualify for a home equity loan, because of insufficient monthly income. Income provided by HECM can be used to finance home repairs. A recent evaluation of HECM indicated that participants in the program were generally very satisfied (Rodda, Herbert, and Lam, 2000). The county's role in promoting greater use of HECMs would be to publicize the program, assist in educating consumers on the pros and cons of the program, and/or subsidize origination/servicing costs paid by borrowers, all of which are primary limitations to greater use of HECMs. If necessary, the county might also work with Fannie Mae (only secondary market purchaser of these loans) to obtain a commitment to purchase a certain number of loans from banks that issue the mortgages within the county limits. This might entice greater bank participation in the program.

Support for Broader Housing Counseling. Housing counseling refers to informational activities and technical assistance provided directly to clients with permanent housing for the primary purpose of enabling those clients to acquire and/or retain decent, safe, and affordable rental or owner-occupied housing. Housing counseling can be applied to very specific purposes, such as reverse equity financing, foreclosure prevention, or acclimation of new renters (as noted above), but it can also focus on broader issues. With the growing difficulty of finding affordable housing in Oakland County, the increased flexibility of home purchase financing, and the increased sophistication of unscrupulous and predatory lenders, ensuring that consumers (i.e. homebuyers and renters) are informed of their options and responsibilities is more critical than ever. One need look no further than the growing prevalence of foreclosures in the county for evidence of what can go wrong when consumers are not fully informed. Housing counseling can be provided at relatively low cost, but funding for high quality, reliable financing is minimal. Oakland County currently provides housing counseling with federal funds. It is important to retain this counseling and expand it where possible. The county, local, and state governments should look to ensuring a reliable source of adequate funding for housing counseling for those seeking housing in the county. In doing so, stakeholders should make every effort to ensure that housing counseling is provided in a systematic, coordinated manner. More information on housing counseling and systemization of housing counseling is available from *An Examination of Housing Counseling in Detroit*, produced by Dale Thomson, Ph.D. of the research team that produced this housing assessment for Oakland County.

Consider New Forms of Government Financial Assistance for Rental Subsidies. In the list of supply-side recommendations we discussed increasing government financial assistance for affordable housing. Some of that assistance can be targeted to supply-side interventions, but some of it would properly be targeted to increasing rental subsidies to households. There is clearly a need for some assistance targeted to renter households, and with federal assistance for this group dwindling, some source will need to fill the gap. As they seek to increase overall governmental support for affordable housing, the county, state, and local governments could consider creating new forms of rental subsidies that are targeted either to households with extremely high needs or those who are just missing out on the existing

subsidy programs. The former could address a high-level need, but would likely not serve a large number of households since subsidies per household would be high. The latter could serve a less obvious need, but a larger number of households and, perhaps, give those households just the boost they need to push them out of predicaments that limit their ability for economic growth.

Consider Adoption of MSHDA's Recommendations for Special Needs Populations as Outlined in its Five-Year Action Plan. As the state's affordable housing agency, MSHDA has developed considerable expertise in issues related to affordable housing, particularly for special needs population. MSHDA's Five-Year Action Plan (available at <http://www.michigan.gov/mshda/0,1607,7-141--125527--,00.html>) includes an array of recommendations designed to improve housing access and affordability for special needs populations. They range from broad to detailed. They cover both supply and demand-side interventions. They cover issues from funding and technical assistance to program coordination and changes in state and federal programs. Discussing the details of these recommendations are important, but beyond the scope of this document. We strongly encourage county stakeholders to directly examine these recommendations related to special needs populations to determine which could be useful in Oakland County. A dialog with MSHDA representatives who are knowledgeable about the recommendations could also lead to identification of options not presently detailed in MSHDA's action plan.