CHAPTER 8: HOUSING CONSTRAINTS

Introduction

In formulating a strategy to address its housing needs, the county government and relevant stakeholders must understand the constraints that they face. This chapter of the housing needs assessment outlines various types of constraints that often impede a community's ability to ensure that an adequate supply of decent, safe, and affordable housing is available in neighborhoods with high quality of life throughout the county. The chapter also shares our findings regarding the extent to which the constraints exist in Oakland County.

The research on affordable housing identifies numerous potential constraints to the provision of affordable housing. In this chapter we separate these constraints into three categories—market constraints, capacity constraints, and regulatory barriers. Market constraints refer to obstacles that result from the interaction of housing supply and demand. In other words, they relate to how current housing market activity impacts the cost of housing. Capacity constraints include a variety of factors that relate to the capacity of the housing delivery system to meet the need for affordable housing. Factors, such as financing, staffing, and expertise would fall into this category. Regulatory barriers include an array of federal, state, and local laws/regulations that can make it difficult to provide housing at a price that is considered affordable. In the following sections we address each category of constraints separately. Options for addressing the constraints are presented in the recommendations chapter.

Summary of Findings

All three types of constraints exist in Oakland County. The most significant ones are market-related. They include the insufficient availability of low-cost land that can be developed at densities sufficient to meet demand; public opposition to the development of affordable housing (NIMBYism); consumer demand for large units with many amenities; consumer demand driven by the high quality of housing and quality of life in the county; limited housing searches by recent in-movers; cost of property taxes and utilities; and labor and materials costs for low-income housing.[1]

Constraints related to the capacity of the affordable housing delivery system compound the challenges posed by market constraints. Primary capacity constraints include insufficient funding for public and nonprofit affordable housing and service providers; inadequate awareness of the need for, and benefits of, affordable housing among the general public and elected officials; and a lack of government infrastructure for providing affordable housing in some communities.

Regulatory constraints further complicate efforts to provide affordable housing throughout the county. Primary regulatory barriers include the imposition of aesthetically-oriented building requirements (e.g. percentage of exterior covered by brick, type of roofing material, etc.) within subdivisions; inconsistent application of building codes and/or adherence to development approval procedures in some communities; large minimum lot sizes in some communities; and the failure of

[1] The acronym NIMBY stands for Not In My Back Yard. It refers to the tendency for households (individually or as a group) to reject efforts to place affordable or special needs housing in close proximity to their homes.

most communities to explicitly address affordable housing, multifamily housing, or special needs housing in master plans. Additional investigation of regulatory barriers at the community level would help the county identify and alleviate regulatory barriers in specific communities.

Market Constraints[2]

Market constraints refer to high housing costs that result from normal housing market activity in a given geographic area.[3] Most affordable housing in the United States is not provided through government or nonprofit programs or activities. Rather, it results from the cumulative effect of countless transactions—sale or rental of new or existing units—that take place between individual households in the private housing market. These transactions are bounded by fundamental realities of supply and demand. Often, the cumulative effect of these transactions can create constraints for ensuring an adequate supply of affordable housing.

Supply-Side Constraints

The supply side is driven by the construction, or lack thereof, of new units by the private sector.[4] Construction of new units can increase affordability in in three ways. First, the new units that are built are sold or rented at prices that are affordable to some group (sometimes moderate- and lower-income groups). This directly increases the supply of affordable units for these groups. Second, as new units are built, the overall supply of housing increases and the cost of all housing drops relative to the cost if no new units were built. Third, new units tend to be more attractive to buyers than existing units. This lessens the demand for older units, which causes their price to decrease relative to what it would be without the new units being added. In turn, households are able to upgrade their housing (i.e. buy better housing) at less cost than before the new units were built. Gradually, this process causes the homes at each price level to be more affordable than before the new units were built as households who formerly occupied them move up into newer housing. Units at the lower end of the price range that may have been unaffordable to many households at the beginning of this process eventually become affordable to those households. This process is known as filtering.

Admittedly, the presentation of these supply-based impacts is oversimplified. Moreover, we do not wish to imply that new construction is the sure answer to affordability problems. Our main point is to emphasize the critical role that private sector housing construction can play in increasing affordability. Too often, government-driven efforts to improve affordability fail because they do not fully consider the potential impacts of government actions on, or relative to, private market production. That said, government action is often warranted to enhance affordability in situations where the market is failing to provide a sufficient supply of affordable housing.

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[2] This discussion of market constraints focuses on the market within Oakland County. Housing markets are regional. What happens in the housing markets in Wayne, Macomb, Genesee, Livingston, and other counties in the region impacts the housing market in Oakland and vice versa. Any attempts to remedy market constraints must recognize this relationship to be effective. Our focus on Oakland County's housing market is not intended to ignore this reality.

[3] We use the term "normal" here to mean typical. In other words, we are not referring to price impacts caused by a temporary market aberration.

[4] Demolition of units can also be a critical supply factor, but it is not especially relevant for the present discussion.

Insufficient Land for Housing Production

So, what are the main supply-based constraints that may arise? The ultimate constraint is when there is simply insufficient land (or insufficiently zoned land) available to allow construction at a pace significant enough to ensure an adequate supply of housing. This is a simple numbers game. How much housing needs to be built, and do we have enough adequately zoned land to build it on? Insufficient land will constrain all three ways in which increased housing supply can impact affordability. As noted in our chapter on land use, at the county level, this does not appear to be a problem. The county has sufficient land capacity to accommodate the expected household growth over the next twenty-five years. Availability of adequately zoned land will become increasingly important towards the end of this period, but there is sufficient time to enact policies (e.g. re-zoning, increasing allowed densities, etc.) to address this concern. At the individual community level, the supply of adequately zoned developable land is a greater concern. The extent to which it is a concern varies considerably.

High Cost of Land that is Available

In the preceding discussion we intentionally ignored the costs of the homes that would be constructed in order to focus on simple availability of land. Inevitably, however, we must directly address the cost of the housing being built on the available land. If the cost of the new housing built is high, then the ultimate impacts on affordability can be minimal.

Many factors determine housing cost, and a key factor is the price of land. Price of land is determined by the confluence of land supply and demand. We do not have sufficient data to assess the specific impact of land costs on housing affordability.[5] However, our interviews and sales price analysis suggest that the supply of land as a factor in housing cost is much more relevant in some communities than others. It is especially relevant in those areas where housing demand is high. Yet, because demand for housing is generally high countywide, land costs inevitably play an important role in most parts of the county that can be expected to accommodate housing demand in the coming decade.

The cost of the land that is available seems to be a constraint on providing affordable housing. Some action by the county to address land cost may be warranted. While we would not suggest that action on the land cost constraint be delayed until more study on this specific issue is conducted, we do suggest that additional, more refined analyses are possible and should be conducted to help the county target its policies to those areas where this constraint is most relevant.

Insufficient or High Cost Labor and Materials

Two other primary determinants of the cost of new housing construction are labor and material costs. Our interview findings suggest that labor and material costs are a factor, but not the primary factors driving construction costs. In fact, there have been several advances in construction

[5] The research team attempted to use parcel-based assessor data on property characteristics and sales price to estimate the specific impact of land costs. While the data that were immediately available were insufficient for conducting the analysis, we believe that the county can create the data sets necessary to estimate the impact of land costs using their existing assessor databases.

materials and processes (e.g. pre-manufactured components) that have kept labor and materials costs down. The cost of some basic materials has increased, but materials costs have also tended to increase because of consumer demand for higher-end materials in their homes. Overall, the impact of labor and materials costs on affordability tend to be a more relevant factor when examining construction costs for homes at the low end of the cost scale where shaving off small percentages of cost can make the difference between an affordable and unaffordable home. So, labor and materials costs appear to be market constraints primarily for lower-end housing. There is little that the county can do to address these costs. However, encouraging the use of pre-manufactured materials and other processes that reduce labor costs might yield some results. This can often be done through changes in building codes or incentive-based programs that reward builders for using these materials and processes.

NIMBYism and Concentration of Low-Cost Housing

Even when all of the other market factors support construction of affordable housing, it may be prevented by overall community opposition to affordable housing. NIMBYism (Not In My Back Yard) is the term commonly applied to an attitude that is prevalent throughout the country—a general opposition to the location of affordable housing by residents of the community where the housing is to be located. Most commonly, NIMBYism is targeted to low- or moderate-income subsidized housing. Though, in some upscale communities middle-income housing is also subjected to this attitude. NIMBYism often manifests itself in development procedures, zoning, or land use laws that make it difficult or impossible to develop affordable housing. We discuss the specific regulatory barriers that can be created by NIMBYism later in this chapter. Yet, even where development of affordable housing is possible, obvious community opposition to such housing can cause developers to avoid the area altogether.

Motivations for NIMBYism vary considerably, and some are far more justifiable than others. The important thing to understand is that NIMBYism can significantly limit the supply of affordable housing in a community. Yet, in areas where the NIMBYism is less entrenched and not rooted in racism or other difficult to overcome beliefs, communities and the private sector can take steps (e.g. community meetings, high quality property management teams, high design standards, education/information campaigns, etc.) that reduce community opposition and increase the potential for affordable housing to be built. In other communities, more draconian measures may be required to force communities to accept affordable housing.

It is difficult to directly access the presence of NIMBYism in a given community absent obvious failed efforts by developers to build affordable housing. Yet, there is ample evidence to suggest that NIMBYism (based on a variety of rationale) is a factor limiting the supply of affordable housing in Oakland County. Several interviewees mentioned it as a factor and even a casual observer of racial and economic dynamics in the Detroit metropolitan region can see that NIMBYism is alive and well in much of the region. Oakland County would not appear to be exempt from this generalization.

Moreover, it is clear that much of the housing that is affordable to low- and moderate-income households, including subsidized housing, is heavily concentrated in a limited number of communities. This suggests that NIMBYism is present. In fact, representatives from communities where this housing is concentrated have expressed concerns that people throughout the county believe that the proper way to address housing affordability is to concentrate low-cost housing in the communities where it already exists. This can lead to a self-fulfilling prophecy. The negative impacts of subsidized housing, to the extent they exist, are most relevant when this housing is concentrated. People perceive the negative effects by focusing on the places where the housing is concentrated. This leads them to reject such housing in their community, which leads to further concentration in those communities where it is already located.

Demand-Side Constraints

The demand side of housing market transactions is driven by multiple variables too numerous and complex to address in this report (e.g. family size, quality of services, style of housing, household income, etc.). The key is to remember that changes in consumer demand for housing in a given community can have substantial impacts on housing price that are independent of supply. These changes can overwhelm, or significantly alter, the impacts of changes (or lack of change) in housing supply.

Basic Demand Factors

Demand changes resulting from changing preferences for housing types and styles can be especially relevant for communities that are “built-up” and are, therefore, limited in their ability to respond to these changes. When such a situation exists, housing in those communities tends to become more affordable. Yet, since housing demand is driven by many factors beyond the characteristics of the housing unit itself (i.e. community factors, such as schools or proximity to employment), changes in demand can impact any community and impact affordability in either a positive or negative direction.

Demand impacts both new and existing housing, and it is worth discussing these impacts separately. In communities where the supply is older and already well-established, increased demand for newer and bigger housing with more modern amenities would tend to drive housing costs down. This is what we would expect to see in many older Oakland County communities. Yet, our affordability findings suggest that this dynamic is not prevalent in the county. Many of the county’s older communities, including those with housing units that are relatively small and lacking modern amenities, face considerable affordability problems. While some of these problems are clearly associated with lower incomes of the households in these communities, many also seem to be driven by high housing cost. In these cases, the filtering process does not appear to be ensuring adequate affordability.

We speculate that at least four demand factors are minimizing affordability improvements in these communities. The first is that while some of these communities have older housing, the quality of the housing is high and the style is appealing. Hence, the demand for the housing remains high. The second factor is that demand in many of these communities is being driven by the perception of a high quality of life. Thus, households are weighing non-housing variables quite high when making their purchase decisions. This is a good thing for community sustainability and the building of wealth among homeowners, but it limits affordability. The third factor is that although housing prices in many of these communities may still be unaffordable for many households moving into the community, they are noticeably more affordable than much of the newer housing in other parts of the county. The fourth factor, which is most relevant for a limited number of southeastern Oakland County communities, is that a noticeable portion of new in-movers to these communities have been African-American households from Wayne County. Although African-American households are moving into an expanding number of communities throughout the region, those moving into Oakland County for the first time tend to limit their housing search to a small number of communities (e.g. Southfield, Oak Park, Lathrup Village). This drives up demand in those communities higher than it would be if African-American households were moving into a larger number of Oakland County communities.

Demand impacts the supply of newly constructed housing in terms of how many homes are built and where. Yet, demand also impacts the type of housing built (i.e. the size, style, amenities, etc.). In Oakland County, much of the new housing that is being built is relatively large and contains many modern amenities. In other words, it tends to be relatively higher cost housing. So long as demand for this housing remains high, developers/builders will not be inclined to build less expensive housing.[6]

Yet, the county has also seen a growing number of condominiums and townhomes built over the past several years. Our sales analysis confirms that this housing tends to be less expensive than traditional detached units. However, it also shows that the price for this housing is still too high for many moderate- and lower-income households to afford. Thus, even when the style of housing being built is more affordable, some combination of market demand and land costs (and possibly regulatory factors, see discussion below) are causing the price to be less affordable than we might expect.

Property Taxes, Property Insurance, Utilities, and Property Upkeep

In addition to housing price, four additional elements factor into the housing affordability calculation—property taxes, property insurance, utilities, and property upkeep. The first three factor directly into the affordability calculation. The last is more indirect. All four of these factors tend to be tied to geographic location and, therefore, can significantly impact demand in a particular community.[7] Our research for Oakland County and other jurisdictions indicates that these factors have significant cost implications in many parts of the region, and at least some are likely creating affordability constraints in some Oakland County communities.

Property tax rates clearly vary by community; so, they have a differential impact across the county, playing a more significant role in some communities than others. In fact, when we directly integrated actual property tax rates into our affordability calculations (see affordability chapter) we found that homeowner housing was less affordable than standard ratios would suggest. Numerous interviewees also suggested that the jump in taxable value that tends to occur when homes that have

[6] This is not meant to imply that the style/type of housing is driven totally by demand. There is ample evidence that developers limit the type style of housing available much more than consumers would like in many places throughout the country. Even if that is the case in Oakland County, the market dynamics suggest that consumer demand is a predominant force behind the style/type of housing being built.
[7] Of these four elements, utility cost would be the least likely to vary within the county. However, it will vary significantly by region.

been out of the market for years are sold has had tremendous negative impacts on affordability for new buyers. On the other hand, those owners who have been in their homes for years have been benefiting from the caps on growth in taxable value. While we cannot assess the net impact of the state changes in property tax laws, this is an issue that many stakeholders would like to see examined more closely.

Property insurance appears to be much less of a concern countywide. However, it may be of greater relevance in more urban communities where insurance companies tend to impose higher premiums. We did not directly examine the cost variation by community and, therefore, cannot state with certainty that this is an affordability constraint.

Utility costs have grown substantially over the past several years, and they appear to be headed for major increases in the near future. Undoubtedly, utility costs are a growing factor in affordability concerns. This is especially true for households living on fixed incomes (e.g. seniors) and households that live in older homes that have more inefficient utility systems. Yet, it is likely to be a concern for many buyers of larger homes who, though they have more efficient utility systems, have to heat larger homes. The county is limited in what it can do to alleviate utility costs, but there are some options (see recommendations chapter).

Property upkeep costs are not officially part of government-based formulas for calculating affordability. However, they are certainly a factor, both in terms of the direct costs for repairs and the indirect impact that homes in disrepair have on utility costs. Upkeep costs are more likely to be a factor in older communities where families earn lower incomes.

So, demand for large units with many amenities; a perception of high quality housing and a high quality of life in the county; limited housing searches by recent in-movers; and property taxes and utlities all appear to be demand factors that place upward pressure on housing prices in the county. Clearly, the county does not want to do anything to damage the high quality of life in the county, but actions would appear necessary to help improve affordability. Many of those would be targeted to the supply side constraints, but some actions may be more appropriately targeted to these demand side constraints.

Capacity Constraints

Capacity constraints are those factors that limit the ability of the existing housing delivery system to meet the current or projected need for affordable housing. As discussed more fully in our previous chapter on the housing delivery system, the capacity of Oakland County’s housing delivery system varies by the cost of housing. The capacity is well-established for the upper-income sector. The middle-income sector also has strong capacity, but tends to orient itself to the upper income end of this sector, because of the market demand for such housing. The low- to moderate-income component of the delivery system is where capacity constraints are greatest.

The delivery system for the middle-income segment is functioning relatively well; however, there is growing evidence that this sector of the market is being crowded out by higher-income housing. It is difficult to assess the extent to which the “crowding out” or “creaming” of middle-income housing is due to delivery system constraints versus basic housing market dynamics. Many of the system elements are in place, but the market is driving the focus of those elements towards the upper-end housing. There is a demand for higher cost housing and the delivery system is trying to meet it. Recent market stagnation might cause a shift back towards middle-income, but this may take some prompting through actions from the government such as changes in zoning. In addition, some of the inputs to the middle-income delivery system may also be driving costs higher than they would otherwise be. Materials and labor costs are two components, but the most common input identified as a limiting factor for the middle-income delivery system was land cost. Such claims are further supported by the growth in condominiums, which require less land per unit and the fact that while housing size and cost increased over the decade, average lot size did not change much. Further and direct analysis of land costs seems warranted. As noted above, and in the housing constraints chapter, planning and land use regulations may be further contributing to the shift from middle-income to upper-income housing in the county. Infrastructure costs may be having a similar effect.

The delivery systems for the lower-income and special needs market segments have the least capacity. These delivery systems are nascent and limited to a few geographic areas. The housing stock and affordability chapters demonstrated the lack of lower-income housing in the county and the extent of geographic concentration. While the efforts of the organizations directly focused on providing affordable housing are commendable, there are few of these organizations. They tend to focus on special needs housing (e.g. elderly and disabled), and the system components necessary to support their work are underdeveloped. There is inadequate support among the general public and elected officials. Land use regulations and development processes inhibit the production of low-cost housing. In many communities there is no government infrastructure to assist with the provision of affordable units. There is inadequate funding to provide the necessary volume of affordable housing. There is insufficient knowledge of the extent of affordability problems and the options for addressing them. Arguably, there are also an insufficient number of organizations specifically focused on ensuring an adequate supply of low-cost housing. These conditions all exist within a market that is pushing delivery systems towards upper-end housing. The result is relatively little lower-income and/or special needs housing.

Regulatory Barriers

Regulatory barriers include an array of federal, state, and local laws/regulations that can make it difficult to provide housing at a price that is considered affordable. As Schill (2004) suggests, these barriers can be classified into one of five categories—building codes, environmental regulations, land use and zoning, impact fees, and administrative processes. Developers frequently site regulatory barriers as inhibiting the provision of affordable housing. Yet, certainly, many of the regulations in these categories (e.g. building codes designed to ensure safety of building occupants) are adopted to serve an important public purpose. While such regulations may increase the cost of providing housing, the benefits often outweigh the costs. The challenge is to determine when such regulations are overly burdensome or unnecessary and/or when the cost of the regulation outweighs the social benefit. This is an extraordinarily difficult challenge. Part of the challenge is estimating the impact of regulations on housing cost and supply. Methodologically sound efforts to do so have been either nonexistent, contradictory, or difficult to interpret. (Schill, 2004)

In this section of the chapter, we discuss specific types of regulatory barriers and review the state of knowledge on the extent to which these barriers cause problems with affordability. We end the section by discussing our findings regarding the prevalence of these barriers in Oakland County.

Building Codes

"Building codes set forth the minimum standards that developers are required to meet when they construct [or rehabilitate] housing (Schill, 2004, p. 6)." They cover a wide array of housing issues, such as structural integrity, fire safety, plumbing, energy, and electrical systems. They can also cover the basic maintenance and operation of existing housing. At their core, these codes are designed to protect consumers and ensure the safety of households. Yet, there are times when these codes can unnecessarily increase the cost of housing through either substantive or administrative impediments. Substantive (a.k.a. technical) impediments are caused by codes that require questionable improvements, restrict cost-saving materials and technologies, impede scale and efficient production, or present other technical challenges. Administrative impediments relate to skill inadequacies, administrative conflicts, administrative delays, excessive fees, and other challenges that result from how the codes are enforced (Listokin and Hattis, 2004).

Listokin and Hattis provide useful examples of codes that may cause substantive barriers.. Here, we provide only a few examples to aid understanding. The "25-50 percent rule" that guides many rehabilitation codes is an example of one that might require questionable improvements. This rule states that if investment (through repair/rehab/improvement) in a home exceeds a certain threshold, the entire building, not just the area being improved, must meet standards for new construction. This can necessitate extremely expensive upgrades/replacement of existing housing components or, alternatively, encourage owners to invest only to the point below the amount that triggers the enforcement of the rule.

As stated earlier, many advances have been made in cost-saving materials and construction processes. Yet, changes in the building codes to allow such advances to be used are often slow. As a result potential cost savings are missed.[8] Listokin and Hattis identify the use of pre-cast foundation walls and wood/plastic composite exterior trim molding as two examples of advances that were prohibited by codes for a long time. There are also ample examples of communities allowing innovative materials/techniques before they have adequately demonstrated their appropriateness. Such occurrences demonstrate the need to temper revision of codes with a solid appreciation for the codes' overall purpose.

Cost savings from economies of scale can be impeded when there is a multiplicity of codes, when they are difficult to interpret, or when codes vary significantly across communities. This can create significant learning curves for architects, engineers, and builders that may artificially restrict competition. They can also prevent large-scale production of housing by single builders. For example, prior to HUD's establishment of a uniform code for manufactured housing (which is produced at a large and cost-efficient scale) diverse local codes were a primary obstacle to large scale production. Since the establishment of the codes, large-scale production is much easier, with

[8] Sometimes delay in changing codes for new technologies is advisable to avoid unexpected negative consequences from approving new technologies that have not been sufficiently tested.

individual manufacturers able to build as many as 60,000 homes annually in the late 90s (Listokin and Hattis, 2004).

Administrative impediments are those that result from poor administration of building codes. These types of barriers are discussed below under "Administrative Processes."

Listokin and Hattis conclude that studies of the impact of building codes on the cost of housing construction and rehabilitation are inconclusive. For new construction, they estimate that codes increase costs anywhere from one percent to more than 200 percent, with most of the more rigorous studies estimating costs towards the low end of this spectrum. For rehabilitation, the studies are fewer, but they generally estimate that revisions to rehab codes can result in significant cost savings per house. Such revisions can also improve the potential for revitalization of older communities by making rehabilitation a more attractive alternative than before the codes were revised. Unfortunately, most studies do not distinguish between codes that are excessive and those whose benefits outweigh the costs.

Yet, it seems clear that there are ample examples of building codes that do increase costs unnecessarily. Thus, investigating the impact of building codes can help identify specific, and relatively easy to address, constraints to building affordable housing.

Environmental Regulations

"Environmental regulations … are intended to improve the quality of the environment; preserve ecosystems;, including wildlife; and protect human health" (Kiel, 2004). Many of these regulations are driven by federal legislation, though state and local regulations are also relevant. Of all potential sources of regulatory barriers to affordable housing, this category tends to generate the most emotional and ideological debates.

Most environmental regulations do not directly target housing, but they can impact housing cost in various ways. First, they can restrict the supply of land available for development thereby increasing the cost of the land that is available (e.g. regulations prohibiting development on wetlands or in areas preserved for endangered wildlife). Second, they can increase costs for firms not involved in housing that are able to pass the costs on to developers/builders (and other parties) who must increase the prices that they charge to compensate for their increased cost. Third, they can impact the cost of construction materials that are directly impacted by the regulations (e.g. regulations mandating sewer vs. septic systems or high efficiency HVAC systems). Fourth, they can increase the direct costs of preparing land for development (e.g. environmental remediation of brownfield sites or demolition of buildings with lead paint/asbestos). Fifth, they can increase the time required to build homes and/or increase the risk that developers will face litigation for alleged violation of regulations (e.g. requirements for environmental impact statements and legislative challenges to those statements). Sixth, they can increase the cost of housing by improving environmental quality in communities and, therefore, increasing demand for housing in those communities (e.g. regulations mandating preservation of open space or improving air quality) (Kiel, 2004).[9]

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[9] The demand impact specified here is a direct impact. An indirect impact would occur if a regulation made homes in a particular area more attractive because of specific characteristics of the neighborhood not necessarily related to

Studies indicate that environmental regulations do increase the cost of housing, but the studies do not precisely estimate the marginal cost increases resulting from regulation (i.e. the true cost of the specific regulation). They also do not successfully distinguish among cost increases that result from restrictions on supply, increased materials costs, or increased demand (Kiel, 2004). Each source of cost has different implications. Most importantly, the studies rarely provide an adequate assessment of the benefits associated with the environmental regulations. Thus, the cost of the regulations cannot be compared to the benefits to determine the net impact on society. Regulations that increase costs while improving the quality of the environment must be viewed quite differently from those that increase costs while having only modest or even negative effects on the environment. As with building codes, however, there is an adequate theoretical, anecdotal, and research basis to justify an analysis of specific environmental regulations present in the county or its component jurisdictions to determine if they are causing unnecessary increases in the cost of housing.

Land Use and Zoning

Land use and zoning covers an array of potential restrictions imposed by local governments on the use (e.g. residential, commercial, industrial, etc.) or development (e.g. density of development, minimum lot size, etc.) of properties within their communities. Typically, these are reflected in a local community's zoning ordinance. Community's master plans can also impact these restrictions by establishing goals for land use that either necessitate the imposition or removal of land use restrictions. Historically, land use and zoning restrictions were based upon the separation of incompatible land uses (e.g. separating industrial from residential) to avoid negative spillover effects from one use on the other. More recently, however, they have been used in a more refined manner to ensure specific development standards or community characteristics. While the direct focus of these restrictions is on the physical characteristics of communities, the indirect and ultimate focus is often fiscal or social. At the extreme, such practices are termed exclusionary zoning because of their direct effect of excluding affordable or special needs housing. Such practices have become a dominant tactic for NIMBYism. From an affordability perspective it is important to consider not only those land use restrictions that are obviously exclusionary, but those that might have a more indirect and subtle effect on affordability, including affordability for middle-income households.

The variety of land use restrictions imposed by local governments makes it difficult to capture all potential impacts of the restrictions on housing price, but the effects that cause housing prices to increase can generally be classified in one of five categories:

1. Limits or geographic preferences on the density and intensity of development (e.g. minimum lot sizes / large-lot zoning);
2. High design and performance standards for lots and buildings (e.g. adherence to historic restoration standards or requirements for brick facades);
3. Cost shifting from the locality to the developer (e.g. impact fees);
4. Withdrawal of land from developable supplies (e.g. land preservation areas); and

environmental quality. For example, if regulations on emissions, fuel quality, or fuel economy made driving more expensive, demand for homes located near public transportation might increase.

5. Controls on growth applied against buildings or population (e.g. urban growth boundaries) (modification of Deakin, 1989, as summarized by Quigley and Rosenthal, 2004).

Tactics that fall into the first category can increase cost to consumers because they force consumers to buy more land than would otherwise be necessary to purchase a home in the community. They may also increase cost, because to maximize profit developers will be inclined to build more upscale housing on such lots and/or charge higher prices for homes built on those lots than if a higher volume of development were allowed. Density and intensity restrictions can also increase costs simply by reducing the overall supply of housing that can be provided in a community. This could also occur with withdrawal of land from developable supplies and growth controls (categories #4 and #5). Design standards and cost shifting increase housing cost by increasing the overall cost of building the housing. Some of these factors could also create demand side cost pressures by making the areas more desirable, thereby increasing demand and price. It is important to remember that price increases associated with a limited supply of housing can have spillover impacts on communities where restrictive land use and zoning policies do not exist. As prices in the restrictive areas rise, demand can shift to the less restrictive areas and, thereby, increase prices in those areas. Thus, restrictive land use and zoning practices can have price impacts beyond the boundaries of the community where they are enacted.

Table 8.1 provides another way of looking at land use/zoning restrictions alleged to increase housing cost by identifying some specific examples of these tactics. The original list is based on a study of practices in California in the 1990s. We have supplemented the list with some additional restrictions or more specific information for the restrictions already included in the list. Not all items on the list are assumed to be inappropriate in all cases, eventhough they may increase the cost of housing. Rather, the list is meant to identify common practices that can lead to cost increases and, in some circumstances may be unnecessary or even “exclusionary” (i.e. intentionally adopted to exclude affordable housing from a community).

As with the other regulatory categories, land use and zoning practices must be assessed in terms of costs relative to benefits before they are determined to be regulatory barriers. This often includes assessing whom they are benefiting/costing. For example, many of the land use/zoning tactics identified above (e.g. adequate facilities ordinances, impact fees, permit caps, and large minimum lot sizes) can be used as an effective means of promoting smart growth, which can include increasing investment in existing communities and retaining the rural way of life in outlying communities. Though, such practices can increase housing costs, the benefits in terms of patterns of development and their associated costs may outweigh the losses in affordability, especially if complementary measures are taken to offset housing cost pressures. On the other hand, these tactics can also be used in an exclusionary manner that has little, if any, positive impact on overall growth patterns.

As was true with research on the other types of regulatory barriers, some research on the impacts of land use and zoning on housing cost has demonstrated an association between land use restrictions and housing cost, but it has failed to produce conclusive, universally applicable findings. This is due to both the quality and focus of the research, as well as the great complexity of isolating the effects of specific land use/zoning laws. For example, while various studies show

Table 8.1—Land Use/Zoning Practices with Alleged Links to Housing Cost Increase

Category of Practice	*Specific Focus or Manifestation of the Practice*
Residential Development	▪ Building Permit Caps ▪ Population Caps ▪ Low permitted residential densities (e.g. large-lot zoning—less than 4 units per acre) ▪ Large minimum lot sizes or related restrictions (e.g. >2000-6000 sf minimum lot size, >60 feet min. lot width, low floor area to land area ratio limits, large lot setback requirements) ▪ Large site size requirements for Planned Unit Developments (PUDs)/cluster developments (e.g. 100 acres or more) ▪ Large minimum square feet requirement for new units ▪ Prohibiting condominium, townhouse, multifamily, or site-permanent manufactured housing ▪ Designating condominium, townhouse, multifamily, site-permanent manufactured housing, or other “affordable” housing as a conditional use (requiring special approval processes), rather than allowing it as a development by right ▪ High parking space requirements for multifamily homes ▪ Restrictions on group homes / special needs housing ▪ Downzoning multifamily to single-family or residential to open space/agricultural ▪ Prohibitions on Single Room Occupancy (SRO) units ▪ Referendums, super-majorities or other extraordinary procedural requirements for approval to increase density (i.e. up-zone)
Land Planning	▪ Growth management element in plan ▪ Development moratoria ▪ Urban growth boundary or other growth control ▪ Tiered development ▪ Subdivision caps
Adequate Public Facilities (APF) Requirements or Service Capacity Restrictions	▪ Roads / highways ▪ Mass Transit ▪ Parking ▪ Water supply, distribution, purification ▪ Sewer collection, treatment ▪ Flood control ▪ Schools ▪ Public safety ▪ Other
Development Impact Fees	▪ Covered separately in next section of this chapter.

Source: revised version of table produced by Levine (1999) and re-printed by Quigley and Rosenthal (2004).

housing price increases associated with development caps, restrictive density limits, and urban growth boundaries, the causal relationship is not clearly established. It could be that the restrictions drive the cost. Alternatively, areas with more expensive housing simply may be more inclined to enact such restrictions. A third interpretation is that the restrictions have a more indirect effect on price. First, the restrictions lead to improved quality of life in those communities (e.g. by less urban disinvestment in areas with urban growth boundaries), then the improved quality of life increases the demand for housing in these areas, which drives up price. In addition to problems establishing causal relationships, many studies on land use and growth control show little or no effect on price. (Quigley and Rosenthal, 2004). Clearly, some restrictions (e.g. prohibition of multifamily rental developments) directly limit the supply of certain types of affordable housing (i.e. it simply can't be built), but broader generalizations are not possible with the research conducted thus far.

Impact Fees

An impact fee is a special type of land use "exaction" placed on developers. Land use exactions require developers to provide, or pay for, some public facility or other amenity as a condition for receiving permission to develop a particular site (Been, 2004). Specifically, impact fees are special fees charged to a developer to offset some or all of the increase in public service costs associated with a new development. Impact fees are typically used to offset the cost of providing public infrastructure (e.g. water, sewer, roads, etc.) to the development, but they can be used for a broad range of services, such as schools and public safety.

The core rationale for impact fees is that they force developers (and/or consumers that purchase homes from the developer) to pay the cost of providing services to the new homes, rather than imposing those costs on the broader community. The extent to which impact fees increase housing costs depends upon the characteristics of the housing market where the fees are charged, the amount of the fee and the extent to which it is a substitute for property taxes, and a determination of whose housing costs we are asking about.

Impact Fees and Housing Market Characteristics. Typically, impact fees are charged directly to developers. They only increase housing price to the extent that the developer can pass the cost on to the purchasers of the homes built. The tighter the housing market, the more likely it is that the developer will be able to pass most of the costs to the purchaser. Thus, the potential for impact fees to increase housing cost for consumers grows as the housing market tightens.

Amount of Impact Fee and Extent of Substitution for Property Tax. Where impact fees are not used, infrastructure costs are typically paid through property taxes. Those taxes normally apply to all owners (new and existing) and reflect some combination of debt service for infrastructure that is currently being developed, has already been developed, or will be developed in the near future. In this way, existing owners bear part of the cost of infrastructure to serve new development. If the impact fee is designed to have new owners bear all the cost of new development, then the fee may increase housing cost for new owners, because it forces them to bear a higher share of the additional infrastructure cost associated with that property than if only property taxes were used. The situation is made worse if the property taxes charged to these same owners still include debt service for a portion of the infrastructure built to serve existing owners. Now, some of this cost increase might be offset if the new owners will not have to pay property taxes for infrastructure that serves future in-movers (who will also have to pay impact fees). But, the net result may still be a cost increase.

So, it can be argued that impact fees will always impose some additional costs on new owners relative to the cost that would have been incurred through traditional property taxes. However, the more the fee is a substitute for (rather than simply an add-on) property taxes, the lower the amount of the cost increase.

This begs the question of whether or not communities can and do charge impact fees that adequately reflect the true marginal cost of the services for the new development. If the fees are higher than the marginal cost than housing costs will be unnecessarily high even if the owners do not pay for any infrastructure through property taxes. If the fee is too low, then the owners may actually pay less for housing than they would if they paid the full property tax amount in lieu of the fee. Although models are available for creating reasonable estimates of these costs, they are inevitably reliant upon some assumptions that can be construed as inflating or deflating the cost inappropriately. Studies show that communities charge a very wide range of fees—from lows of under $3,000 per unit to highs of almost $50,000 (Been, 2004). This suggests that the probability that fees truly reflect marginal costs is modest.

Whose Housing Costs Are at Issue? A core issue in debates over the appropriateness of impact fees is who should bear the infrastructure cost for new development. Advocates of impact fees contend that existing homeowners should not have to bear the cost to provide infrastructure to new developments. When impact fees are instituted in a manner consistent with this philosophy, they may increase housing costs for new buyers, but decrease housing costs for existing owners relative to what would be paid in property taxes without the impact fee. Thus, impact fees can have opposite impacts for different households. Therefore, when assessing the cost of impact fees, you must determine which homeowners are more relevant for your inquiry.

Examining the true cost effect of impact fees involves economic models more complicated than implied by the preceding discussion. Several studies have utilized such models. They "generally show that impact fees raise the price of both new and existing housing" (Been, 2004, p. 21). Unfortunately, many of these studies still suffer methodological limitations. Primary among these is that they are generally unable to distinguish between price increases that result from higher valued housing (from services provided through fees and insulation from payments for infrastructure costs for future buyers) and those that do not reflect added value, but are more similar to a tax. Still, the association between fees and costs that these studies demonstrate warrant examination of impact fees in Oakland County to assess whether or not they are acting as regulatory barriers to affordable housing.

Administrative Processes

The final category of regulatory barriers—administrative processes—covers a wide range of governmental processes and procedures that governments use to ensure that housing development/ redevelopment projects meet all the necessary regulatory requirements. At its worst, it is the mind-numbing "red-tape" that bogs down the development process—the countless hoops that developers must jump through to take their projects from concept to finished buildings. At its best, it is a streamlined set of procedures that ensure the best interests of the general public are served without unnecessarily impeding needed and desired development.

Since regulatory administrative processes compose the system through which all regulations are administered, perspectives about those processes are inevitably tied to opinions about the underlying regulations. For example, if building codes are considered onerous, most will consider the process of administering those codes onerous as well. Yet, administrative processes have their own characteristics that can impose cost increases above and beyond those associated with the underlying regulations. For example, even the most efficient set of building codes can pose undue cost increases if they are administered in an inconsistent, unpredictable, and exceptionally slow manner.

As the overall set of housing development regulations is vast, so are the processes that are used to administer them. In spite of their number and diversity, these processes tend to create cost barriers in one of two ways—they delay the development process unnecessarily or they impose development requirements that are unexpected and directly increase the cost of construction. A third influence on cost that can result from either of these first two conditions is that developers simply avoid doing business in a jurisdiction that is considered to have onerous regulatory processes. This can diminish the overall supply of housing in that jurisdiction, thereby creating cost increases for the housing that is built.

As long as development regulations exist procedures will be necessary to administer them, and these procedures will cause some delay that developers would rather avoid. The challenge is to isolate those procedures and processes that cause unnecessary and avoidable time delays or changes in development requirements. May (2004) identifies three characteristics of administrative process that can be classified in this manner—cumbersome approval processes; overly rigid enforcement practices; and duplicative, patchwork administrative arrangements. We note that inconsistency in administrative procedures—a perennial thorn in the side of the building development industry—can cut across all three of these categories.

Cumbersome Procedures. As noted by May (2004), housing construction and major rehabilitation projects must typically work their way through a variety of steps even before work on the house begins. These range from pre-approval meetings with government officials to discuss the proposed development and the process that will be followed to review and approve draft and final plans for consistency with master plans, zoning, environmental regulations, building codes, etc. Some developments may require special studies (e.g. environmental impact statements, special engineering studies, etc.), community hearings, and administrative hearings. Permits must be applied for and approved and throughout the development inspectors will review progress to ensure compliance with codes and other agreements established through the pre-development process.

Each step in this process creates a point at which the project may be delayed, denied, or significantly altered. Even under the best conditions, the process is time consuming. Governments typically formalize the planning, review, and approval procedures that proposed developments must follow to receive final approval. These procedures delineate the power of each decisionmaking body at each step of the process, as well as ways that those objecting to decisions can appeal them.

Procedures often establish timelines that developers/builders must follow, as well as deadlines by which the government is expected to fulfill its obligations in terms of approvals, denials, modifications, or other directives.

Yet, the governments' deadlines are not always conducive to development timelines. In fact, sometimes deadlines for various stages of the process conflict with one another. Moreover, government entities don't always adhere to their guidelines, even when they are formally established in regulations. Delays at any point in the process, even when relatively modest, can set a development project severely off schedule and, consequently, significantly increase the costs for the developer. Moreover, processes sometimes allow numerous veto points where opponents of development may quash development projects late in the process even after all preliminary approvals have been received and developers have incurred significant costs.

When the key governmental actors involved do not establish clear timelines, do not adhere to established timelines or procedures, establish timelines that are unnecessarily short (for the developers) or long (for the approval bodies), do not coordinate their processes/decisions with one another, or do not recognize the time constraints faced by those seeking development approval, the process can become excessively cumbersome adding to development costs without necessarily improving regulatory outcomes.

Enforcement Standards. As suggested in our discussion of building codes, even well-intentioned regulations can have perverse effects when adhered to rigidly. While much of regulation is firmly established, many of those enforcing those regulations have some discretion. Some critics of regulatory processes argue that overly rigid enforcement can drive up costs without improving regulatory outcomes, and they encourage those enforcing the regulations to use their discretion wisely. Equally criticized is inconsistent enforcement of regulations across projects, inspectors/officials, developers, or jurisdictions. Opponents of inconsistent enforcement argue that it leads to uncertain, unpredictable development process, and these are two traits that developers abhor because of their potential to increase costs. There are also ample examples of inconsistent enforcement resulting from corruption within enforcement offices. So, here we have what appear to be two opposite sides of the same coin that are both viewed as potential cost barriers.

Administrative Patchwork. Fragmented administrative structures are a major element of cumbersome processes. This category of administrative process barriers refers to confusion and delay that is caused by the proliferation of agencies or other decision-making bodies involved in the process of administering regulations. Even for modest developments a variety of different agencies—Planning Department, Building Department, Fire Department, Housing Department, etc.—as well as different levels of government—federal, state, and local—can be involved. This increases the potential for duplication, conflicting processes/guidance, and uncoordinated processes.

Of all the regulatory barriers, administrative processes have the weakest base of analytical research. Existing findings

> … are based on a limited number of studies, almost entirely related to the regulation of building safety, which do not provide a strong base for drawing generalizations about housing impacts. Most of the studies only examine

> residential development and do not address multifamily housing or housing rehabilitation. None of the studies directly address the affordability or price of housing. And, none of the studies directly address the potential impact of procedural barriers in discouraging housing development or rehabilitation in the first place. (May, 2004, p. 3)

Yet, perhaps more so than for other regulatory barriers, the intuitive logic underlying the notion that administrative procedures often increase development costs justifies closer examination to identify and remove overly burdensome procedures that exist in the county. Certainly, anecdotal evidence suggests that procedures are a fairly important factor in determining the overall cost impact of regulations more broadly.

Findings on Regulatory Barriers in Oakland County

The consistent conclusion of research on all the regulatory barriers discussed above is that much more research needs to be conducted before we can definitively say which potential barriers increase housing price, how much they increase price, and whether or not the benefits outweigh the cost increases. That said, there is ample theoretical basis, empirical findings, and anecdotal accounts to justify focusing on each of these potential barriers in individual communities to determine if they are pushing prices upward and if those price increases exceed the social benefits resulting from the regulation.

Regulatory barriers can be numerous, complex, variable across communities, and originate from all levels of government. Comprehensively and conclusively assessing the presence of all regulatory barriers in each community is a task that goes beyond the resources and scope of the current investigation. However, we are able to make some preliminary assessments and identify potential regulatory barriers that warrant additional study. These preliminary findings are based on numerous interviews with housing industry representatives, government officials, and other community stakeholders, as well as reviews of land use plans and zoning for numerous communities within the county. We conclude that regulatory barriers are relevant in at least some portions of the county, but the extent to which they drive up housing prices is unclear. Again, these findings must be considered preliminary. While interview responses are insightful, they do not adequately demonstrate the presence (or lack thereof) of a barrier. While reviewing land use plans can identify obvious land use barriers, a review of planning processes and zoning ordinances at the community level is required to draw more complete conclusions. Further investigation of specific regulatory barriers and communities is warranted. Below, we provide some more specific guidance on the potential barriers that emerged from our inquiry. We provide recommendations for investigating barriers further and reducing their prevalence or impact in the recommendations chapter.

Building Codes. We asked several interviewees whether or not they were aware of specific instances of codes creating problems. No specific codes were identified, but some respondents indicated that inconsistent application/enforcement of the codes presented problems in certain communities. Further investigation for codes that lead to barriers seems warranted, particularly those that relate to housing rehabilitation. We provide some more specific guidance in this area in the recommendations chapter.

It is important to note that in addition to government-imposed building codes, many subdivisions have their own requirements regarding building materials and design. In many cases, these standards have considerable impact on the price of housing in those subdivisions.

Environmental Regulations. There is clearly a potential that environmental regulations are impacting housing costs in some Oakland County communities, particularly given the amount of environmentally sensitive land in the county. For example, 20% of Oakland Twp's land is set-aside for recreational/conservation use. Thirty percent of the land in Holly Twp is recreational/conservation. Many of the county's communities have taken proactive measures to ensure that significant portions of land are preserved across the community or within individual developments. The county's Planning and Economic Development Services Division has done a considerable job of providing information to communities to facilitate such efforts. Such decisions can have considerable positive impact on quality of life in the county. Some of the communities have taken positive efforts to allow for cluster development in areas where they want land to be preserved. This can offset some of the cost impacts of the preservation. Still, if the county chooses to further investigate the presence of other regulatory barriers to affordable housing, including environmental regulations in the mix seems advisable. Any such effort must also explicitly include an examination of the many benefits that may result from these regulations.

Land Use and Zoning. Our research staff reviewed actual land use plans or the Oakland County Planning and Economic Development Services Division's review of local land use plans and/or conducted interviews with planning representatives from 36 communities. The communities varied in size, geographic location, extent of development, and socioeconomic characteristics. We also conducted interviews with representatives from the county planning office, local planning offices, and local community development agencies. We specifically examined the extent to which affordable, multifamily, and special needs housing were explicitly addressed in the plans, as well as whether or not any specific land use and zoning barriers (see list presented earlier in this chapter) were obvious. We found some evidence of land use and zoning barriers to affordability. Again, we recommend further efforts to examine the potential land use and zoning barriers more comprehensively.

Affordable Housing. Of these 36 communities, only three explicitly addressed "affordable" housing as defined by HUD (Pontiac, Ferndale, Oak Park). Yet, each of these communities considered themselves to have a significant amount of affordable housing. While they acknowledged their communities' role in accommodating affordable housing, the focus of each community's affordability discussion was on the need for greater diversification (i.e. more higher cost housing) of their housing stock. To further this diversification these communities have instituted zoning restrictions to enlarge lot sizes or undertaken campaigns to induce builders of market rate mid- to upper-income housing into the area. In all three of these communities some "affordable" housing had been demolished or converted to condos.

In the older inner-ring communities (Hazel Park, Royal Oak Twp, Madison Heights) that have smaller workforce housing that could be considered affordable for first time buyers there is a push to diversify as well. In these communities it has become common for developers to buy two lots, demolish the existing structures, and build one new colonial home. Some interviewees suggested that this was driving the increased housing values and expressed a desire for this practice to continue, possibly through changes in regulations to increase minimum lot size.

Housing was not given a lot of detailed attention in most communities' plans. Most specify it as a planned land use and focus on acreage, total density, and lot size. Many make a comparison to the projected population for the community (i.e. is there capacity to meet need). However, few look, at specific types of housing, affordability, tenure, age , or other housing characteristics. The exceptions are notable. For example, Wixom provides more detailed analysis and views multifamily housing as a key land use in the future. When most communities address housing price or type, they do so through broad terms, such as "mix of housing". In fact, many communities mention housing price primarily through laudatory statements about how high the housing value is in the communities. While high housing value has benefits for revenue generation, householder wealth, and community sustainability, the planning emphasis that most communities place on high housing value supports speculation that many communities throughout the county consider affordability to be a rather low community planning priority. In such cases, even if planning or land use practices do not explicitly inhibit affordable housing, they certainly do not facilitate or encourage it.

Zoning/Land Use Barriers to Affordable Housing. In addition to not encouraging affordable housing development, some of the communities' land use and planning practices may be creating barriers to affordability. Land use plans for many of the more rural communities in the county have relatively large minimum lot sizes for most single-family homes. For example, most of Oakland Twp's single-family land is planned for densities of less than one unit per acre. In Addison Twp most is planned for one unit for every two to ten acres. In Groveland Twp, most single-family lots are expected to be restricted to one unit for every 2.5 acres. Addison Twp has recently down-zoned tracts of land to reduce allowed densities. Oakland Twp is intentionally limiting commercial and industrial uses, focusing on housing uses that can fully support service costs through taxes generated, and intentionally limiting the amount of paved roads. Even some closer-in communities, such as Milford, that have experienced considerable development in recent years have relatively large minimum lot sizes for much of their planned or existing residential use.

In most cases, these communities justify such land use practices as a way of retaining the rural character of the community and properly managing overall growth. These arguments are understandable and often justifiable. We do not wish to suggest that such decisions are misdirected. In fact, in addition to preserving rural areas, such practices can promote reinvestment in older, more urban communities. However, it is important to recognize upward pressures on housing price that such decisions can cause in these communities and other communities throughout the county. The county should be aware of this possibility and the potential need for various stakeholders to directly assist affordability in these communities and/or make affordability accommodations in other, less rural parts of the county. This may include financial incentives, regulatory changes, increased densities in existing communities, and a variety of other tactics (see recommendations chapter). It also seems important to ensure that where such restrictions exist, they are used to maintain rural character and not to promote creation or retention of exclusive, upscale communities that force less rural communities to accommodate all affordable housing needs. Several interviewees said they believed some communities in the county use exclusionary zoning tactics. Although not all of them identified specific communities or tactics used, there seems to be reasonable cause to investigate local land use and zoning practices more closely.

Multifamily Housing. Almost all of the communities explicitly address multifamily housing in their plans. Those that did not already had some of it within their boundaries. In all but the three communities that explicitly addressed affordable housing, multifamily housing was discussed in regards to increasing density, but not necessarily improving affordability. For example, Oak Park cited the former National Guard armory as a prime location as upper income condos. Moreover, many of the more rural communities have only a very small amount of land planned for multifamily use. Again, this could lead to limitations on the supply of housing that is considered affordable.

Special Needs Housing. Few communities explicitly address special needs housing (elderly, HIV/AIDS, housing for disabled, housing for the homeless) in their plans, and when they do they focus on elderly housing, as opposed to other groups. Of the 36 communities investigated only four explicitly discussed special needs housing in their land use plans. In each case, they focused on housing for the elderly. Despite the absence of elderly housing from most plans, there appears to be a growing recognition of the need to address it. There was virtual unanimity of opinion among interviewees that elderly housing is going to be one of the most important housing needs to address in the coming years. SEMCOG forecasts show that in a number of Oakland County communities will the 65 years and over population will account for close to 25 percent of their population in the next 15-20 years. Clearly, the housing industry will need to begin to address the structural characteristics of both existing and new housing in light of this future. Yet, most interviewees agreed that few communities in the county were doing much about it. Some interviewees suggested that developers are addressing elderly needs through various alternative living developments, but that current zoning inhibits the development of such communities in Oakland County. Informants did not identify specific zoning issues or communities where this was relevant. This issue seems worthy of further exploration.

Non-elderly special needs populations face even greater housing challenges. Oakland County is at a pivotal point for addressing the need for housing for persons with disabilities. A majority of disabled individuals in the county live with their parents or other relatives. Many of these individuals will soon choose or need to leave their parents' or other relatives' homes. Availability of housing with necessary physical accommodations and/or support services will be a big concern. Affordability will be a special challenge. As these disabled individuals leave their current homes, some will be able to work. Some will have family inheritances. Many will be dependent upon Supplementary Security Income (SSI) as are many adult persons with disabilities. Affordability is particularly challenging for SSI recipients in Michigan. On average, it requires 101.6% of a Michigan SSI recipient's benefit to rent a one-bedroom housing unit (O'Hara & Cooper, 2005). Therefore, as their parents age or children with disabilities choose to live outside their parents' or family members' home, there must be a housing arrangement ready to respond to this need. At this moment, Oakland County would be unprepared to react to this level of demand.

A general rule of thumb for persons with special needs is that options are available to persons on both ends of the income spectrum. Those with very little income can receive some assistance (although general Supplemental Security Income (SSI) payments for individuals was only $536 per month in 2005, and is expected to cover all living expenses), while those with resources (often tied to existing family supports) can access housing opportunities. It is the large cohort in the middle that is often left with few, if any, options. Group homes have been the most often used option for housing special needs persons in the past. Zoning restrictions, often brought about by citizen demands (NIMBYism), coupled with a desire by special needs individuals for more "regular" options, has changed the picture and will require Oakland County and its communities to reassess special needs housing opportunities going forward. There is no doubt that demand across a number of special needs categories will increase in the years to come. Such demands need to be dealt with, and embraced, by communities in order to be truly inclusive. A community is only successful when it is successful for everyone.

More detailed information on issues related to special needs housing can be found in Chapter Five of this report. Additional information on the relationship between land use and housing capacity can be found in Chapter Seven.

Impact Fees. To our knowledge, the State of Michigan has not passed an ordinance enabling local governments to impose development impact fees. We were not made aware of local governments using them in Oakland County; though, some interviewees said that some local governments are imposing various fees that are not labeled as impact fees, but really are.

Administrative Processes. There is clearly a feeling among many interviewees that while some communities in the county have excellent development/regulatory administrative processes, others' processes are very problematic. Most interviewees agreed with this general statement, though there was not consensus on which communities or processes were most problematic. Below, we summarize some of the specific findings in order to provide something beyond general statements. However, due to the lack of consensus among interviewees, we caution readers against drawing firm conclusions about specific communities. Some of the responses result from multiple experiences with a community, others result from one or two.

Outlying communities were identified by some as having problematic processes, largely due to their inexperience with significant housing development. In other words, the proper administrative infrastructure has not yet been established. Other than this group, no one category of communities (e.g. old, new, middle-income, upper-income, urban, etc.) was identified as having most of the problems. Inconsistent or insufficient code enforcement was mentioned for Pontiac and Waterford. Pontiac, Waterford, Rochester Hills, West Bloomfield, and Hazel Park were all identified as having inconsistent or otherwise problematic development processes. In some cases, the source of the problems was considered to be administrative. In others, it was considered to be political.

Conclusions:

The market may eventually alleviate some of the constraints related to consumer demand and land cost. If not, action by county stakeholders may be necessary to mitigate the impact of these constraints. Other constraints are unlikely to be removed simply through market transactions and will require actions by government, nonprofit, and private sector stakeholders. Those actions must be explicitly targeted to eliminating specific constraints.

Some of the market constraints affecting Oakland County are simply outcomes of a thriving housing market. Certainly, stakeholders would not want to eliminate these constraints at the expense of dampening the housing market. The challenge is to find ways of offsetting the constraints imposed by dynamics, such as high consumer demand. Targeted financial incentives to reduce land costs and/or encourage higher density development are options that might reduce market constraints without negatively impacting the overall market. Additional options are presented in the recommendations chapter. One market constraint that is not a positive and demands direct immediate action to eliminate is NIMBYism. Although no community has found a silver bullet for eliminating NIMBYism, education and outreach, combined with efforts to remove regulatory barriers that make it easier to prevent development of affordable housing are critical.

Education and outreach can also address awareness issues that limit the capacity of the affordable housing delivery system. But critical to any effort to improve capacity is providing additional funding. Regulatory constraints will also require direct action to eliminate. If not eliminated, they may undercut the impact of removing market and capacity barriers. Although we have identified some regulatory barriers, additional work to systematically identify and remove regulatory barriers will be essential. Additional recommendations for accomplishing this are provided in the recommendations chapter.