

Midland County



HOUSING ANALYSIS

2018

HOUSING ANALYSIS FOR MIDLAND COUNTY, MICHIGAN
Performed by czbLLC

czb



Acknowledgements

COLLABORATIVE PARTNERS

Midland County Habitat for Humanity
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United Way of Midland County
Omni Tech Int. Ltd.

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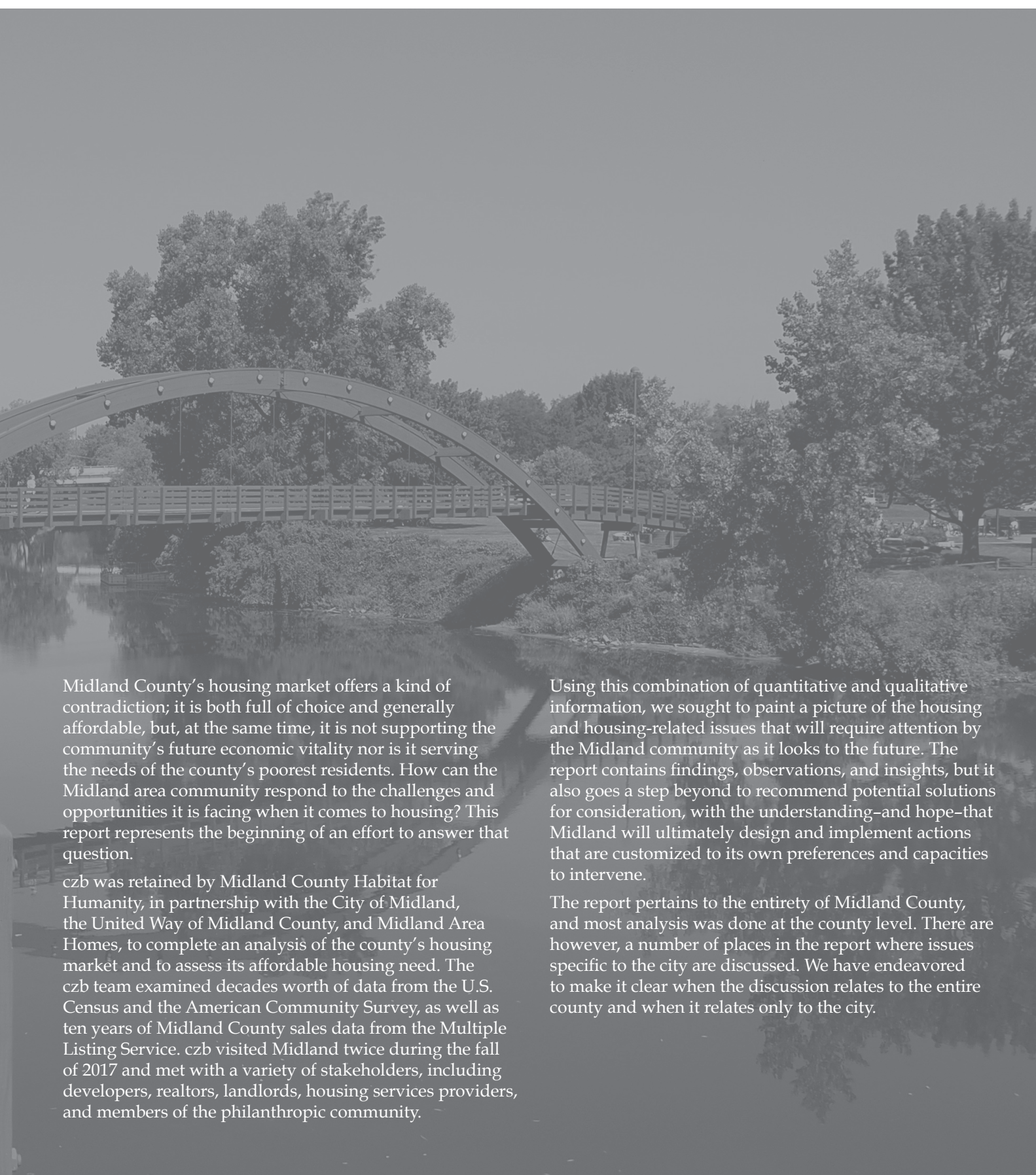
MIDLAND

City of Modern Explorers

PART 1

ABOUT THIS REPORT

Most communities in America seek to be both economically sustainable and socially equitable. The twin goals, in their combination, may be aspirational but they are worth striving for. To meet such lofty goals, a community must have a housing market that functions toward those ends.



Midland County's housing market offers a kind of contradiction; it is both full of choice and generally affordable, but, at the same time, it is not supporting the community's future economic vitality nor is it serving the needs of the county's poorest residents. How can the Midland area community respond to the challenges and opportunities it is facing when it comes to housing? This report represents the beginning of an effort to answer that question.

czb was retained by Midland County Habitat for Humanity, in partnership with the City of Midland, the United Way of Midland County, and Midland Area Homes, to complete an analysis of the county's housing market and to assess its affordable housing need. The czb team examined decades worth of data from the U.S. Census and the American Community Survey, as well as ten years of Midland County sales data from the Multiple Listing Service. czb visited Midland twice during the fall of 2017 and met with a variety of stakeholders, including developers, realtors, landlords, housing services providers, and members of the philanthropic community.

Using this combination of quantitative and qualitative information, we sought to paint a picture of the housing and housing-related issues that will require attention by the Midland community as it looks to the future. The report contains findings, observations, and insights, but it also goes a step beyond to recommend potential solutions for consideration, with the understanding—and hope—that Midland will ultimately design and implement actions that are customized to its own preferences and capacities to intervene.

The report pertains to the entirety of Midland County, and most analysis was done at the county level. There are however, a number of places in the report where issues specific to the city are discussed. We have endeavored to make it clear when the discussion relates to the entire county and when it relates only to the city.

PART 1





THE MIDLAND MARKET

Midland County, by the numbers, has not changed much since 2000.

In many ways, it has been a model of relative stability over nearly two decades. Population has increased only slightly. The number of employed people has decreased, but not as much as in the whole of Michigan. The decrease in employment is likely attributable to the aging population and not to job loss. (In fact, Midland County increased its total number of jobs by almost 10% from 2005 to 2015.) Incomes have risen slowly and steadily, continuing to outpace the rest of Michigan, but not fast enough to keep pace with inflation.



BY THE NUMBERS, 2000/2015

	MIDLAND COUNTY		MIDLAND CITY		MICHIGAN	
	2000	2015	2000	2015	2000	2015
 POPULATION	82,874	83,624	41,685	41,995	9,938,444	9,900,571
% CHANGE	↑ 0.9%		↑ 0.7%		↓ -0.4%	
 EMPLOYED PERSONS	38,813	37,406	19,747	18,822	4,637,461	4,373,518
% CHANGE	↓ -3.6%		↓ -4.7%		↓ -5.7%	
 MEDIAN HOUSEHOLD INCOME	\$45,674	\$54,059	\$48,444	\$53,722	\$44,667	\$49,576
% CHANGE	↑ 18.4%		↑ 10.9%		↑ 11.0%	
INFLATION ADJUSTED	\$64,857	\$54,059	\$68,790	\$53,722	\$63,427	\$49,576
% CHANGE	↓ -16.6%		↓ -21.9%		↓ -21.8%	
 AGE	36.3	40.9	36.2	38.6	35.5	39.5
% CHANGE	↑ 12.7%		↑ 6.6%		↑ 11.3%	

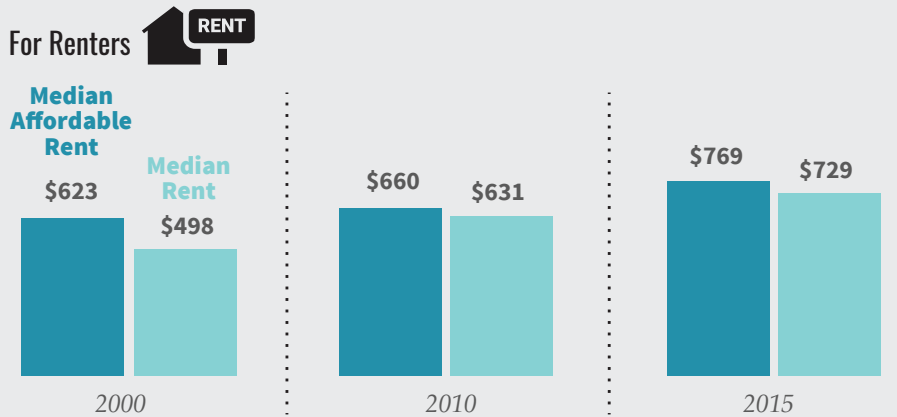
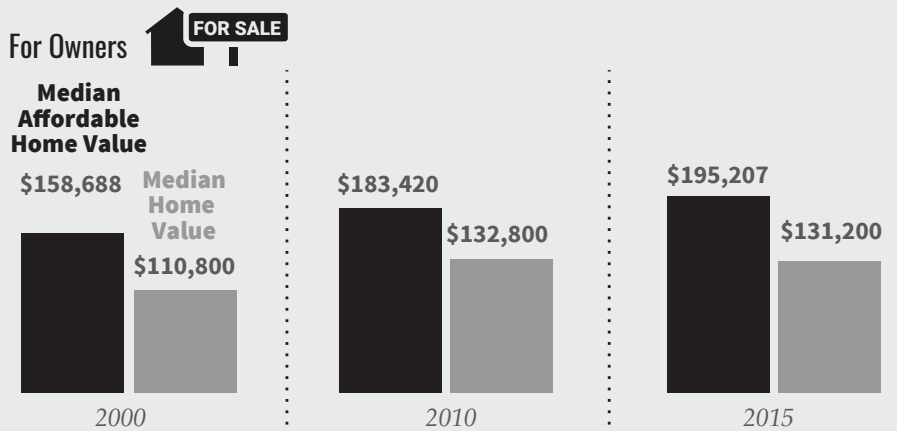
Source: czb analysis of 2000 Census and 2011-2015 American Community Survey Data.

MIDLAND COUNTY VERY AFFORDABLE OVERALL

Whether renters or owners, households in Midland County find themselves in some of the most affordable housing in the country. Based on accepted ratios of affordability (owners can comfortably afford a home valued at three times their annual income and renters can afford monthly rent valued at 1/36 of annual income), Midland has no overall affordability challenge. In relation to their incomes, owners in particular are getting quite a good deal, as the median value is far below what the median owner income can afford. Renters did not have it quite as easy by 2015, but Midland County's median rent has never outstripped the ability of its median renter to afford it.

Not all households are at the median of course. There is a spectrum of incomes for both owners and renters and different households have different options and constraints.

Midland County Affordability, 2000-2015



Source: czb analysis of 2000 and 2010 Census and 2011-2015 American Community Survey Data.

THE OWNERSHIP MARKET

A gap analysis illustrates the difference between the number of households in a given income range and the number of housing units affordable to that income range. Gap analysis for Midland County reveals the following:

Across the entire county, as well as in the city, there is an excess of ownership units affordable to all households earning less than \$75,000.

The excess of units available to those at the lowest incomes are low-cost units, which can be purchased for less than \$60,000. They are most likely to be some of the oldest and/or worst quality units available.

The largest deficit is in homes affordable to households earning more than \$75,000. These households, which at minimum can afford a home priced at \$225,000, have relatively few choices that are actually that expensive. Instead, they find a large amount of choice at price points well below that level. This reinforces, once again, the affordability of homeownership in Midland.



Gap between Owner Units and Owner Households by Income, 2016

HOUSEHOLD INCOME	Approximate AMI Range	UNIT GAP	
		MIDLAND COUNTY	MIDLAND CITY
Less than \$20,000	0-30%	965	223
\$20,000-\$34,999	30-50%	1,879	598
\$35,000-\$49,999	50-75%	2,794	1,638
\$50,000-\$74,999	75-110%	455	797
\$75,000+	110%+	-6,119	-3,316

Excess of homes

Largest deficit of homes

Source: czb analysis of 2012-2016 American Community Survey Data.

Why are ownership units so affordable in Midland County?

Midland County’s soft single family home market did not start yesterday. It is the result of trends that took root years ago.

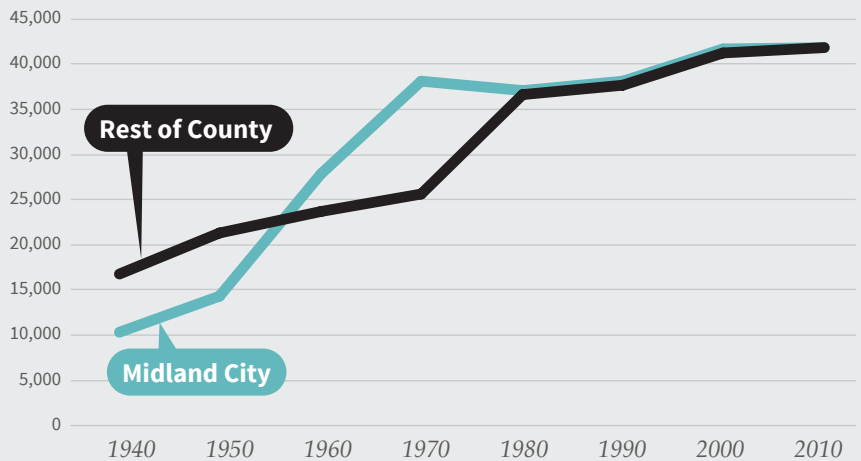
Despite no population growth between 1970 and 1990, the city added over 5,000 new housing units during those two decades. The rest of the county was growing at that time and also adding additional housing units.

From 2000 to 2015, the city added over 1,300 housing units but only about 750 new households. The rest of Midland County added over 2,500 housing units but only about 1,100 new households.

The overbuilding during these periods, which was partially a response to the desire for new housing at the top of the market and partially a response to shrinking owner household sizes, guaranteed that ownership units would be oversupplied and prices would become soft.

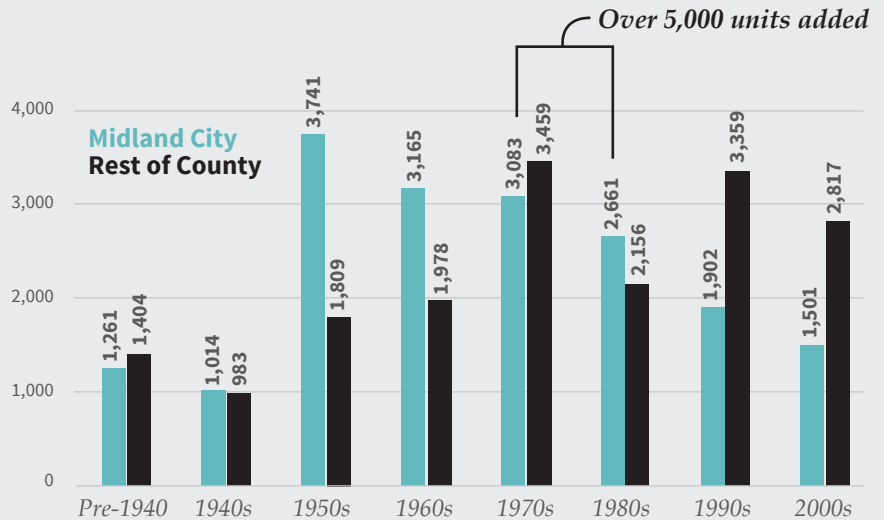
An indicator of the oversupply and soft market for ownership units is that vacancy outside the city grew from roughly 1,000 units in 2000 to 1,650 units in 2015.

Population in Midland County, 1940-2010



Source: U.S. Census.

Housing Units Built by Decade, 1940-2010

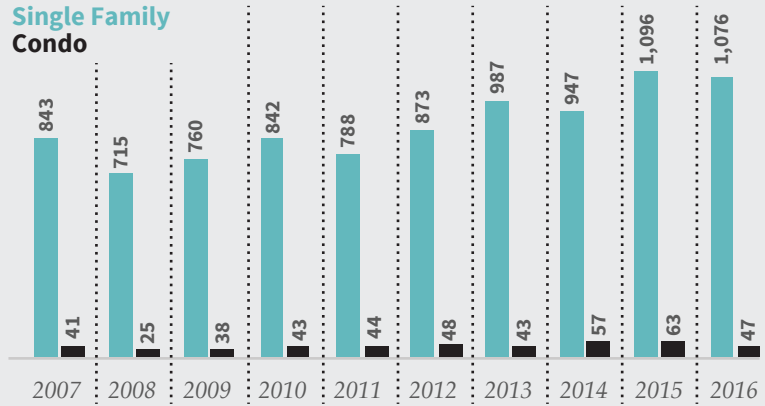


Source: czb analysis of 2011-2015 American Community Survey Data

Because population and employment in the county are not growing (though jobs are), and incomes are falling behind inflation, **the housing market lacks the necessary fuel for values to rise.** This is evident in Midland County's sales data. Single family homes, which dominate the county's housing market, have not seen an increase in sales prices in ten years. Condos have seen stronger growth, but are a relatively small part of the county's housing picture.

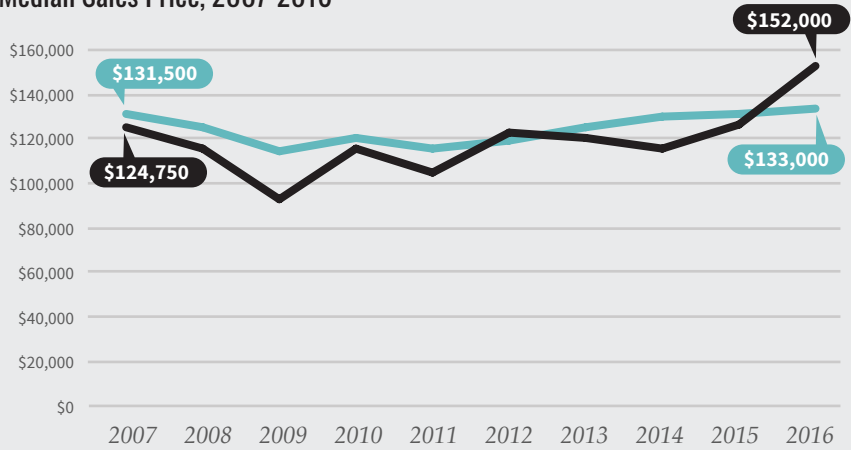
Despite the lack of appreciation in the single-family market, Midland County continued to build. The county added fewer than 2,000 households between 2000 and 2015 but built more than 4,000 new housing units during the same period of time. The overall imbalance between supply and demand, of which the post-2000 building was certainly a part, contributed to a slight uptick in Midland County's housing vacancy rate, from 6% to 7.1%.

Residential Sales, 2007-2016



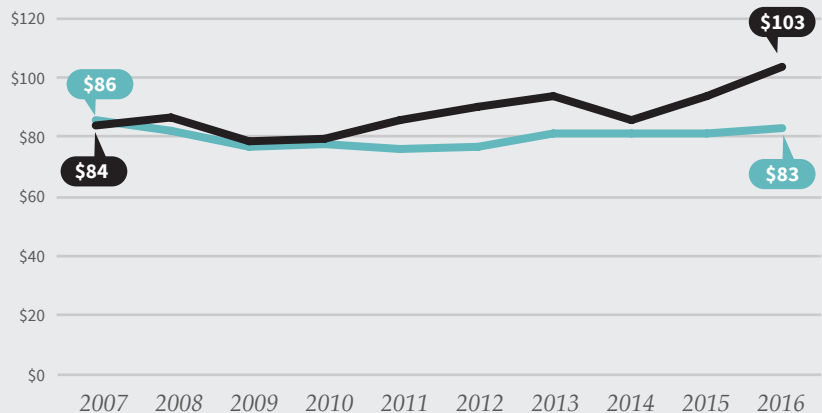
Source: czb analysis of Midland Area Multiple Listing Service Data.

Median Sales Price, 2007-2016



Source: czb analysis of Midland Area Multiple Listing Service Data.

Median Sales Price Per Square Foot, 2007-2016



Source: czb analysis of Midland Area Multiple Listing Service Data.

THE RENTAL MARKET

Gap analysis for rental units in Midland County reveals the following:

There is a deficit of rental units affordable to all groups except those earning \$20,000 - \$35,000. In short, Midland is mostly a \$500 to \$1,000 per month rental market.

For renter households earning more than \$35,000, such a breadth of choice between \$500 and \$1,000 makes Midland an affordable area in which to rent.

For renter households earning less than \$20,000, being forced into the same \$500-\$1,000 price range means paying more for housing than they can afford. czb calculates that the county is short roughly 1,000 units for those earning less than \$20,000 and nearly the entire shortage is found in the City of Midland.



Gap between Renter Units and Renter Households by Income, 2016



MIDLAND COUNTY



MIDLAND CITY

HOUSEHOLD INCOME	Approximate AMI Range	UNIT GAP	
Less than \$20,000	0-30%	-1,042	-1,024
\$20,000-\$34,999	30-50%	2,837	2,313
\$35,000-\$49,999	50-75%	-1	145
\$50,000-\$74,999	75-110%	-1,025	-784
\$75,000+	110%+	-769	-650

Source: czb analysis of 2012-2016 American Community Survey Data.

Excess of homes

Deficit of homes

Unlike sales prices, rents in the county have increased, but only in nominal terms. The median rent in Midland County has increased by 46% since 2000 (\$498 in 2000 and \$727 in 2015), which is roughly in line with the consumer price index. However, renter incomes have increased only 23% during that time.

At the same time that vacancy outside the city was climbing, and owner household sizes were shrinking, the number of vacant units in the city was falling and renter household sizes were growing. From 2000 to 2015, the city's overall vacancy rate fell from 5.8% to 5.1% and its rental vacancy rate fell from 9% to 3%. The average size of renter households grew from 1.92 people to 2.07 people. The number of people living in rental units grew by 34% but the number of rental units grew by only 24%. These data points, taken together, reflect a growing market for rentals in the city.

HOUSING MARKET VULNERABILITY

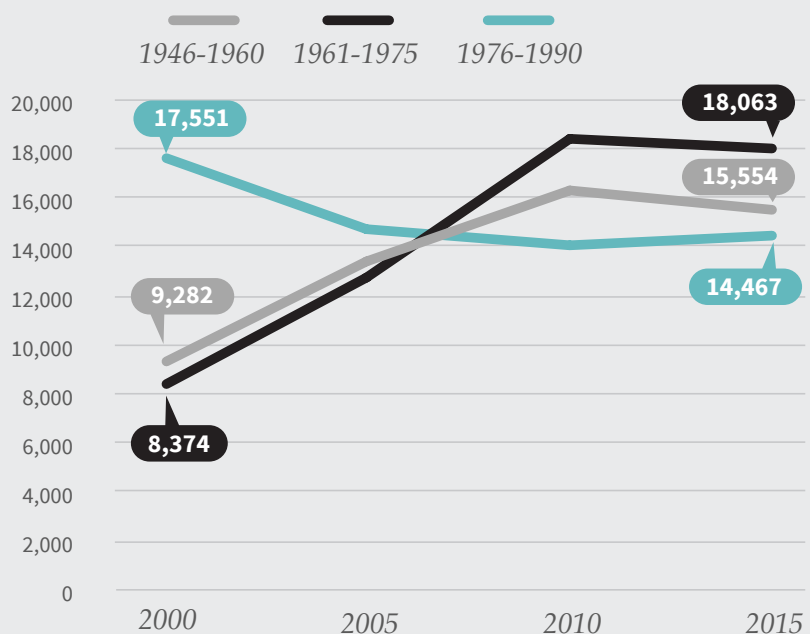
Despite the overall demographic stability of the past two decades, new trends indicate possible trouble ahead.

During the 2000s, Midland County was attracting new households, particularly those in the peak career building and family raising years of their 30s and 40s. After 2010, this ceased to be the case as that population stopped growing and the first wave of the Millennials, then

entering their own 30s, failed to arrive in Midland.

At the same time, the population of those in their 50s and early 60s began to decline as retirement and other opportunities beckoned elsewhere. With so many new single family homes built in the 1990s and 2000s on offer, the stagnation of the population means little ownership demand for older and lower quality homes in the interior of Midland (i.e. those built before 1970).

Midland County Population by Years Born, 2000-2015

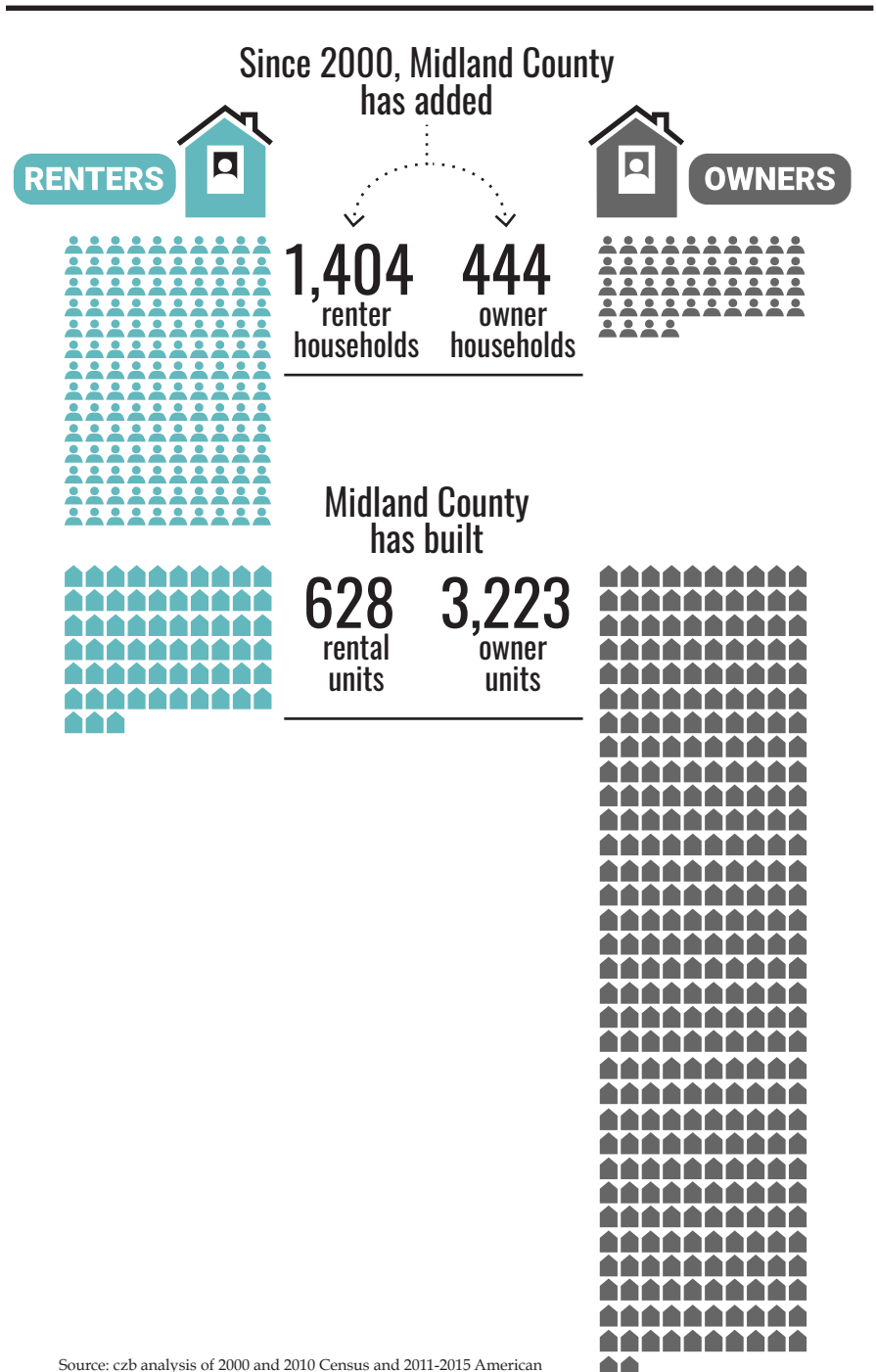


Source: czb analysis of Census and American Community Survey Data.

MIDLAND HOUSING PRODUCTION SYSTEM

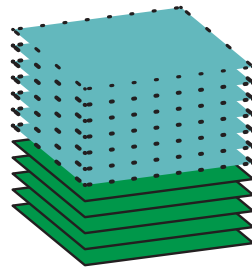
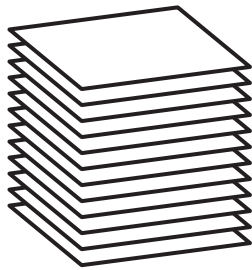
The Midland housing production system has not responded to the needs of most renters. **Between 2000 and 2015, Midland County added 1,404 renter households (1,227 of them in the city) but only constructed 628 rental units (480 in the city).** By contrast, the county added only 444 owner households but constructed 3,223 owner units.

If there is such a deficit for low-income households, and such an obvious need for more housing affordable to their incomes, why is housing not being produced? The answer is that the private sector cannot produce such housing without losing money. Total development costs for multifamily units are hard to come by in Midland as the product has not been built there in any meaningful volume in recent history. But data from around the country suggests that rents would need to exceed \$1,200 per month to justify construction. Rents at this level are far out of reach for Midland County's poorest renters, who can afford no more than \$500 per month.



Break Even Rent for a New Unit

\$1,200



\$700 Monthly Rental Gap

\$500 Monthly Rent Affordable to
Households Earning \$20k

Source: czbLLC.

At such a cost, rental units can only be built for those who can afford to pay at least \$1,200 per month, which are generally households earning \$50,000 or more. **There can be virtually no new rental unit production in the private market for households earning less than \$50,000.** The rentals that have been built in recent years are mostly duplex units renting for over \$1,000 per month, which begins to approach the rents needed for a developer to at least break even.

In the ownership marketplace, builders in Midland County report they are unable to develop owner-occupied housing for less than \$150 per square foot which is why housing production has occurred

only for those households with higher incomes; they are the ones who can afford to pay the necessary prices. At such a development cost, homes can only be built for those who can afford to pay well over \$250,000, which are generally households earning no less than \$75,000. With the exception of Habitat for Humanity, **there can currently be no new house production in the private marketplace for households earning less than \$75,000.**

The mismatch between the growth in different types of households and the construction of new units has been rectified by turning older ownership units into rentals. For example, in 2015, Midland County had 563 more

1950s-era rental units than it had in 2000. That can only be possible if those units converted from ownership to rental during that period of time. Anecdotally, realtors also report that some households build custom homes in the county as their incomes grow and they are able to move up, but maintain their previous home as an income property. This phenomenon, repeated enough times over two or three decades in Midland County, may at least partially explain some of this story.

PART 2

CHALLENGES TO ADDRESS

The evolution of the Midland area housing market over a number of years has created a handful of issues now requiring serious attention by the community. An overall soft housing market—undermined by a rate of low-density single family house construction outpacing owner household growth—and an unmet growing need for low-income rental housing have combined to pose three critical challenges to Midland. These challenges relate to the community’s future ability to deliver on implicit and explicit goals related to social equity, quality of life, and economic competitiveness.

THE LOW INCOME AFFORDABILITY CHALLENGE



- Midland County is home to over 3,000 renter households earning less than \$20,000 per year. Roughly 80% of them live in the city.
- Such low incomes make housing an affordability challenge, no matter where one lives. Even in relatively affordable Midland, those with low incomes struggle to find affordable housing.
- The private marketplace is unable to adequately serve households with very low incomes.



THE NEIGHBORHOOD CHALLENGE



- The ownership market is slowly abandoning the city's older interior neighborhoods. Low property values for older homes reflect this reality.
- Low values result in decreased levels of maintenance and investment, leading to deteriorating conditions. Many older single-family homes are converting to rental use, and are unlikely to be properly maintained over time.
- The city is facing a looming neighborhood deterioration issue.

THE ECONOMIC DEVELOPMENT CHALLENGE



- The Midland area has a conventional suburban development pattern, with housing choices to match.
- Midland was well served by its character up until the early 21st century, and much of its newer housing will remain in demand.
- But homebuyer preferences are changing enough that Midland will need to adapt if it wants to retain and attract households with the capacity to make other choices.



THE LOW INCOME AFFORDABILITY CHALLENGE

It is difficult to be poor in America, no matter how affordable the housing market, and poverty is on the rise in Midland County. The poverty rate increased from 8% to 13% between 2000 and 2015. Poor households in Midland County are disproportionately renters, and they struggle to afford rents that are low by national standards but still too expensive for their incomes.

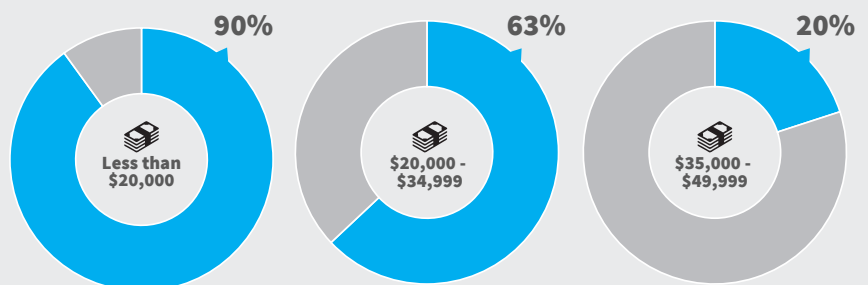
The percentage of cost burdened renter households countywide, and specifically in the city, has not really changed since 2000. It has remained right around 40%. Those who are cost burdened are overwhelmingly those who earn less than the median renter income (countywide: \$22,430 in 2000 and \$27,690 in 2015).

In a housing marketplace as affordable as Midland County's, two incomes will guarantee that a household will have sufficient housing choice. Even at Michigan's minimum wage of \$9.25 per hour, it only takes 1.5 full-time incomes to be able to pay above the county's median rent of \$727. Therefore, the most pressing affordability challenges will occur for those households with either one low-wage earner or no wage earner at all. Full-time employment at minimum wage results in an annual salary of less than \$20,000 and a maximum monthly affordable rent of \$500. But the gap analysis above reveals that Midland County has over 1,000 more households with incomes at that level than it has units at that rent.

By contrast, the county has an excess of rental units priced between \$500 and \$1,000. These are the units that many of the county's poorest households are forced to rent when the housing system is unable to add low-cost rentals to the marketplace. The result of the poorest households paying for more expensive housing than they can afford is cost burden, which is defined as spending more than 30% of income on monthly rent. Indeed, 90% of renter households earning less than \$20,000 are cost burdened. As incomes rise, the percentage of rent burdened households falls.

Nearly 40% of Midland County's renters earn less than \$20,000. Half of those, or 20% of all renter households, earn less than \$10,000. These impoverished households can afford no more than \$275 per month in rent. In order for Midland County to alleviate its affordable housing challenge for the poorest households, it would have to create thousands of units renting not only below \$500 per month, but also below \$300 per month.

Midland County Cost Burdened Renters, 2015



Source: czb analysis of 2011-2015 American Community Survey Data.

Who are Midland's poorest households?

Which type of individuals or families are likely to be found at the low end of the income spectrum? Available data are not exact in reporting such information, but some conclusions can be drawn. The table below lists a variety of selected household types, along with the median income for the type, and the number of renter households for each type. It cannot be assumed that the renter households earn the median income listed in the table, but it's a useful starting point.








The following general statements can be made:

Two wage earners in a household will provide an easy escape from housing challenges in Midland County, as illustrated by the median incomes for married couple families.

Working age people living alone, although they lack the security of a second income, still have a median income higher than that of the median Midland renter and should, in general, have an easier time accessing the rental market than will the county's poorest households.

The lowest incomes in Midland County are in households headed by single mothers and elderly women. At least half of each of those groups—the half below the median; 439 female headed with children and 361 elderly women living alone—will struggle greatly to find affordable rental housing in Midland County. In the case of single mothers, their problem will be compounded by the need for more space than they can afford.

Selected Household Types - Median Income and Number of Renter Households, 2015

							
HOUSEHOLD TYPE	Married Couple No Children	Married Couple with Children	Female Headed with Children (No Husband)	Woman Alone (Age 15-64)	Woman Alone (Age 65+)	Man Alone (Age 15-64)	Man Alone (Age 65+)
MEDIAN INCOME	\$69,946	\$87,313	\$21,118	\$30,479	\$21,475	\$34,911	\$32,091
# OF RENTER HOUSEHOLDS	1,255	990	977	385	712	501	248

Source: czb analysis of 2011-2015 American Community Survey Data.

THE NEIGHBORHOOD CHALLENGE

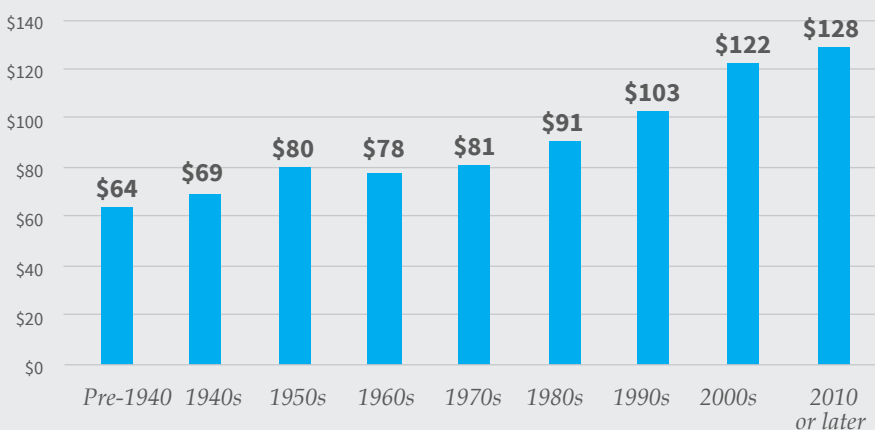


Given economic, demographic, and housing development trends, Midland today has too many older, smaller, unmarketable houses in its older neighborhoods. With limited demand for older homes—those built before 1980—in the city’s interior neighborhoods, the economically rational response has been to convert the houses to rental use. Older houses in interior neighborhoods are becoming Midland’s de facto affordable housing solution for poor households.

The gap between what it costs to responsibly maintain the rental properties and what low-income households can pay is resolved by landlords lowering their costs to the bare minimum. Costs are lowered by reducing or eliminating administration (e.g. leases and credit checks), management (e.g. enforcement of lease provisions and expectations of tenants), maintenance (e.g. cutting grass, regular repairs), and capital investments (e.g. windows, HVAC, roof).

The gradual transition from ownership to rental use across many city blocks has been unintentional and unmanaged, with predictable results. Housing conditions in interior neighborhoods where rental conversions are taking place are on the decline. The decline is visible and sends signals to the broader market of responsible owners that they should not invest in such locations, which further weakens the market and perpetuates the cycle of decline. The City of Midland has a significant looming neighborhood challenge on its hands.

Median Sales Prices Per Square Foot by Decade Built, 2007-2016

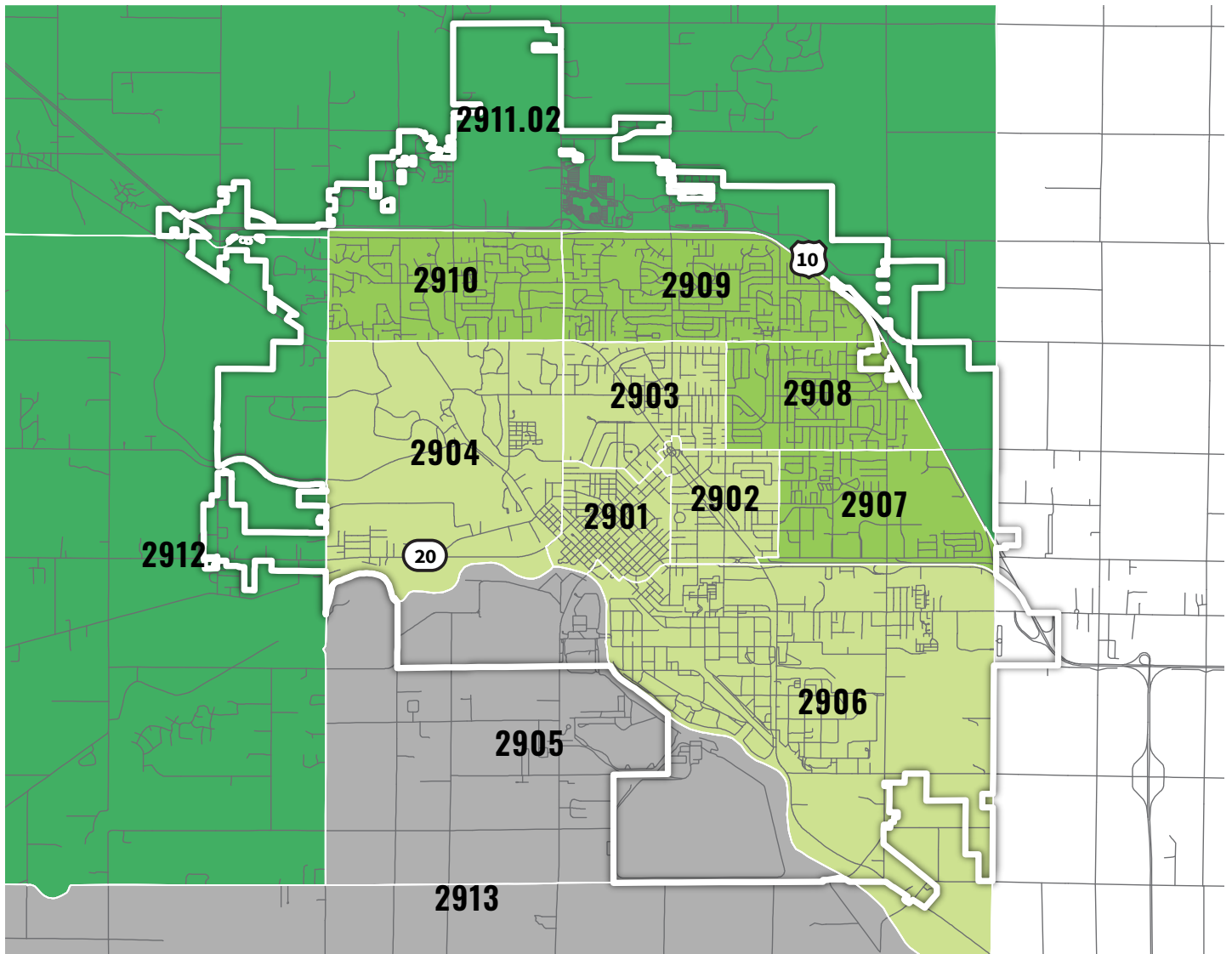


Source: czb analysis of Midland Area Multiple Listing Service data

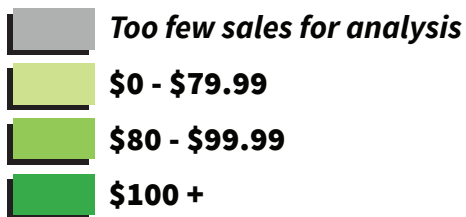
The marketplace is currently deciding which blocks will transition from ownership to rental to likely decline and then to possible abandonment, largely based on the undesirability of blocks to the ownership market. Age of housing is a contributing factor: sales prices on a square foot basis decrease with each decade of age. Homes from the 1950s are a small exception (very small exception), possibly due to the presence of some of Midland’s mid-century modern treasures.

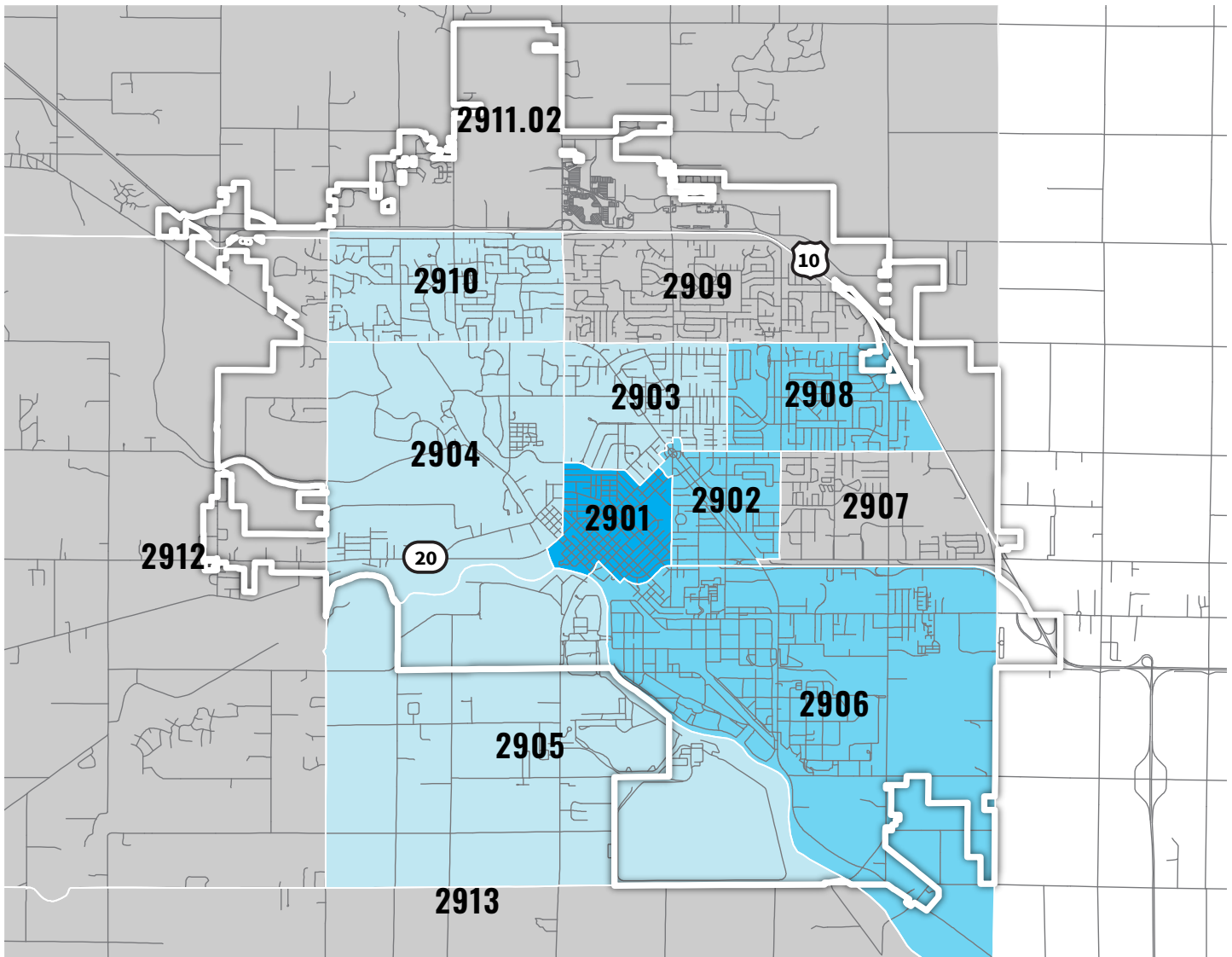
As the ownership market leaves older housing behind, homeowners move on and the houses increasingly are converting to rental use. The largest rental market for obsolete or nearly obsolete single-family homes are low income renters. Many older

neighborhoods in Midland are now losing homeowners and experiencing an increase in poverty as lower income households move in.

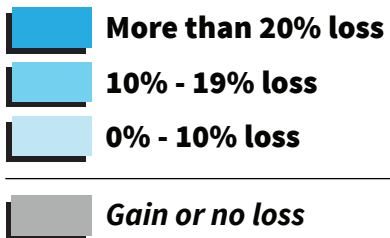


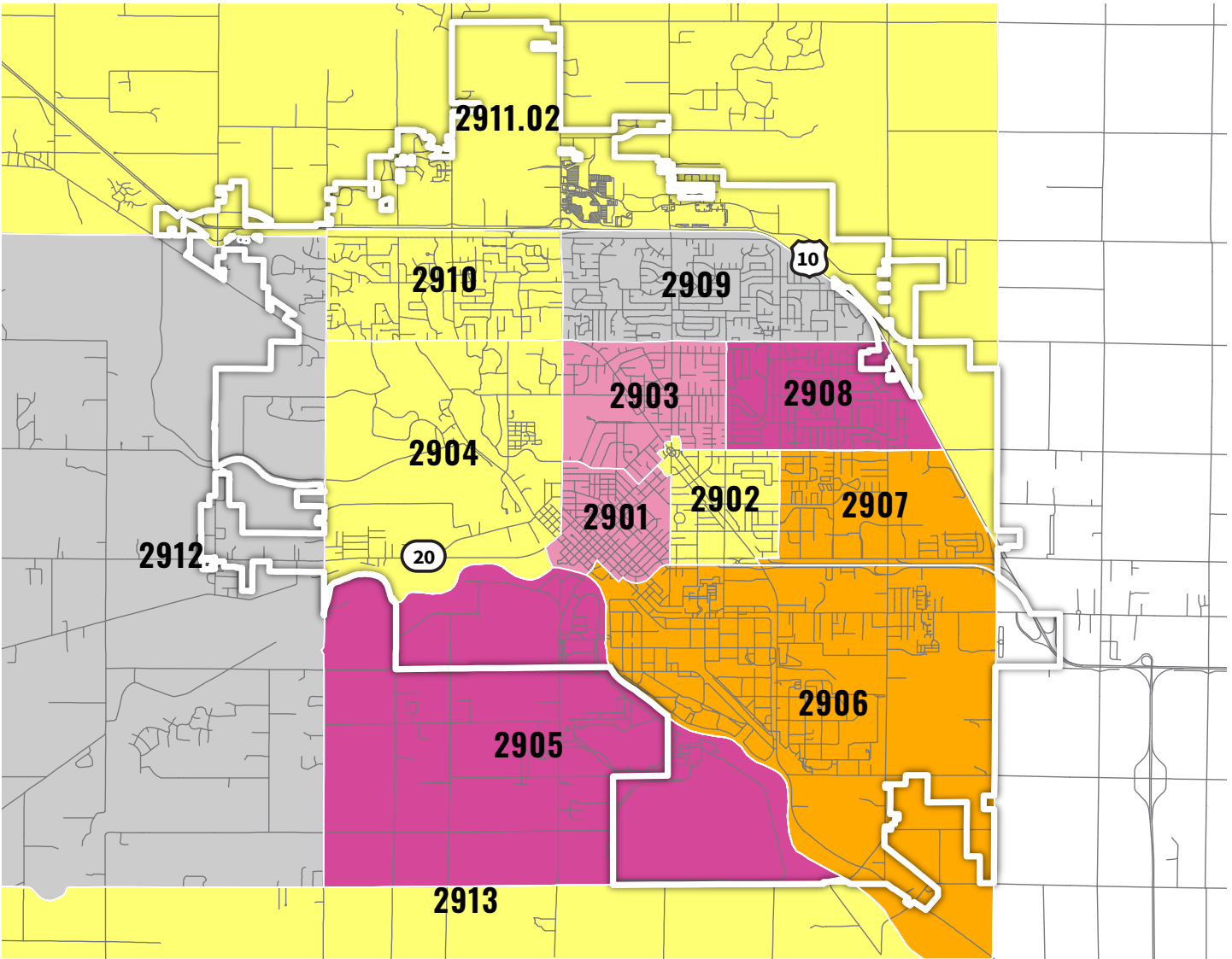
Average Sale Price Per Square Foot by Census Tract



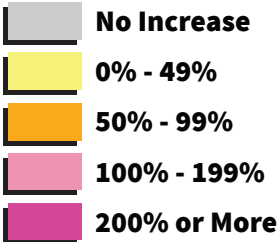


Homeowner Loss, 2000-2015





Change in Poverty Rate, 2000-2015



THE ECONOMIC DEVELOPMENT CHALLENGE



Midland is currently too conventionally suburban to compete for households with more modern preferences in housing, neighborhood type, and overall community character. Combined with its distance from any major metro areas, this will create a retention and recruitment challenge for local employers.

There will always be demand for traditional suburban single-family detached houses, especially for families with children. But communities succeeding in the 21st century are doing so by offering high quality neighborhoods, which downtown and midtown have the potential to be, and by offering a variety of housing choice, which Midland currently does not do well enough.

Midland's newer housing is dominated by 1990s and 2000s era single family homes, and those homes are on the fringes of the city or outside the city. In either case, they are disconnected from Midland's major emerging quality of life asset, which is downtown. The community is lacking newer housing and neighborhood types that appeal to various market segments that Midland needs to keep or attract. Target markets with locational choice—including well educated young professionals, both singles and couples, and empty nesters, both singles and couples—will seek walkable, higher density housing and neighborhood options that are adjacent or within walking distance to downtown and the river.





PART 3

OPTIONS FOR TAKING ACTION

The housing challenges facing Midland are long in the making, and they will not be solved overnight. But for each one—low income housing need, neighborhood distress, and housing competitiveness—there are potential solutions to be explored. The details of how to facilitate such action will be Midland’s future responsibility. Some of the proposed approaches in this section are based in well-established best practices. Others have not been done before. In czb’s experience, however, the determining factors in whether a community solves its problems are 1) creativity and 2) sustained commitment.

THE LOW INCOME AFFORDABILITY CHALLENGE



- The cost to address the unmet housing need for low income households will be substantial, whether the solution is rent subsidy, rehab of existing units, or construction of new units.
- Large scale construction of new housing is not likely to be in character for Midland.
- The best solution for Midland may be a more strategically managed use of existing single-family homes.



THE NEIGHBORHOOD CHALLENGE

- The ownership market is leaving certain areas of the city behind and property disinvestment is the result, along with conversion from ownership to rental use.
- Midland will need to identify neighborhoods currently in transition and those at future risk.
- Midland will need to develop a toolkit for increased code enforcement, better regulation of rental properties, incentives for homeownership, and disposition of obsolete structures.



THE ECONOMIC DEVELOPMENT CHALLENGE

- Midland can, and must, develop newer housing types in strategic locations desired by market segments with evolving preferences.
- Land in and around downtown offers opportunity for infill housing that will appeal to those households who might otherwise not consider Midland.
- A variety of housing types, including mixed-use stacked flats, live/work units, rowhouses, and high density small single-family units would be appropriate for Midland.

TAKING ACTION



THE LOW INCOME AFFORDABILITY CHALLENGE

The only solution for the housing challenge of roughly 3,200 poor renter households earning less than \$20,000 in Midland County is a significant amount of new subsidy for at least one of the following:



Rental subsidy to stretch households' ability to pay higher rents.



Construction of new units with provisions for permanent affordability.



Rehab of existing units with provisions for permanent affordability.

PROBLEM TO SOLVE: RENT SUBSIDY FOR MEDIAN RENT

To bridge the gap between what Midland's poorest households can afford to pay (\$500) and the median rent of \$727, a monthly subsidy of \$227 for each household is required. On an annual basis, this amounts to \$8.7M.



Costs to Address Lowest Income Affordability Challenge



WHAT MIDLAND'S POOREST HOUSEHOLDS CAN AFFORD TO PAY
\$500

MONTHLY COST OF MEDIAN RENT



\$727

\$227 MONTHLY SUBSIDY



OF HOUSEHOLDS

3,200

ANNUAL SUBSIDY

\$8.7M

PROBLEM TO SOLVE: NEW AFFORDABLE CONSTRUCTION

To bridge the gap between what Midland's poorest households can afford to pay (\$500) and what is required in rent to justify production of a new unit (\$1,200 per month), a monthly rental subsidy of \$700 (or annual subsidy of \$8,400) is required per household.



WHAT MIDLAND'S POOREST HOUSEHOLDS CAN AFFORD TO PAY
\$500

MONTHLY COST OF MEDIAN RENT TO BREAK EVEN



\$1,200

\$700 MONTHLY SUBSIDY



The total annual cost of such a subsidy for 3,200 households is **\$26.9M**.

The capitalized cost to produce a new affordable unit is \$125,000. The total cost for **3,200 units** is **\$400M**.

OF HOUSEHOLDS EARNING UNDER \$20,000

3,200

COSTS FOR ALL HOUSEHOLDS UNDER \$20,000

ANNUAL SUBSIDY

\$26.9M

CAPITALIZED COST

\$400M

Simply closing the existing unit gap for low income households would cost less, but would still require a significant level of investment. The annual subsidy required for **1,042 new units** is **\$8.9M** and the capitalized cost is **\$132.5M**.

CURRENT SHORTAGE OF UNITS FOR HOUSEHOLDS EARNING UNDER \$20,000

1,042

COSTS FOR CLOSING THE EXISTING UNIT GAP

ANNUAL SUBSIDY

\$8.9M

CAPITALIZED COST

\$132.5M

What Matters?

The target market, or the types of households served, will matter.

The most vulnerable households are those headed by single mothers and elderly women living alone. The solutions for those two household types will be different, in terms of unit size, configuration, location, and cost to construct. For example, an elderly person may be well suited to an efficiency or studio unit, or a supportive communal environment. A mother with children will require multiple bedrooms and perhaps some private or semi-private outdoor space.

The tenure of the units will matter.

Midland County's struggling households are those earning less than \$20,000 (roughly equivalent, for discussion purposes, to 30% of the area median income). Households at such a low income are generally not candidates for home ownership. As such, Midland will have to approach its problem with rental units in mind.

The type of units will matter.

A smaller number of large, dense, multifamily projects will be most financially efficient. Projects on this scale will benefit from economies of scale and thus will have lower costs per unit. They may also therefore benefit from public subsidies that seek the greatest number of units for the least cost, including low income housing tax credits.

A larger number of smaller, less dense, and diffuse projects will be less financially efficient. Site acquisition and construction activities will be scattered and are unlikely to take place across multiple sites at the same time. This will make it difficult to achieve economies of scale. Single-family or duplex, triplex, or quadplex construction may be most appropriate for scattered infill sites and provide a housing type suited to families.

Acquisition/rehab of existing single-family houses may be an approach to consider. Since older single-family houses are currently candidates to transition to low quality market-rate rentals, a systematic and ongoing intervention to convert some of them to high quality affordable rentals could be a high leverage opportunity.

An aging group of homeowners and a soft market for older single-family homes means more houses and lots will be available in the years to come. In 2000, Midland County had approximately 5,200 homeowners aged 65 and up. By 2015, that number had grown to more than 7,000.

Location of units will matter.

Dense multifamily projects are often difficult to site. Easily available land tends to be in locations disconnected from jobs, services, and transit. If and when land can be found in better locations, neighborhood concerns ("not in my backyard" or NIMBY) around real or simply perceived issues of crime, traffic, and physical neighborhood character can make land use approvals difficult.

Single-family or 2-4 unit structures are often easier to site. If and when they are located in existing neighborhoods, they are easier to harmonize with existing low-density single-family character. The relatively small number of people added at each location means less impact on an existing block or street. The suburban to rural residential development pattern of Midland County means smaller structures could be placed almost anywhere, especially if new affordable units were designed to be sensitive to the context into which they are being placed.

Midland's most efficient solution is likely to be in single family units that already exist.



Midland County's character is rural to suburban, even across much of the city. With the exception of downtown, and a few select areas, dense multifamily development would be out of character and potentially encounter opposition on those grounds.

The housing market is already sorting itself out with a single-family home solution. Because the Midland housing production system is unable to respond to the needs of low and moderate-income households, lower income renters have found housing in formerly owner occupied units that the ownership market no longer wants. Countywide, nearly 900 owner units built before 2000 were converted to rental use between 2000 and 2015. The vast majority of those (roughly 600) were in the city of Midland.

The market for converted houses in the city's older neighborhoods is largely low income households who are able to pay, in most cases, no more than \$500 per month. But even at \$700-800 per month, property owners may struggle to service debt, pay carrying costs, and set aside reserves for capital investments. The result is deferred-in-reality, avoided-maintenance, which deprives low income households of quality housing and contributes to neighborhood deterioration and market weakening.

The answer to responsibly housing low-income households in the city's single-family housing stock has multiple parts:

Avoid housing people in sub-standard or functionally obsolete homes.

- o The community needs to commit to a minimum standard of housing quality so that no one is forced to live in unsafe or unsanitary conditions. Potential danger to human life can never be an acceptable cost for the benefit of affordability. On this front, the City of Midland has shown leadership in the areas of code enforcement and rental licensing, but such efforts should be strengthened and replicated.

Develop a subsidy program that provides capitalized or monthly funds to landlords housing low-income households. In exchange for the subsidy, require the following:

- o Regular rental inspections to ensure minimum standards of quality, safety, and cleanliness.
- o Rents are set at affordable levels, based on a sliding scale.
- o Do not allow for the concentration of too many affordable rentals in too few parts of the city. They must be distributed across the city so as not to concentrate poverty.

Requirements for implementation of such a program would include:

- o Tax forgiveness (e.g. PILOT) for owners of single-family rentals.
- o Additional funding beyond tax forgiveness (capitalized or monthly) to bridge affordability gap and pay for necessary upgrades.
- o Administrative and staff capacity to manage the program.
- o Rigorous code enforcement to ensure that no landlord in Midland County is able to rent a unit below minimum standards, even if they have not received subsidy. This will avoid a split market; one that is regulated and one that is not.
- o Coordination with other efforts to stabilize transitional blocks and neighborhoods so that revitalization activities and affordability activities are not working at cross purposes anywhere in the city.

TAKING ACTION



THE NEIGHBORHOOD CHALLENGE

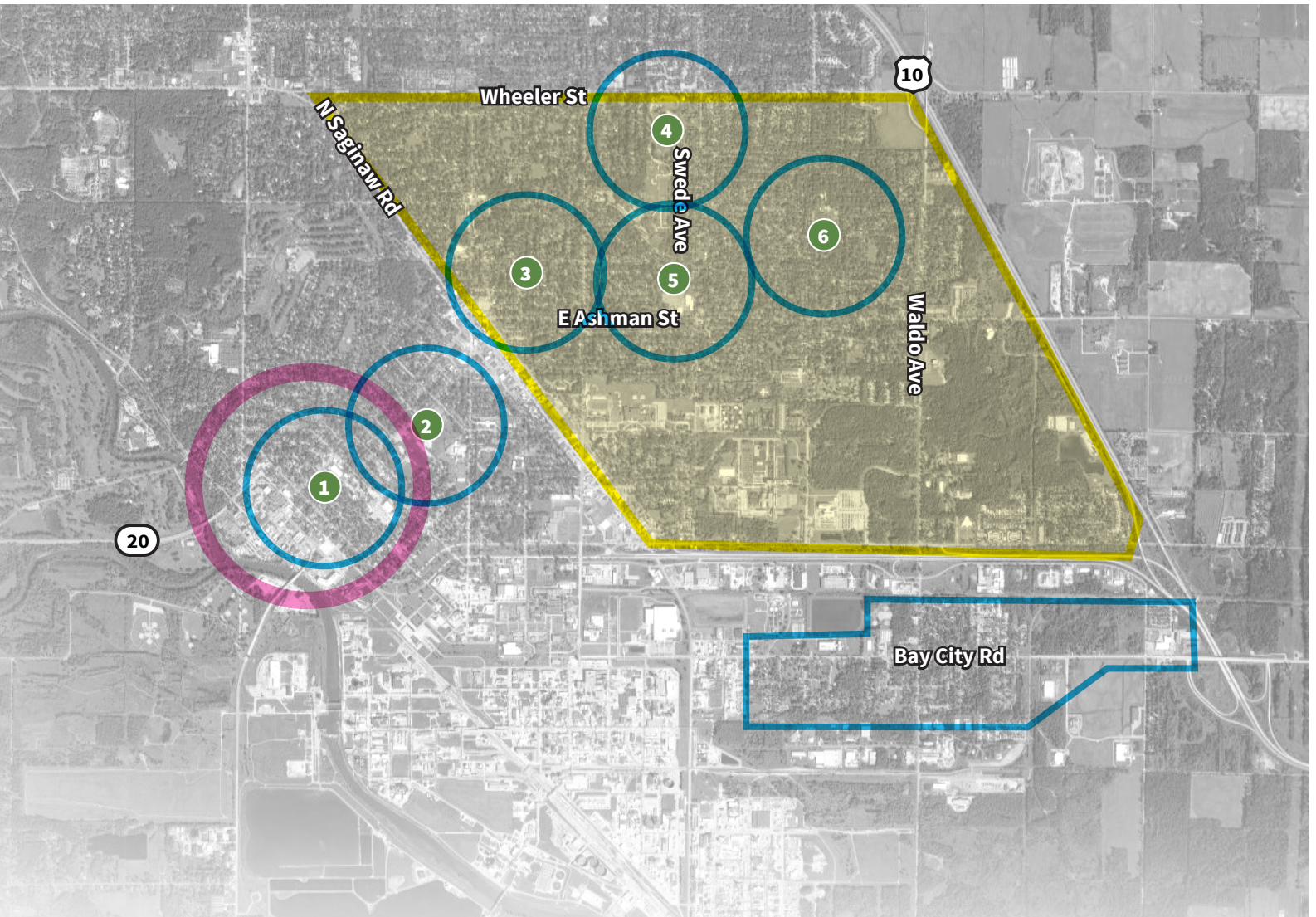


Midland will need to identify currently transitional or potentially vulnerable neighborhoods to target the following types of interventions:

- Keep good owners in their homes or create new good owners where possible.
- Undertake programming to increase home ownership where it makes sense.
- Regulate and support, via carrot and stick approach, rental properties to provide quality housing to low-income renters.

Midland will need to identify certain neighborhoods that are already or soon will be functionally obsolete:

- Position certain neighborhoods/blocks for future redevelopment.
- Acquire structures and land in areas where the market has weakened dramatically.
- Demolish structures that are functionally obsolete.
- Craft redevelopment plans for some areas and open space or land management plans for other areas where development may not be desirable or feasible.



The decline of downtown and near-downtown housing stock is well known in Midland, with many structures torn down in recent years.



But areas east of downtown, as far east as Waldo, have lost large percentages of homeowners since 2000, indicating neighborhood transition and potential decline. In particular, the Bay City Road corridor and areas around the following parks have seen significant loss of homeowners:

- 1 Grove Park
- 2 Central Park
- 3 Longacres Park
- 4 Plymouth Park
- 5 Wallen Park
- 6 Chestnut Hill Park



Many of these areas of concentrated homeowner loss have relatively high concentrations of pre-1940 housing stock. And the pattern of turnover to rental indicates that neighborhoods between Saginaw Road and the eastern city line, and between Wheeler Street and M-20 are increasingly at risk.



TAKING ACTION

THE ECONOMIC DEVELOPMENT CHALLENGE



The City of Midland has demonstrated a renewed commitment to downtown – Dow Diamond ballpark was completed in 2008, the H Hotel in 2010, the H residential units and development in the East End. In 2017 improvements were made to the Tridge and surrounding trails/park system while a major streetscape project was implemented along Main Street. All of this within a downtown area that spans only seven blocks from Jerome Street to South Poseyville Road and is primarily concentrated along a single street – Main Street. The importance of placemaking at this level cannot be underestimated.

Downtown boosters across the country now recognize the importance of mixing housing types that accommodate a range of target markets who have no strong need or desire for a four-bedroom 2,500 square foot house and would prefer to live in a walkable district where they can shop, dine, mingle and simply enjoy the amenities that result from a mixed-use urban form connected to the natural environment. And with downtown and midtown in the early stages of a renaissance; the opportunity and responsibility to shape this form both physically and demographically is now. With its proximity to the Tittabawassee River, enlivened with new commercial space and dramatically enhanced streetscape, downtown Midland should be the community's next great mixed-use neighborhood, and the place where new market-rate housing is built.

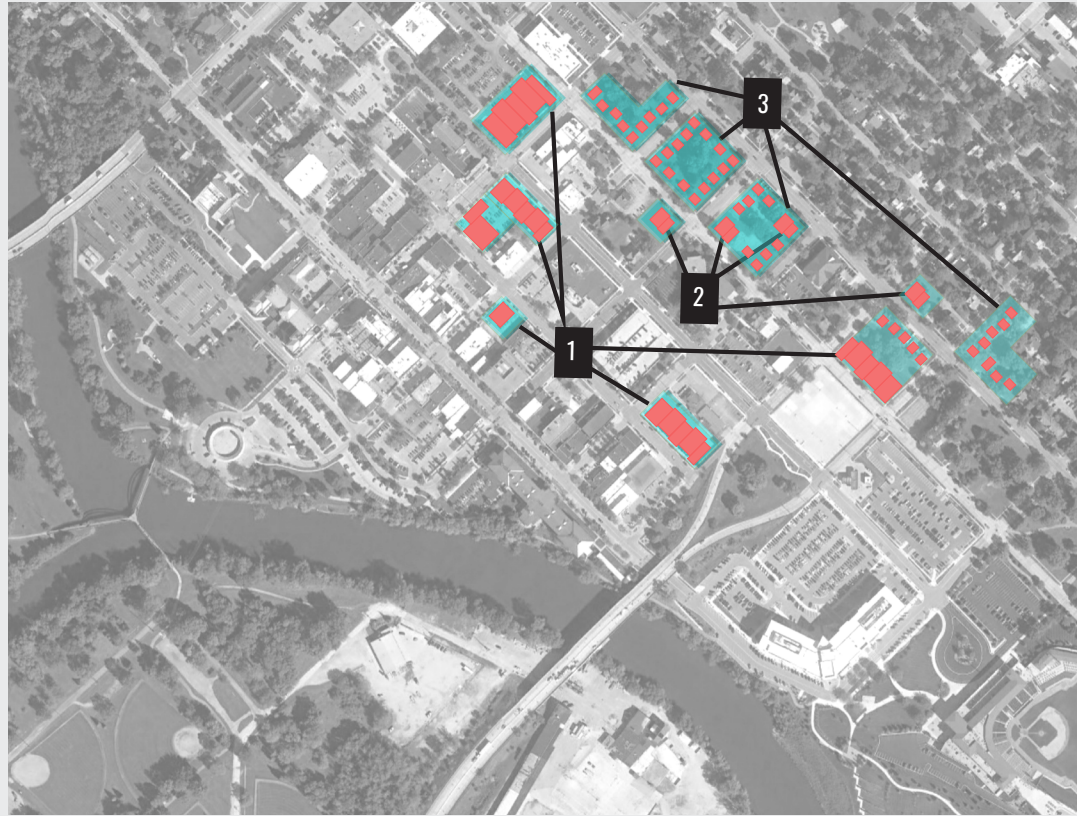
In order to add currently missing housing and neighborhood types increasingly in demand by educated households with locational choice, Midland will need to incentivize new market-rate housing development near or within walking distance to downtown. It will require the following attributes:

- High quality urban design and architecture.**
- Mix of ownership and rental.**
- Coordinated with continued downtown and neighborhood revitalization efforts.**

Because the Midland market is conservative, and because large tracts of land are not available in or near downtown, and because the scale of downtown Midland is that of a small town, the housing types that will make the most sense are those that can be built at a modest scale; perhaps 6-12 units at a time. In some cases, a mixed-use approach may work, with one floor of retail or office use and one or two stories of housing above. But, given the risk of adding more first floor commercial space with uncertain tenancy and the risk of building a relatively large number of units in a 2-3 story mixed-use building, it is more likely that cottage housing or row-house units will be the most appropriate infill option for downtown Midland.

A Conceptual Housing Infill Plan for Downtown Midland

There are infill housing opportunities in and around the downtown that can be developed with greater densities closer to Main Street and decreasing densities as you move outward. This transect model accommodates mixed-use buildings with first floor commercial/office and upper floor residential units in the immediate downtown district. The next development tier could be tightly configured townhouse units that offer multi-story living arrangements. Beyond this and moving into the traditional residential areas, triplex and duplex units could be interspersed with single-family cottage style housing. Any of these proposed developments could be built on underutilized surface parking lots or vacant lots scattered around the downtown.



The accompanying aerial of downtown Midland illustrates opportunities for new housing typology developments in and around the downtown:



Multi-family units that could have a live/work component or commercial/office space on the first-floor; townhouse style developments that support two to three story vertical units.



Duplex or triplex units that fit into the architectural style of the downtown and midtown neighborhoods and serve as an intermediary between multi-family housing and single-family cottage housing.



Cottage (small single-family units) housing that transitions smoothly to the existing neighborhoods.

TAKING ACTION

IMPLEMENTATION STEPS

In order for Midland to take the necessary steps to meet the identified housing needs and preferences of both existing and desired market segments, as well as the identified neighborhood and economic development challenges, the community will need to design and resource the following types of initiatives:

- Single-family, scattered site rental regulation and subsidy program.
- Above-market purchase/rehab or acquisition/rehab/sale program.
- Revitalization programming for transitional blocks.
- Expanded acquisition and landbanking capabilities.
- Development, financing, design, and construction capabilities for new market-rate housing types.

This effort, when viewed collectively, represents no less than the construction of an entirely new planning and community development system. No one sector—government, philanthropy, business—can tackle it alone if it is to be accomplished. The ideas in this report are but a start, and the Midland community will need to determine which problems it wants to solve, and to what extent.

To aid in mobilizing the community and establishing policy and implementation frameworks, Midland area leaders should strongly consider the following:



Housing Working Group

Whether focused on one particular challenge, or on all of them, a working group of clear focus and limited duration should be empaneled to design solutions that can be supported by Midland's key institutions across all sectors. The group should include leadership-level members of those institutions who can speak on their behalf and who will have credibility to make recommendations regarding land use policy and funding initiatives.



Updated City Comprehensive Plan

The City of Midland lacks a comprehensive plan that accurately speaks to the challenges the city is facing. As the one document that informs the city policy and the regulatory framework, the comprehensive plan should be updated to build and memorialize a community consensus about Midland's current position and how it can prepare for a successful future.



Neighborhood Revitalization Strategy

This report raises a warning flag about the slow motion deterioration of Midland city neighborhoods, but effective intervention will require a more granular understanding of conditions from block to block. The city should consider development of a neighborhood revitalization strategy that would assess neighborhood conditions in greater depth and refine the ideas found here.



Housing and Near-downtown Redevelopment Strategy.

Although Midland would substantially benefit from new market-rate housing development in and around downtown, neither the market nor the housing production system is quite ready to make new development feasible at a meaningful scale. To solve the vexing chicken and egg question, the community will need to intervene with a subsidized development model, and it will not be cheap. An informed strategy, based on a clear understanding of appropriate housing types, well thought out development scenarios, and solid financial analysis would ensure that local funds, regardless of their source, are spent wisely in pursuit of new housing.

Midland County 
HOUSING ANALYSIS

2018

HOUSING ANALYSIS FOR MIDLAND COUNTY, MICHIGAN
Performed by czbLLC

