



**An Affordable Home Ownership Initiative
In The Grand Traverse Region**

**Community Action Plan
&
Implementation Strategy**

Submitted by:

Capital Fund Services

An affiliate of

Great Lakes Capital Fund

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Action Plan & Implementation Strategy

BACKGROUND

In the spring of 2007, Rotary Camps & Services of Traverse City engaged an affiliate of Great Lakes Capital Fund (Capital Fund Services- CFS) to provide technical assistance over a 3 month period to facilitate and develop a business plan that will empower community stakeholders to improve affordable housing opportunities in the Grand Traverse region. The CFS consultant team included 2 representatives from Great Lakes Capital Fund (Tom Edmiston, regional president and Victor Vasquez, director of community development services) along with Amy Hovey (The Protogenia Group LLC).

Rotary Camps & Services (RC&S) has been a catalyst for affordable housing projects in the region and it has provided support to the "Community Housing Choices" initiative – a consortium of organizations working to improve affordable housing opportunities for low- to moderate-income households. RC&S and the Community Housing Choices advisory committee designed the request for assistance and served as the client group for this initiative. They asked the consultant team to help develop a structure and an action plan that would remove barriers and create housing opportunities for working individuals and families in the region. Specifically, the consultant team was asked to:

- evaluate various structural scenarios
- determine the appropriate agency roles, governance structure and lines of accountability
- create a prioritized business / strategic action plan
- provide recommendations regarding sustainable funding with diversified revenue sources

Early in the process the advisory committee determined the focus should be on affordable home ownership initiatives in Grand Traverse County; but the recommendations could be replicated throughout the 5 county region. It was also suggested this effort build upon:

- a public awareness campaign managed by Michigan Land Use Institute (MLUI) in 2005/2006
- the New Designs for Growth (NDFG) initiative (promoting quality, environmentally sensitive growth in the region)
- a Housing Barriers Study managed by NW Michigan Council of Governments (NWMCOG)

Initial Interviews

The consultant team conducted telephone interviews with members of the "Community Housing Choices" Advisory Committee: Matt Schmidt, Ginny Coulter, Julie Hay, Bill Merry, Megan Olds and Matt McCauley. The team also conducted interviews or held discussions with 24 key stakeholders (see attached list of individuals).

The results from the interviews are summarized as follows:

The Grand Traverse Area is fortunate that it has non-profit and for-profit developers committed to providing affordable housing. In recent years a lot of affordable rental housing has been developed using Low Income Housing Tax Credits. It has become increasingly difficult for moderate income households to afford to buy homes in Traverse City. This is having a negative impact on the city's schools. Affordable home ownership opportunities tend to be located farther away from the city and many employees have to drive long distances to and from work. The need for more affordable homeownership opportunities near existing population centers was described as an important issue which has a direct effect on the economic health and quality of life for the Grand Traverse area.

There are numerous obstacles that hinder the ability to increase home ownership opportunities in close proximity to existing cities and employment centers. These include: lack of financial resources, lack of available, buildable land, high land costs, restrictive government policies and NIMBYism (not in my back yard).

The interviews surfaced a common theme: in order to change the status quo it will require increased leadership and broad public support. It was recommended that the private sector (business leaders) need to more actively support efforts to improve housing opportunities for lower income, working households. With the private sector and civic leaders more engaged, this can create the political will to overcome NIMBYism. A broad coalition of supporters can advocate for the greater community good and provide elected and appointed political officials the support they need in order to make what may be unpopular but necessary decisions with regards to policies, procedures, funding and support for specific housing projects or programs.

The interviews supported the need for a collaborative approach that is best coordinated by a central entity, task force or clearinghouse that is responsible for:

- developing and implementing a comprehensive plan
- defining stakeholder roles and responsibilities
- identifying resources and setting funding priorities
- advocating for needed community policy and program changes
- implementing an ongoing community awareness and education campaign

POSSIBLE MODELS

The consultant team explored several models from other communities that might serve as helpful templates:

- a. "Housing Partnership" (new entity, cross section of stakeholders and funders on the board, separate budget, staff, etc.)
- b. "Funders Collaborative" (key public & private sector funders work together to aggregate and distribute resources to multiple organizations that implement housing initiatives)
- c. "Super CDC" (public & private sector funders focus resources with a central organization that does it all: advocacy, homebuyer education and housing development)
- d. "Strategic Alliance" (several organizations align themselves with a common goal, divide up responsibilities, meet regularly to check progress & hold each other accountable)

These were discussed in the interviews and the "Strategic Alliance" concept seemed to resonate with most stakeholders. The consultant team then worked with the Advisory Committee to "flesh out" this concept as an organizational structure and helped the committee develop the business plan and high priority activities for the "Community Housing Choices" initiative.

In developing the high priority activities, the consultant team brought in ideas from other communities such as: Ann Arbor & Grand Rapids, MI; Richmond, VA; Milwaukee, WI and Eugene, OR.

The programs that offered the best fit included:

- Employer Assisted Housing (downpayment assistance)
- Density bonuses (allowing additional housing units to be constructed in certain areas if they're priced affordably)*
- Inclusionary zoning (requiring developers who propose a Planned Unit Development – PUD, to have at least 10% of the units priced affordably)*

- Housing Trust Fund (special funding mechanism, usually with a designated revenue stream, used to support affordable housing initiatives).

* Affordability thresholds are typically:

< 60% of Area Median Income (AMI) for low-income households

< 80% of AMI for moderate-income households

PROPOSED MANAGEMENT STRUCTURE

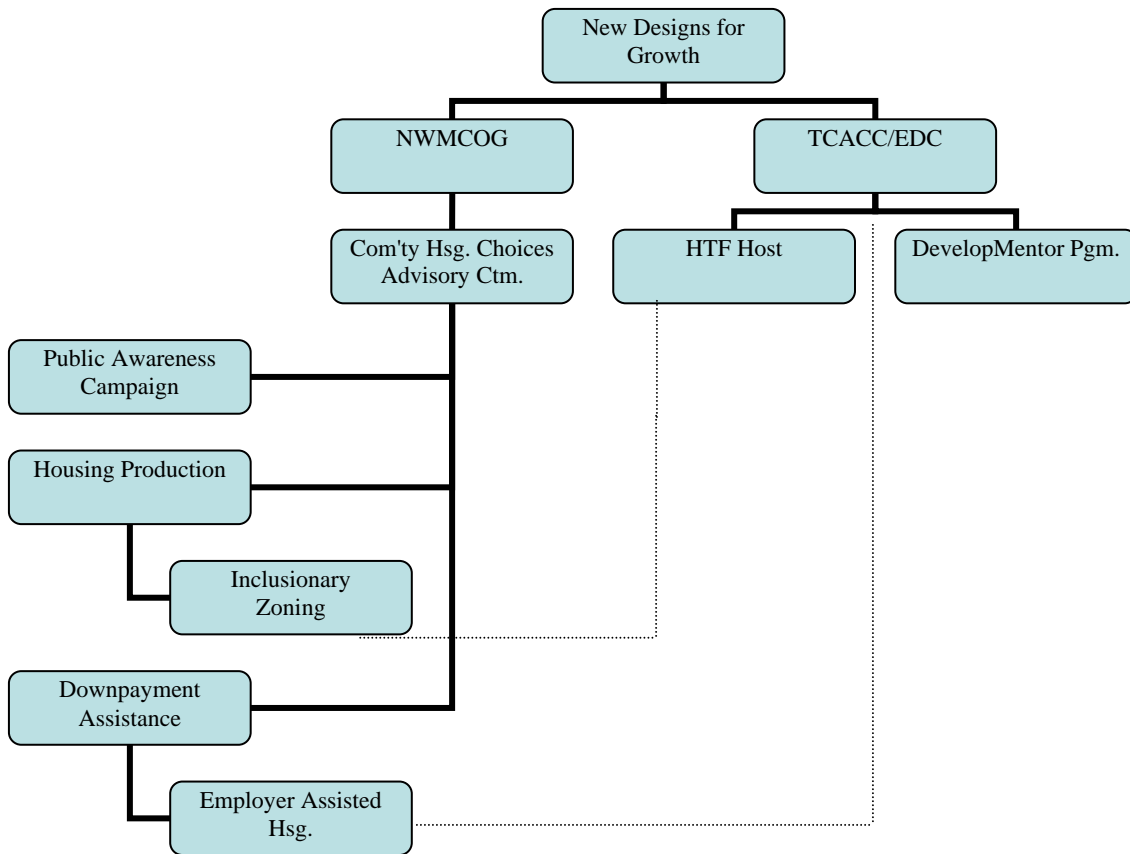
The consultant team recommended that "Community Housing Choices" be tied to (i.e. become an initiative of) New Designs for Growth. NDFG was developed by civic leaders in the 1990's to plan for and accommodate future growth in the region. The program was managed by the Traverse City Area Chamber of Commerce (TCACC). Recently, the Chamber and NW Michigan Council of Governments joined forces to implement the next phase of NDFG and this public/private partnership offered an appropriate "home" for the Community Housing Choices initiative.

At its meeting on June 4, 2007, the NDFG steering committee embraced this concept and agreed to monitor the implementation of high priority activities of the Community Housing Choices initiative.

The NWMOG will provide staff support to NDFG and its housing initiative by:

- Serving as the convener of Community Housing Choices advisory committee and managing the implementation of its business plan
- Conducting research and program development activities
- Managing communication and educational efforts to improve government and general public awareness
- Serving as the fiduciary agent and administrator for contracts and grants which are targeted for Community Housing Choices initiatives

The Chamber, through the Economic Development Corporation, will focus on the NDFG's "DevelopMentor"© program and it will support NWMCOG's administration of the overall NDFG program. In addition, the Chamber will support specific programs of the Community Housing Choices initiatives such as: Employer Assisted Housing, Inclusionary Zoning and possible administration of a Housing Trust Fund.



Possible Management Structure



Business / Strategic Plan

VISION STATEMENT

Support affordable home ownership opportunities in close proximity to existing communities and employment centers.

GOALS AND OBJECTIVES

- Increase home ownership opportunities for those earning 60% - 100% of area median.
- Generate broad public interest in and support for affordable housing initiatives:
 - Help business leaders understand the need for workforce housing and how they can support this
 - Increase the "political will" to support affordable housing projects and programs by removing barriers and creating incentives
- Develop a sustainable support system for this initiative (a sound structure with dedicated professional staff and strong public and private sector support with a dedicated revenue stream).

PRIORITY ACTIONS

1) Public Awareness & Education

Target audiences:

- General public (especially registered voters)
- Appointed and elected public officials
- Developers (especially through the DevelopMentor© program)

Use New Designs for Growth and Community Housing Choices "branding" to strengthen the message. Focus on two primary themes:

- for employers - the need for affordable, nearby housing for their workers
- for the general public – the need for affordable housing choices to maintain a healthy, thriving community with strong school enrollment

Possible tools & venues:

- a group of advocates who can serve as a "speakers bureau" – armed with multi-media materials;
- regular PSAs and ads which "put a face" on the housing affordability problem (teachers, bank tellers, restaurant workers, etc.)
- website upgrades and maintenance (where people can get more info and learn what they can do to help)

Implementation agent: NWMCOG in conjunction with MLUI

Funds needed: \$5,000 - \$10,000 annually

Possible sources: NDFG (via TCACC and/or RC&S)
City of Traverse City
MSHDA (Michigan State Housing Development Authority)

2) Housing Production (Policies and Programs to increase the supply of affordably priced homes)

a) Remove barriers that hinder or truncate the development of affordable housing. Work with local municipalities to identify and modify barriers such as: master plan & zoning restrictions, tap fees, property taxes and permitting processes.

b) Help municipalities create incentives for the development of affordable housing.

- Organize a team from the Traverse City area to go to Ann Arbor to learn how they developed their Inclusionary Zoning ordinance (and how this is helping capitalize their Housing Trust Fund). The City requires any development requesting a PUD to either: price 15% of the housing units for low/mod income households; or contribute \$89,000 per unit to the City's Housing Trust Fund (in lieu of directly providing affordable housing in their development). This "cash-in-lieu" policy has generated millions of dollars for the Housing Trust Fund because, to date, all developers have chosen to pay the fee.
- Work to replicate this program in Traverse City and the surrounding townships of Elmwood, Garfield, East Bay and Acme.
- Explore the possibility of having TCACC's Economic Development Corporation administer the Housing Trust Fund.
- Explore the use of Density Bonuses to generate additional affordable housing units. (Bonus units would be allowed in certain zone districts if a certain percentage of proposed units are affordably priced). In certain zone districts, allow large lots to be subdivided if owners sell to the Land Bank Authority (LBA) or to a developer that will construct affordable housing.

It was noted that passage of the Accessory Dwelling Unit (ADU) ordinance in Traverse City would be an important step in demonstrating how additional units can be woven into existing communities to achieve more housing choices.

c) Encourage and facilitate partnerships between the Land Bank Authority (LBA) and developers who are dedicated to providing affordable housing. The LBA can bring Brownfield financial incentives to help subsidize infrastructure and development costs. As a partner in a development, it can eliminate property taxes. It can convey tax-foreclosed properties for less than fair market value for the purpose of affordable housing development.

Special note: New housing developments supported by this initiative should use NDFG guidelines and long-term affordability restrictions such as those offered by the Community Land Trust. In addition, they should incorporate high energy efficiency features to help assure long term affordability for lower income households.

Implementation agent: NWMCOG will serve as the focal point to develop policies and programs with local municipalities.

Funds needed: \$40,000 - \$50,000 annually for NWMCOG's Community Development specialist

Possible sources: NDFG (via TCACC and/or RC&S)
MSHDA
LBA
HTF *

* As inclusionary zoning ordinances are established in the 5 targeted municipalities, and as developers choose to invest in the Housing Trust Fund in lieu of including affordable housing in their developments, this could serve as the on-going revenue stream that will support the Community Housing Choices initiative and its priority actions. With a \$1 million annual capitalization, the HTF could be used to leverage other funding to support the development of approximately 40 homes per year that would be priced affordably for low/mod income families.

3) Downpayment assistance & homebuyer education for low/mod income households

Here, there are two approaches: assistance for the general public and Employer Assisted Housing. Currently, several area nonprofits provide assistance for the general public. To complement these efforts, and to establish more support for the Housing Trust Fund concept with business leaders, it's recommended that an Employer Assisted Housing program be established by Community Housing Choices.

- Initially target 3 to 5 of the area's largest employers and develop a matching downpayment assistance program tailored after initiatives in Milwaukee and Grand Rapids. Investigate the possibility of generating matching funds from MSHDA and using its low interest mortgages to help employees purchase homes in close proximity to their jobs (or in close proximity to bus lines to encourage the use of mass transit).
- Typically, each employer provides \$2500 to \$5000 per employee enrolled in the program and their funds are matched with resources from another entity (such as MSHDA). A target would be to initially have 5 employers each assist approximately 5 employees per year and then expand the number of participating employers each year.

Implementation agent: NWMCOG in conjunction with: TCACC, HomeStretch, Community Action Agency and Habitat for Humanity.

Funds needed: Along with the management support provided through NWMCOG's specialist, the program will need approximately \$300,000 per year to support downpayment assistance for 20 – 30 households (at \$5,000 to \$15,000 per)

Possible Sources: HTF
Large employers
MSHDA
Federal Home Loan Bank-FHLB (Affordable Housing Program)

NEXT STEPS (to be managed by NWMCOG)

- 1) Establish a regular meeting schedule with the Community Housing Choices advisory committee.
- 2) At the initial meeting:
 - review the consultant team's recommendations and make any adjustments deemed necessary with the Priority Actions
 - identify 3 – 5 key leaders from the public and private sectors to join the committee to help design and implement the Priority Actions
 - lay groundwork for funding requests that will be submitted to various potential sponsors
- 3) Recruit key leaders to join the advisory committee at its next meeting
- 4) Conduct research on Inclusionary Zoning and Housing Trust Funds
 - visit with leaders in Ann Arbor who established their programs (Target: August / September 2007)
- 5) Develop implementation plans for each Priority Action

Attachment

The consultant team would like thank the following individuals who participated in telephone and/or personal interviews and those who helped develop this Community Housing Choices business plan.

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