

City of Grand Rapids

Affordable Housing Fund Board Meeting Minutes

Monday, September 25, 2023 9:00am-12:30pm

Michigan State University Secchia Center, 15 Michigan St NE, Grand Rapids

- I. Call to Order by Chair Jim Talen at 9:02am
- II. Roll Call – All members present
- III. Discussion Items
 - a. Retreat exercises and discussion – Affordable Housing Fund Board Retreat
Summary Report
- IV. Public Comment
 - a. Judith Transu, GR for Affordable Housing. Primary focus to offer housing at 30% level. Advocates interested in the housing trust fund, interested in one particular group. They would like to look at new money as ARPA was expiring. We should be looking at new methods. Increasing number of vouchers, through foundations and private sources.
- I. Adjournment by Chair Jim Talen at 12:20pm

Affordable Housing Fund Board Retreat Summary Report

Summarized by Ryan Kilpatrick

On September 25, 2023 the Grand Affordable Housing Fund Board met for a half-day retreat at the Michigan State University Secchia Center in downtown Grand Rapids. All board members were present from 9 am until 12:30 pm and the group shared robust conversation about priorities and limitations of the Grand Rapids Affordable Housing Fund in its current state. This document is intended to provide a summary report of that retreat. Additional board dialogue is expected to occur at the November 2nd regular meeting of the board, and findings or results of that discussion may be included at the end of this document.

September 25th Retreat

The room was arranged to provide four round tables to accommodate three to four board members at each table. City staff sat behind the board members and included Deputy City Manager, Kate Berens, Asante Cain, April Moyyer, Connie Bohatch (Managing Director of Community Services), and Kristin Turkelson (Planning Director). Members of the public were seated in the rear of the room.

The Board retreat began with a brief overview of the work completed to date and the overall charge of the Affordable Housing Fund Board as created by the Grand Rapids City Commission. Each board member was then invited to share a story about their most unique housing situation. Many board members shared stories of past or recent struggles and/or precarious housing. Several board members indicated a point in their lives in which affordable and subsidized housing was a lifeline for their families.

The Board then began its first exercise as small groups. Each table was asked to consider the importance and the challenge of using the Affordable Housing Fund to support deep needs within the community or to serve as many people as possible. For this exercise, deep needs were defined as the housing related needs of Grand Rapids residents that would require significant resources to fulfill. This might include permanent supportive housing for those with very low or no income, wrap-around services like mental and physical health care services, job training, etc.

For this exercise, serving as many people as possible was defined as Housing Fund investments that are targeted at supporting the broadest segment of the Grand Rapids population as possible with housing related resources. This might include efforts to ensure as many new housing units are created as possible, with less emphasis on low-income affordability while still maintaining a focus on households earning at or below 80% AMI. Or it might focus on short-term rental subsidies in smaller dollar amounts to support as many families as are eligible.

A summary of each group's responses to these two competing priorities is below:

Deep Needs

Why is it important?

Provides support for the most vulnerable

Serving this population can have positive cascading impacts in terms of broader social benefits, personal restoration, and community safety.

This population is often under-supported by other resources in the system.

Targeted investments can be very long lasting

What are the Challenges?

There are still missing pieces in the system that are difficult to overcome, like adequate mental health supports and caseworkers.

Those with deep needs are often a very small segment of the overall population in the City. Part of the job of the city is to serve all of its residents with similar services and supports.

Deep needs can require a significant amount of funding and will put severe limits on the total number of people who can be served.

Without a source of ongoing funding, deep needs may be the most challenging to continue long term.

Serve As Many People As Possible

Why is it important?

Greater long-term sustainability

Helps to improve the overall housing market

Can be much less costly per family served

Allows for the right level of support for each household.

Provides a greater public benefit that is visible to the community.

Creates a positive cascading impact throughout the community.

What are the Challenges?

The Affordable Housing Fund isn't large enough to serve all of the housing needs.

Building more housing doesn't necessarily eliminate competition between lower income and middle-income families.

Local zoning still makes it difficult to build efficiently.

More clarity is needed around how to execute on this approach.

In its next small group exercise, the Board was asked to consider the opportunities and challenges associated with supporting housing created by small-scale emerging developers compared with supporting housing created by more experienced developers. This exercise was designed to consider whether the board should put more emphasis on projects which are led by small-scale and emerging developers with the opportunity to support more developers of color in the community.

The following is a summary of board member responses from all four table groups:

Small Scale Developers

Opportunities

Better positioned to build smaller scale buildings on infill lots – more nimble and fewer barriers to entry.

Can be inclined to make a positive impact on the neighborhood – community focused.

Will create a greater variety of housing options to establish more choices in the market.

Supports a more inclusive economy.

Creates more competition among developers which could reduce prices to renters.

Helps to ensure that funds invested remain local.

Supports generational wealth building among local residents.

Opportunities to build trust within the community.

Challenges

These developers have limited capacity to execute more than one or two small projects per year. This may only result in a handful of new housing units. Not very efficient.

Less access to outside capital means the Affordable Housing Fund would have to support a much greater share of the total funding needs. This reduces the impact on the number of affordable housing units created. Difficult to scale.

Limited experience means that these developers will require much more staff support from the Affordable Housing Fund, City staff, or another agency.

Less cost effective if the goal is more affordable housing.

Zoning process is still designed to favor large developers with experience, capacity, and cash to work through site challenges and neighborhood opposition.

Traditional Developers

Opportunities

Capable of producing many more housing units within every project.

Has adequate staff and capacity to be able to manage all or a majority of tasks. Requires much less support from City staff or third-party agency.

Has access to other sources of capital (debt and equity) to reduce the amount of funding required from the Affordable Housing Fund.

Capable of moving more quickly

More efficient.

Capable of acquiring challenging sites

Challenges

Very specific building types – ‘cookie cutter’

Not always local developers

Model requires large-scale projects to be highly profitable.

Too little land is both available and zoned for the types of projects larger developers will execute.

Larger developments can be more complex and take more time to get approvals and to build.

Tend to produce less diversity of unit types (mostly studio and one-bedroom units)

Developers may not be well known by the neighborhood and can create distrust.

Neighbors may be more likely to oppose development of larger projects in their backyard.

Finally, the board was asked to consider opportunities and challenges associated with investing in homeownership housing options compared to rental housing options. The following is a summary of all board member responses.

Homeownership

Opportunities

Can be a tool to create generational wealth for local families.

Provides greater housing security and a consistent monthly payment year after year.

Creates a greater perceived sense of commitment to a neighborhood or community.

May provide residents with more options to live in a neighborhood of their choosing because single family homes are permitted in more places than any other housing type.

Timely mortgage payments have a positive impact on credit reporting to help homeowners access additional capital.

Affordable Housing Fund can be paired with Brownfield TIF.

Challenges

Cost of maintaining a home can be very high.

Cost of entry can be very high (down payment + high interest rates).

Vulnerable populations can face predatory lending practices.

The cost per family is often much more expensive for homeownership options. This is largely due to the lack of multi-unit ownership options.

Available housing supply is currently at an all-time low. Housing is scarce.

Local zoning can make building a smaller and less expensive home on a small lot difficult or impossible.

There are fewer state and federal subsidies available to support homeownership compared to rental options. This requires more funding per unit from the Affordable Housing Fund.

Less TIF capture is available to support homeownership due to homestead exemptions.

Multi-unit homeownership options can be paired with high condo association fees.

Getting neighborhood support for multi-unit homeownership can be very difficult.

Lenders often require a minimum of 50% of units to be pre-sold before beginning construction. The market is still unproven to justify easy lending.

Homeownership Challenges (Continued)
 There are fewer choices for homeownership to accommodate the specific size, type, and maintenance level of different households.

Historic practices of redlining are still impacting neighborhood home values and the ability to access financing in certain neighborhoods.

Following the completion of these small group exercises and full board processing and summary, the full board was then asked to consider how they would like the Fund Board to prioritize its limiting funding over the next 1-3 years. The Board was given the below matrix to consider:

	Deep Housing Needs for the Lowest Income Households	Broad housing needs for as many low-and-moderate income households as possible.
Homeownership		
Rental		
Experienced Developers		
Emerging Developers		

The Fund Board was then asked to use a pair of dot stickers – one red and one yellow – to vote and signify which options each board member felt was most important for the Fund Board to focus on over the next 1 -3 years. Red dots were given a value of ‘highest priority’. Yellow dots were given a value of ‘secondary priority’. Each board member had only one sticker of each color. After the voting exercise, the matrix had the following votes cast:

	Deep Housing Needs for the Lowest Income Households	Broad housing needs for as many low-and-moderate income households as possible.
Homeownership	● ● ● ●	● ● ●
Rental	● ● ●	● ● ● ● ● ●
Experienced Developers		
Emerging Developers	● ● ●	● ●

Results

As a whole, the Fund Board showed a clear and distinct top priority for investments in rental housing needs with twice as many board members articulating a preference to serve as many low- and moderate-income households as possible compared to the number of board members articulating a preference to serve the deepest needs among vulnerable populations.

As a secondary priority, homeownership opportunities emerged as a clear preference across a majority of the board members. However, a large minority of board members also expressed a secondary priority for investing in emerging developers.

Clearly, not all board members had the same preferences for targeted investments. However, the trends across the board as a whole are apparent and can help to better define future funding rounds as the Board has additional funds to disburse within the community. Based upon the results of this workshop, the fund board should communicate a clear priority to potential applicants that it will allocate the largest share of its available funding resources with a preference for rental housing which serves as many low- and moderate-income households as efficiently as possible. Additional funds may be available in smaller increments to support homeownership and/or the deep needs of the lowest income households in the community.

Finally, while it may not be the top priority of the board, there was a clear desire among several board members to give preference to emerging developers. Where the primary criteria of a grant round has been satisfied, it is recommended that emerging developers be given greater preference for grant funding if/when those developers have the necessary supportive capacity to manage the grant requirements and meet the expectations to achieve a successful project.

Top Priority	Rental housing for low/moderate income households, serving as many households as possible.
Second Priority	Rental housing for the most vulnerable populations in the community.
Third Priority	Homeownership opportunities for low- and moderate-income households.
Additional Scoring Considerations	Emerging Developers

As a follow up exercise, the board will be asked to consider a hypothetical funding round of \$5 million. If this this amount were available for the Fund Board to recommend to the Grand Rapids City Commission, how would it choose to divide those funds among eligible projects with the expectation that there are far more potential projects in need of funding that \$5 million can support in any given year.