

South Haven Community

2023 Housing Analysis

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Flywheel

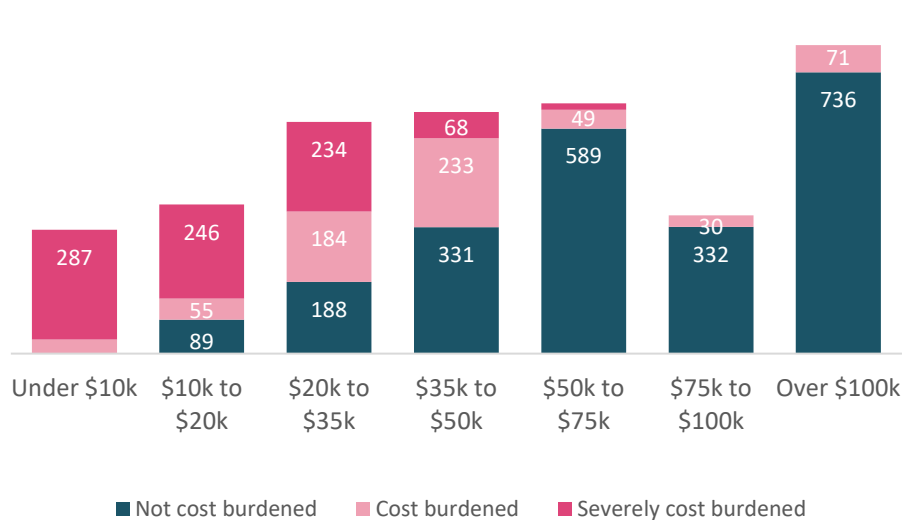
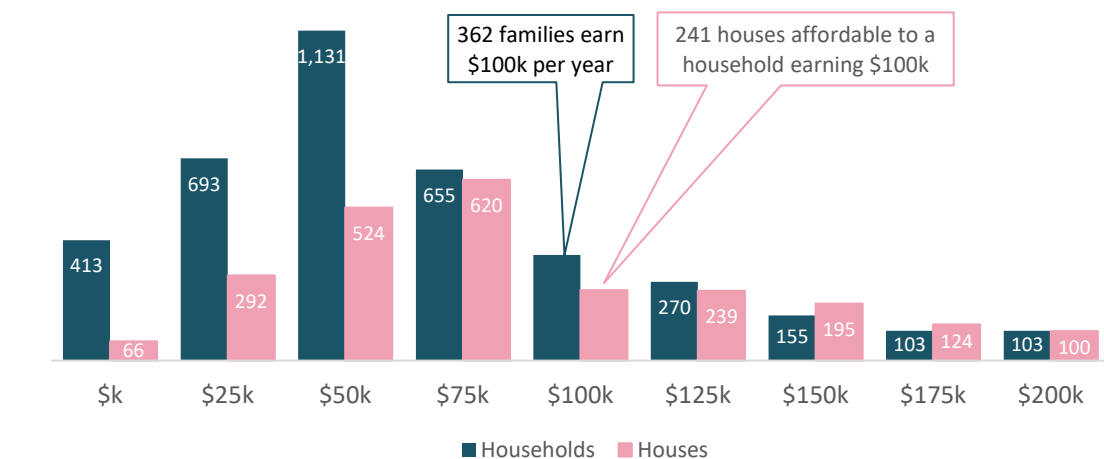
MOMENTUM TO BUILD COMMUNITY.

Executive Summary

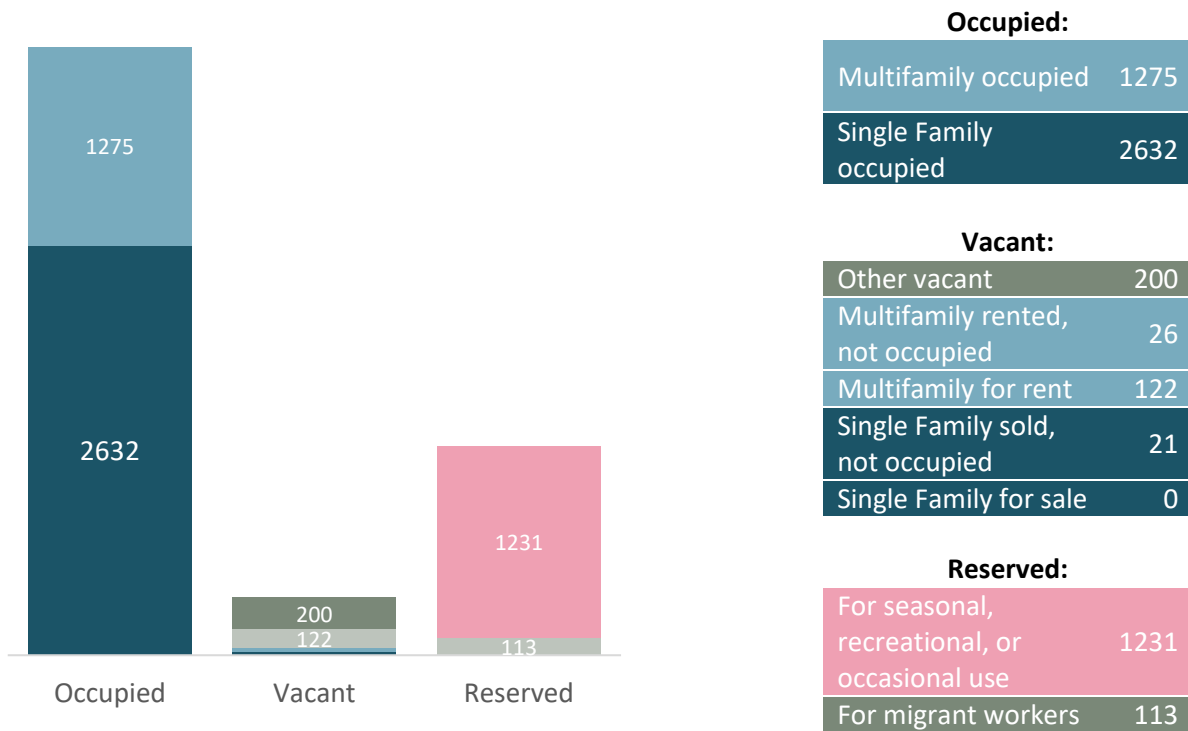
What is the need for additional housing in the South Haven community today? To answer that question, we have compared the existing supply of housing in the community (type, tenure, price, vacancy, size, and construction rates) against the demand for housing (household size, age, patterns, and income). This analysis provides a brief overview of the housing that is needed for each income and demographic segment within the community, and the potential opportunities that the City and Township of South Haven should explore to ensure those housing options can be available.

Housing Gap, Cost Burden, and Vacancies are three key issues to understand

There is a gap between what average South Haven community households can afford, and the amount of available housing options at affordable prices. That gap is largest for households earning at or below \$50,000 per year.



40% of year-round residents in the South Haven community are **cost burdened**, meaning they spend more than 30% of their gross income on housing. Severely cost burdened households spend 50% or more of their income on housing.

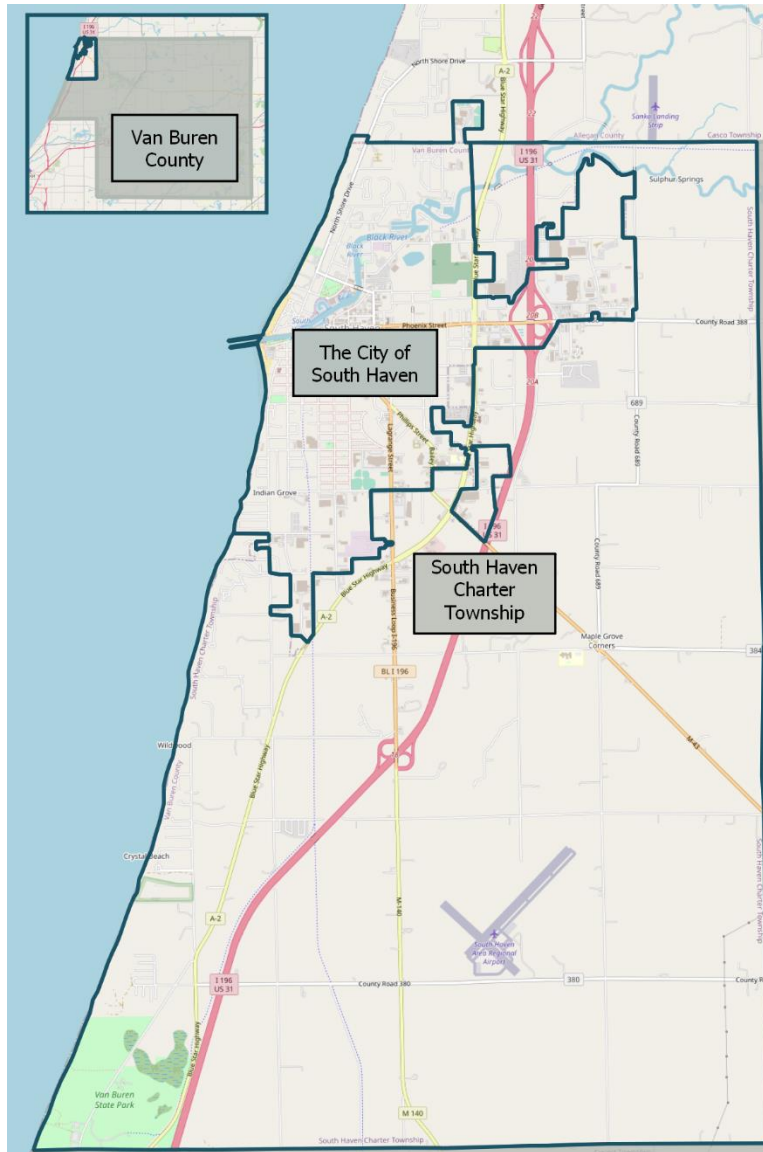


The South Haven community has the largest gap in available housing for families and households earning at or below \$50,000 per year. Using the standard definition of ‘affordable’ – housing which costs not more than 30% of gross annual income – the maximum monthly payments among these households will be \$1,250 per month or less. Providing new housing options at this price point will be difficult without some form of financial incentive or subsidy. A \$1,250 monthly payment currently equates to a total mortgage of not more than \$150,000 after factoring interest, taxes, and insurance.

Key Considerations

- Support construction of starter homes on smaller lots in the Township via targeted zoning reforms. Consider allowing reimbursement of infrastructure expenses and explore high quality manufactured housing as an option with clear design guidelines.
- Attract additional senior housing development as an opportunity to allow low-income seniors to transition to a lower maintenance lifestyle centered around relationships and community.
- Create Neighborhood Enterprise Zone districts to encourage rehabilitation and first-time homeownership within older neighborhoods as seniors move out. Consider allowing missing middle housing types where at least one dwelling unit is reserved for households earning less than the median income in Van Buren County.
- Support simplified ADU permitting on owner-occupied properties to absorb a portion of the short-term rental demand while allowing year-round residents to benefit from the additional income.
- Attract LIHTC development to sites that can be adequately serviced by local sewer and water and that can support a higher density of housing.
- Incentivize additional multi-unit development near downtown. Structure incentive policies to reward year-round residential occupancy while permitting limited short-term rentals.
- Explore the creation of an employer assisted housing program with a third-party partner.

Community Overview



Source: OpenStreetMap, Michigan State Open Data

The South Haven Community is the City of South Haven and South Haven Charter Township.

For the purposes of this report, we have defined the 'South Haven Community' as the City of South Haven and South Haven Charter Township. Every housing market is broadly influenced by prices and availability of housing across a region, often including housing options within 20- to 40-minutes' drive. This analysis explores the City and Township as a single housing market in comparison to Van Buren County.

Additionally, for the purpose of this report, we chose 2020 as our data vintage from the US Census unless otherwise noted. Population and housing statistics have changed since 2020, but the Decennial Census allows the most accurate comparison across different kinds of statistics and relevant variables.

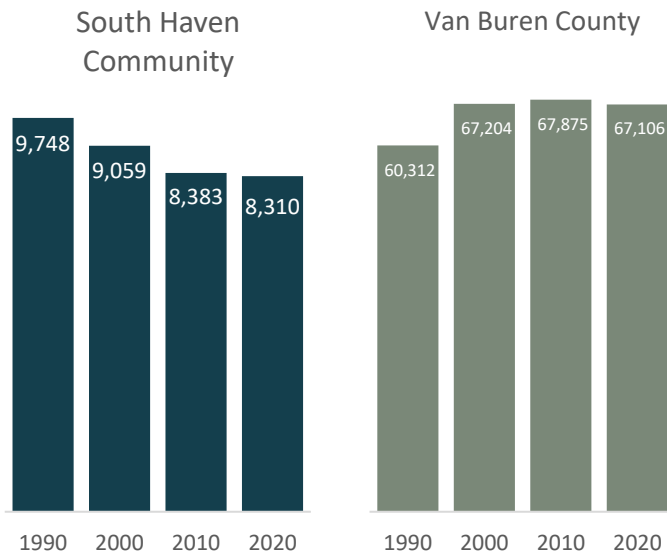
According to the 2020 Census, the City of South Haven has population of 4,340 and an area of 3.4 square miles, while South Haven Charter Township, has population 3,970 and an area of 17.4 square miles. Together, they have a total population of 8,310 over 20.8 square miles, for a population density of roughly 400 residents per square mile. The community is located 123 miles from Chicago, 181 miles from Detroit, and 200 miles from Indianapolis.

The South Haven Community is situated directly on Lake Michigan, attracting visitors to their parks, beaches, and vacation attractions. Along with other cities such as Muskegon, Grand Haven, Holland, Saugatuck, and St. Joseph, the Lakeshore region is an increasingly popular vacation and tourism destinations for the residents in the South Bend, Indianapolis, Chicago, Grand Rapids, and Detroit metropolitan regions.

While this report is specific to the South Haven Community, we will also examine the local housing situation in the context of regional housing trends, as residents will choose to move into or out of city limits in the context of nearby alternatives. Planning for future housing needs must take into account the individual's ability to “shop elsewhere” for their housing needs.

The following data is a broad reflection of the demographic characteristics of the year-round population living in the South Haven Community. There is a sizable share of community residents who live in South Haven for only a portion of the year. Because of the methodology used by the census bureau in collecting this data, much of the information about part-time residents is not captured in the tables below.

Population Decreased from 1990 - 2020



The total population of the South Haven Community has declined by 15% over the past 30 years, decreasing from 9,748 residents in 1990, to 8,287 residents in 2020. Over the same time period, Van Buren County grew from 60,312 to 66,985 (11%). However, as noted on page 7 below, the total number of households in the South Haven Community has increased.

Source: 2012 Census CPH-2, 2020 ACS S0101

It is important to understand the distinction between *population* and *households*. A household is defined as any individual or group of inhabitants living in a single housing unit. If overall population declined while total households rose, this means the average number of individuals per household dropped relatively significantly. As noted below, while households with children living at home fell by more than 23%, the number of single adults living alone rose by 21%. Yet, the majority of available homes in the community are single family residences of 1,000 square feet or more.

This demonstrates the aging of the local population and demographic patterns that are currently evident across many regions of the U.S. Baby Boomers are becoming empty nesters as their adult children move out of the communities where they grew up. However, many Baby Boomers are choosing to age-in-place, rather than moving out of their existing homes and this pattern has created a bottleneck in the historical process of housing turnover from one generation to the next.

Generational Changes 2010 - 2020

| | | South Haven Community | Van Buren County |
|-------------------|-----------|--------------------------|---------------------|
| Generation Alpha | 2010-2020 | +826 | +8,590 |
| Generation Z | 1995-2010 | -252 | -1,700 |
| Millennials | 1980-1995 | -264 | -420 |
| Generation X | 1965-1980 | -54 | -644 |
| Baby Boomers | 1945-1965 | +233 | -2,494 |
| Silent Generation | 1930-1945 | -202 | -2,184 |
| Total | 1930-2020 | +288 | +1,147 |

Between 2010 and 2020, every generation demographic declined in the South Haven Community, except for Generation Alpha (born after 2010) and Baby Boomers (born between 1945-1965). In Van Buren County, every generation declined except for Generation Alpha. The growth among Generation Alpha is a very positive sign and demonstrates a potential renewal of local families in the area.

Source: 2010 and 2020 American Community Survey S0101

Where did people move to South Haven from during the year 2020?

| | South Haven Community | Van Buren County |
|--|--------------------------|---------------------|
| Did not move in the past year | 86.00% | 86.71% |
| Moved in from Van Buren County | 4.65% | 7.32% |
| Moved in from a different county in Michigan | 5.58% | 4.44% |
| Moved in from a different state | 3.77% | 1.44% |
| Moved in from abroad | 0.00% | 0.09% |

1,329 of South Haven community residents moved into South Haven from other parts of Van Buren County, other parts of Michigan, other states, or from abroad between 2010 and 2020. 73% of new residents came to South Haven from within the State of Michigan and roughly 1/3 of new residents came from another part of Van Buren County.

Source: 2020 American Community Survey DP02

Household Demographics

Household and Family Change 2010-2020

| Ten Year Change | South Haven Community | Van Buren County | |
|---|-----------------------|------------------|---|
| Total population | -1.2% | -1.9% | Between 2010 and 2020, the number of households grew while the average people per household declined. |
| Number of households | +3.5% | +2.6% | |
| Average people per household | -4.5% | -4.4% | This is represented in the large increase in the number of people living alone, and the substantial decrease in the number of people living with non-relatives. |
| Householder living alone | +21.1% | -5.2% | |
| Householder living with non-relatives | -59.1% | +0.6% | There were also increases in the number of people living with partners, and with extended family. |
| Householder living with spouse/partner | +10.9% | 0.0% | |
| Householder living with children | -23.4% | -9.2% | Despite similar population shifts in Van Buren County, the county does not exhibit similarly significant changes in household size. |
| Householder living with other relatives | +11.0% | +5.4% | |
| Average family size | +4.3% | -5.8% | |

Source: 2010 and 2020 American Community Survey dp02

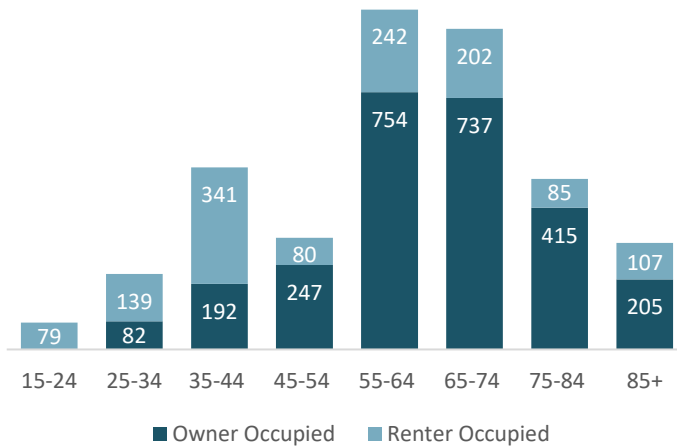
Household Poverty by Family Type

| | South Haven Community | | Van Buren County | | |
|---|-----------------------|------|------------------|------|---|
| Total people in households | 8,113 | 100% | 66,333 | 100% | |
| Family households below the poverty level | 958 | 12% | 7,065 | 11% | Compared to Van Buren County, the South Haven Community has a slightly higher proportion of families below the poverty level, and a slightly higher proportion of non-families above the poverty level. |
| Non-family households below the poverty level | 562 | 7% | 2,442 | 4% | |
| Family households above the poverty level | 5,200 | 64% | 49,929 | 75% | |
| Non-family households above the poverty level | 1,393 | 17% | 6,897 | 10% | |

Source: 2020 American Community Survey B17021

Age of Head of Household and Tenure

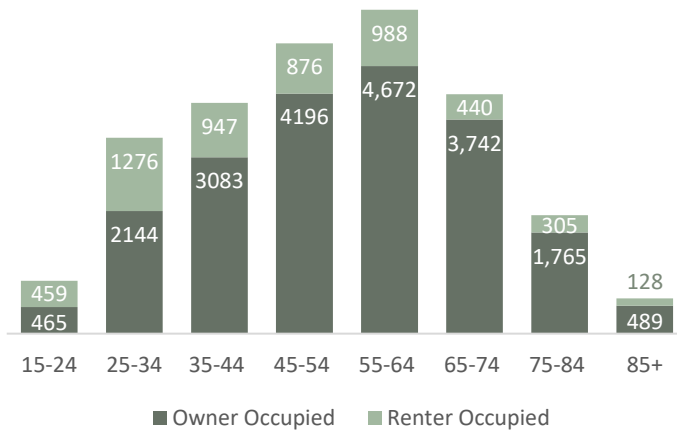
South Haven Community



The South Haven Community has proportionally **significantly fewer households with the household head aged 15-54** compared to Van Buren County. The South Haven community has proportionally significantly more households with the household head above the age of 75.

An important factor in this data is the 636 households who qualify as seniors and rent their current home in the South Haven Community. This is roughly 50% of the total renter population in the community.

Van Buren County



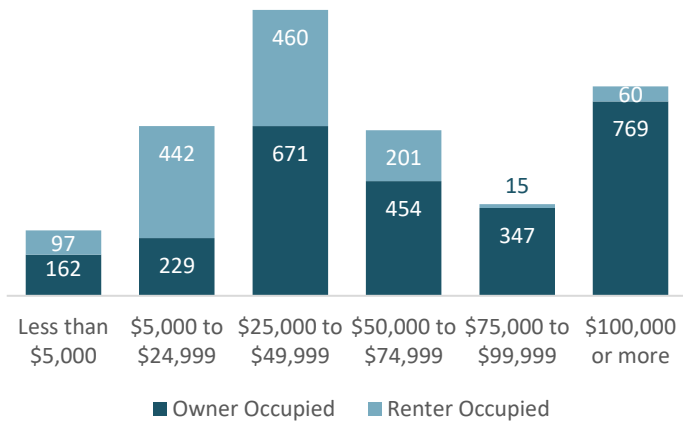
This can be explained by considering the population trends across generational cohorts. From 2010 to 2020, South Haven saw a decrease in the number of individuals born between 1965 and 2010, with an increase in individuals born between 1945 and 1965. Over the same time period, Van Buren County saw a decrease across all age groups.

This data forms a clear story: While people of all ages are moving away from Van Buren County, individuals who move into the South Haven Community are most likely of the “recently retired” demographic.

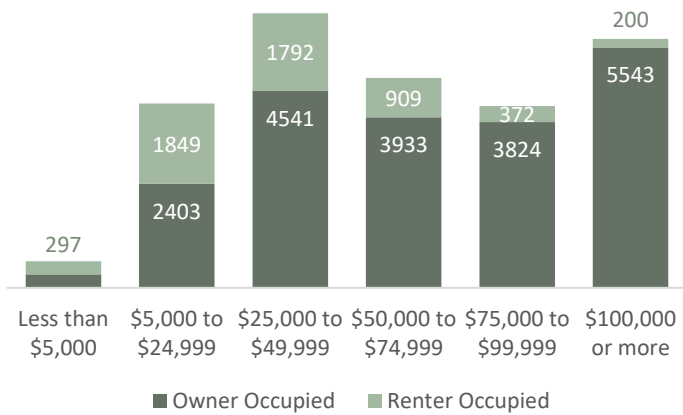
Source: Source: 2020 American Community Survey 5-Year Estimates B25007

Household Income and Tenure

South Haven Community



Van Buren County



The majority of households living in the South Haven Community (52.7%) earn under \$50,000 per year. The majority of households living full-time in Van Buren County (56.9%) earn above \$50,000 per year.

Compared to Van Buren County, the South Haven Community has relatively fewer households earning between \$50,000 and \$100,000 per year.

Source: 2020 American Community Survey B25118

Homeownership Rates by Race and Ethnicity

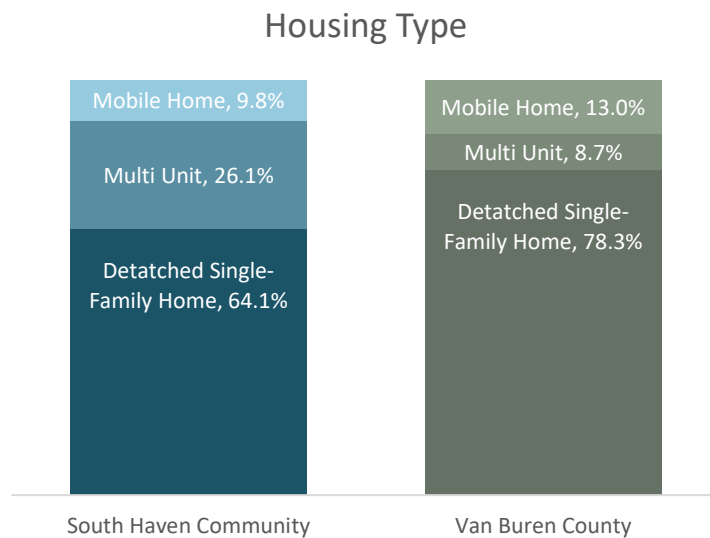
| | South Haven Community | | Van Buren County | |
|-------------------------------------|-----------------------|---------------------|------------------|---------------------|
| | Population | Home Ownership Rate | Population | Home Ownership Rate |
| American Indian and Alaskan Native | 7 | 0% | 191 | 56% |
| Asian Alone | 14 | 100% | 141 | 100% |
| Black or African American Alone | 381 | 21% | 550 | 58% |
| Hispanic or Latino | 2,174 | 38% | 1,985 | 69% |
| Native Hawaiian or Pacific Islander | 0 | 0% | 0 | 0% |
| Some Other Race Alone | 63 | 27% | 729 | 64% |
| Two or more races | 157 | 64% | 981 | 67% |
| White Alone | 3,285 | 74% | 23,383 | 81% |
| White Alone, Not Hispanic or Latino | 3,232 | 74% | 25,691 | 81% |

Source: 2020 American Community Survey B25003

Across all races and ethnicities, homeownership rates are higher in Van Buren County than in the South Haven Community. Notable differences are visible in Black or African American households, American Indian and Alaskan Native households, Hispanic or Latino households, and Some Other Race households. Three categories – American Indian and Alaskan Native, Native Hawaiian or Pacific Islander, and Asian Alone have very few members in the category, and caution should be taken when attempting to draw significant conclusions about tenure trends.

Housing Type and Tenure

Housing Type

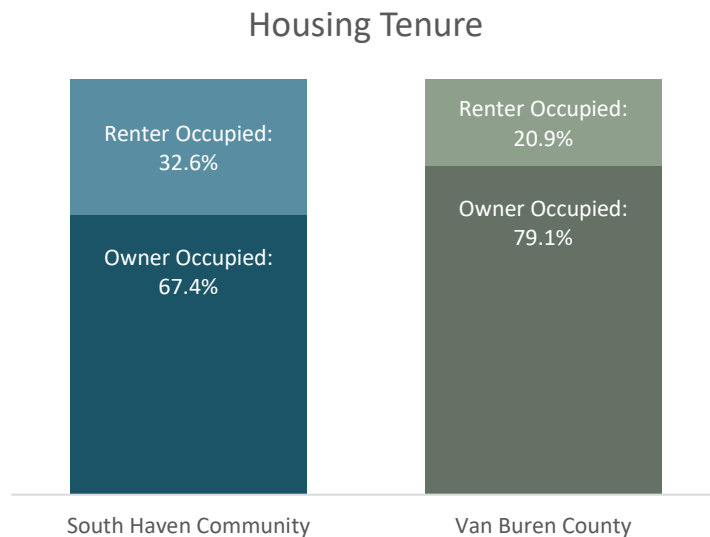


Housing Type – the South Haven community has 3,907 occupied housing units. Of these, 64% are single-family houses, 26% are multi-unit structures, and 10% are mobile homes.

Van Buren County has a lower diversity of housing type, having its 25,957 occupied housing units proportioned with 78% being single-family houses, 8% being multi-unit structures, and 13% being mobile homes.

Source: 2020 American Community Survey b25032

Housing Tenure



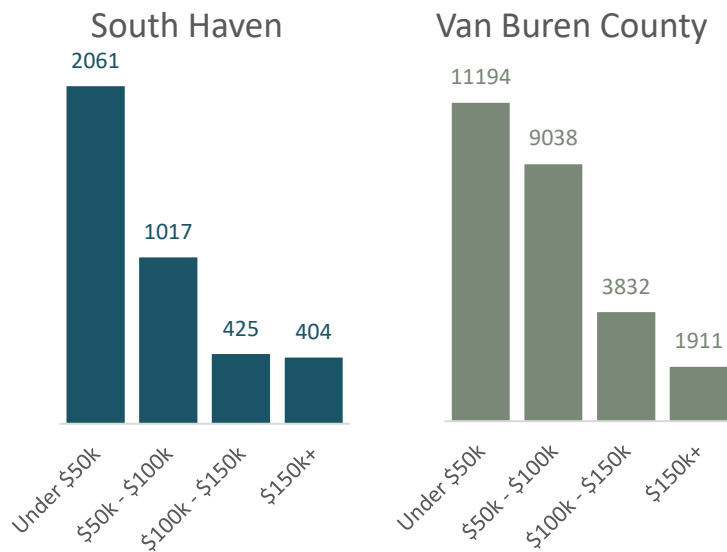
Housing Tenure – the South Haven community has a greater proportion of housing available as rental units compared to Van Buren County, with 67% of its occupied housing units owner occupied, and 32% of its occupied units renter occupied. Van Buren County has a ratio of 79% owner-occupied units to 21% renter-occupied units.

Compared to the rest of Van Buren County, South Haven maintains a higher rate of multi-family housing and renter-occupied housing.

Source: 2020 American Community Survey b25032

Household Income

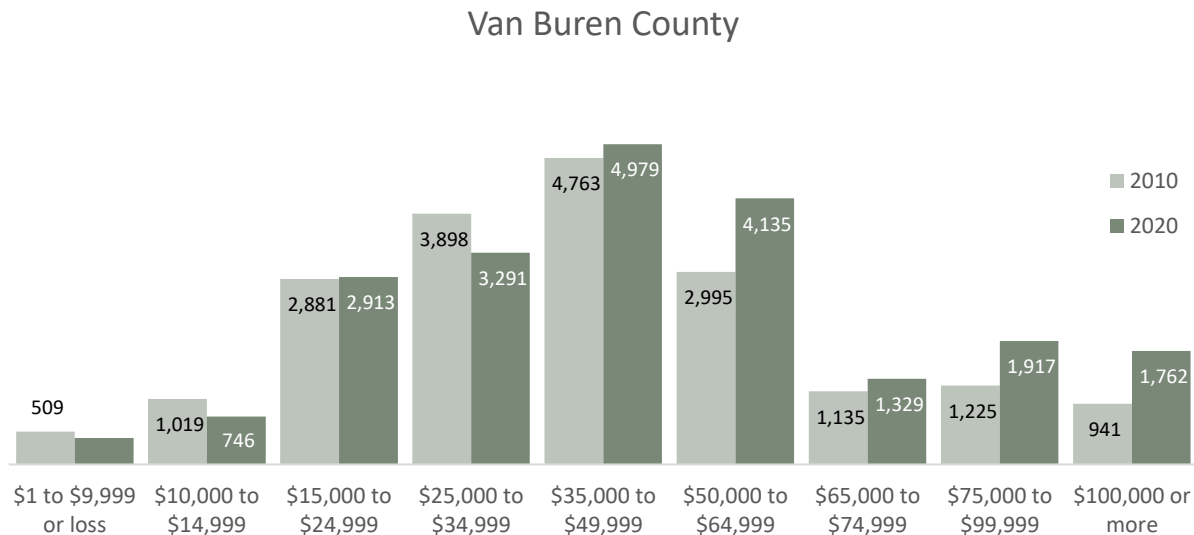
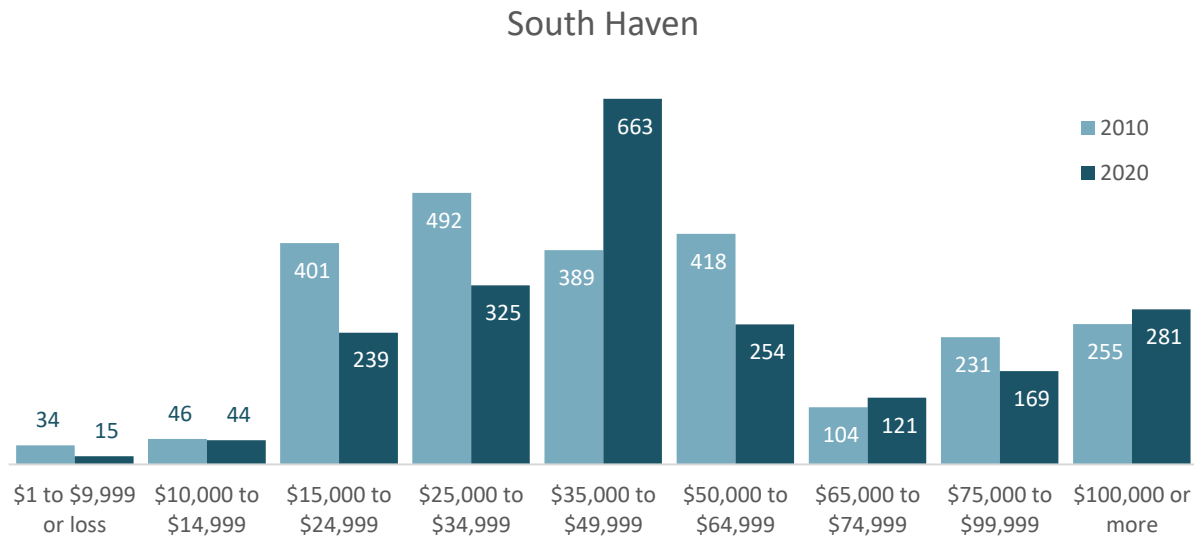
Number of Households across Income Levels



Of the 3,907 households in the South Haven Community, 2,061, or **53%**, have an annual household income below \$50,000, while 829 households, or 21%, have an annual household income above \$100,000. Disparities in income are especially important to pay attention to when the number of total households is on the rise. This means the demographic trends are forcing a degree of competition into the marketplace as demand exceeds supply. Too little supply almost always results in the lowest income households losing opportunities to secure housing.

Source: 2020 American Community Survey B19001

Change in Number of Households Across Income Levels, 2010 to 2020



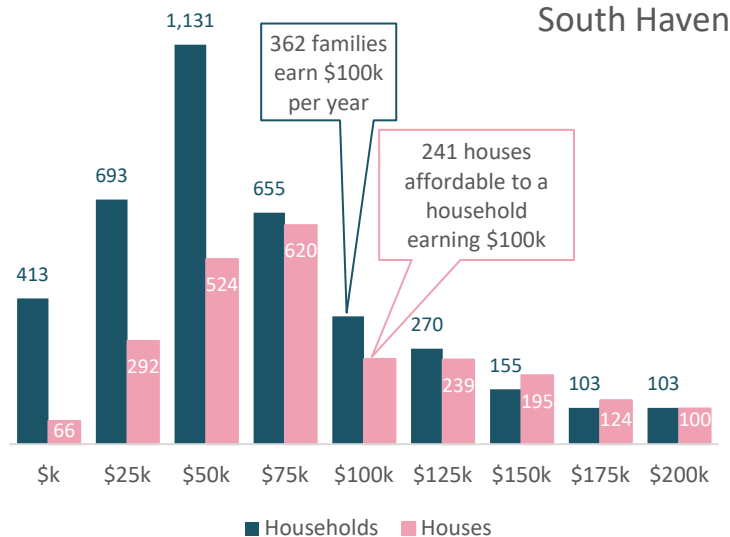
Between 2010 and 2020, South Haven saw a decline in the number of households across most household income categories. South Haven saw a large increase (70%) in the number of households earning between \$35,000 and \$50,000 per year while there were similarly steep declines in the number of households earning below \$35,000. This may signify a rise in household incomes due to younger couples moving in together, or young workers growing into more senior and higher paying positions. Unfortunately, \$50,000 is not enough to afford the average home in the South Haven Community.

Over the same period, Van Buren County saw a decrease in the number of households earning below \$35,000 per year, and an overall increase in the number of households earning greater than \$35,000 per year.

Source: 2010 and 2020 American Community Survey B19001

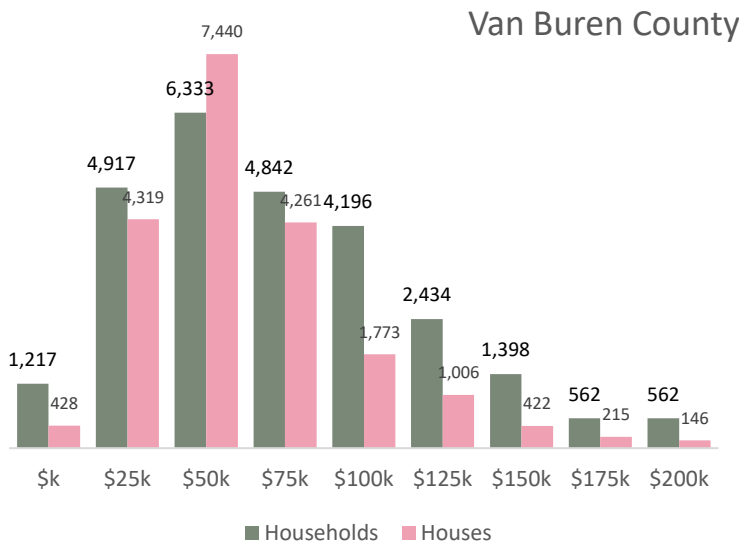
Dwelling Unit Price and Availability

Comparison of Household Income with Dwelling Unit Cost



The median home value in the South Haven Community is \$286,000. The minimum household income required to afford a home priced at \$286,000 (assuming 10% down payment and 6.5% interest) would be \$86,000, or roughly 120% of the median income of a family of three in the community.

Meanwhile, the median home value in Van Buren County is 40% less, at \$174,000. The minimum household income required to afford a home at this price is roughly \$53,000, or about 75% of the median income of a family of three in the County.



There is a gap between the number of owner-occupied housing units and the number of households who could afford those houses in South Haven, particularly at the lower end of the cost range.

In the South Haven community, there are more households than there are owner-occupied housing units.

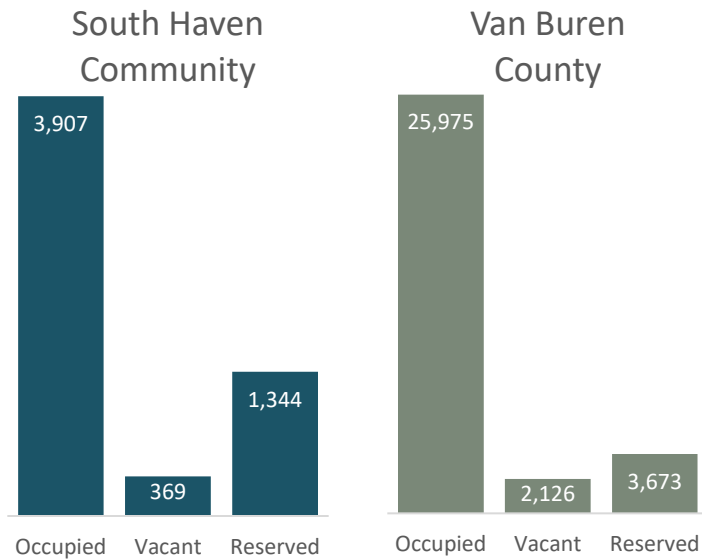
In Van Buren County, there are more housing units that are affordable to the households at the lower income levels, but fewer housing units than the households could afford at the higher income levels.

This data does not include the “reserved” category of dwelling units discussed in the vacancy section.

Source: 2020 American Community Survey B25001, B25002, B25003.

Housing attainability is based on the assumption of 10% down payment, 30-year term, and 6.1% interest rate.

Vacancy Rate

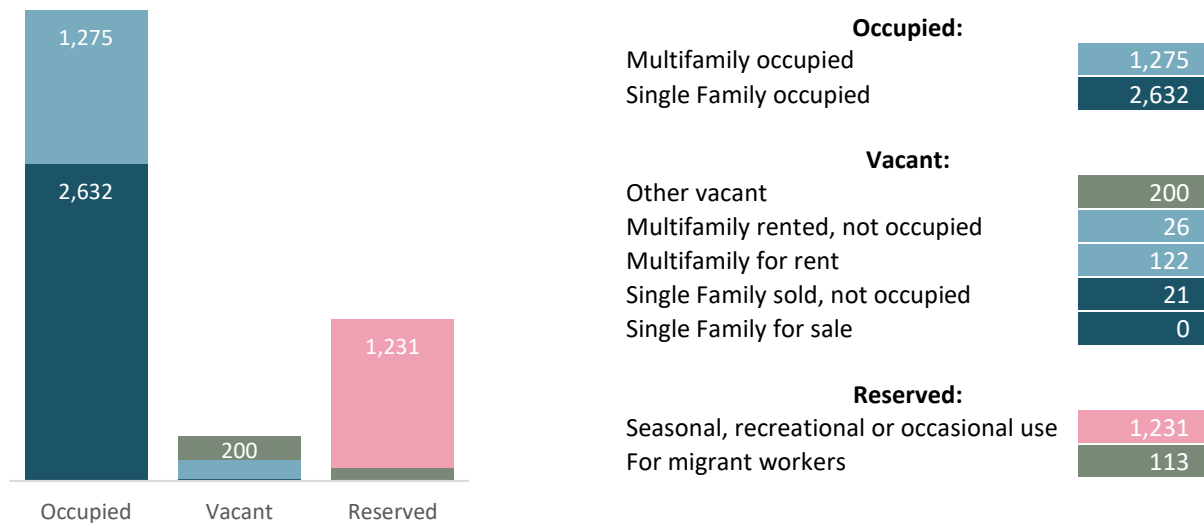


Vacancy is defined as the number of units available for someone to move into divided by the total number of units in the market.

Census data does not provide a detailed disposition for “reserved” dwelling units, so further research can clarify to what extent the South Haven Community’s “reserved” dwelling units could be occupied by a resident.

Source: 2020 American Community Survey B25001, B25002, B25003

South Haven Community Occupancy Detail



Traditional vacancy calculations are based on occupancy (dwelling units that have a full-time occupant) and vacancy (dwelling units that are available for someone to reside in.) Vacancy calculations do not include dwelling units that are under construction or repair, abandoned, or owned as a second home for seasonal, recreational, or occasional use.

South Haven Community Vacancy Rate: 2.3%

Vacancy is a crucial metric for understanding housing availability because low vacancy drives price increases. When vacancy drops below 5%, households find it very difficult to find a dwelling unit that meets their needs for size, location, price, and quality. When this happens, households often must choose between undesirable options. This can put downward pressure on the market, with a household choosing a home that is less costly than they could afford. This “step down” removes a lower-cost dwelling unit from the market that might have been affordable to a lower-income household.

Conversely, a vacancy rate above 7% indicates a decreased demand for the market, with associated decreases in housing prices. Households often find it is easier to find a dwelling unit that meets their needs for size, location, and quality, and can bid down the price because of lack of competition.

Multifamily Vacancy – January 2023 Survey

| Apartment Complex | 1 BR | 2 BR | 3+ BR | Total Vacant | Total Units |
|--------------------------------|----------|----------|----------|--------------|-------------|
| 253 Center St | | | | 0 | 12 |
| 501 Green St | | | | 0 | 12 |
| 514 Phoenix St | | | | 0 | 1 |
| 516 Phoenix St | | | | 0 | 2 |
| Briar Hills II Apartments | | | | 0 | 32 |
| Briar Hills III Apartments | | | | 0 | 48 |
| Briar Hills Townhouses | | | 3 | 3 | 50 |
| Coastal Crossing 1 | | | 1 | 1 | 48 |
| Coastal Crossing 2 | | | | 0 | 40 |
| Dockside Apartments | | | | 0 | 28 |
| Harbor View & River Terrace | | | | 0 | 80 |
| Maple Glen Apartments | | 1 | | 1 | 88 |
| Maxwell Place | | 2 | | 2 | 49 |
| Park Meadows Apartments | 1 | | | 1 | 63 |
| Village View Senior Apartments | | | | 0 | 24 |
| Total | 2 | 2 | 4 | 8 | 577 |

Source: direct survey

Short-Term Rental Impact on Housing Market

The City of South Haven

The City of South Haven uses a permit process to manage the number of Short-Term Rentals (STR) within the city based on the location and the number of days per year that a unit is occupied.

Definitions:

Permit: The city requires all STR units to have a permit.

Business: Any unit that will be rented for more than short-term rental terms and more than 28 days in a calendar year is classified as a Business Unit. Business Units count towards the non-exempt business unit cap.

Personal: Any unit that is rented for no more than 6 short-term rental terms and no more than a total of 28 days in a calendar year is a Personal Unit. Personal Units do not count towards the non-exempt business unit cap.

Exempt: Units that are in Planned Unit Developments (PUD), single-family homes managed by the Housing Commission, units in condominium complexes, and apartment complexes of 12 or more units are exempt from inclusion in the STR ratio calculation. STR units in exempt buildings are exempt from the cap on non-exempt business STRs.

Non-Exempt: All units that are not exempted are counted and used to calculate the cap on non-exempt business STRs.

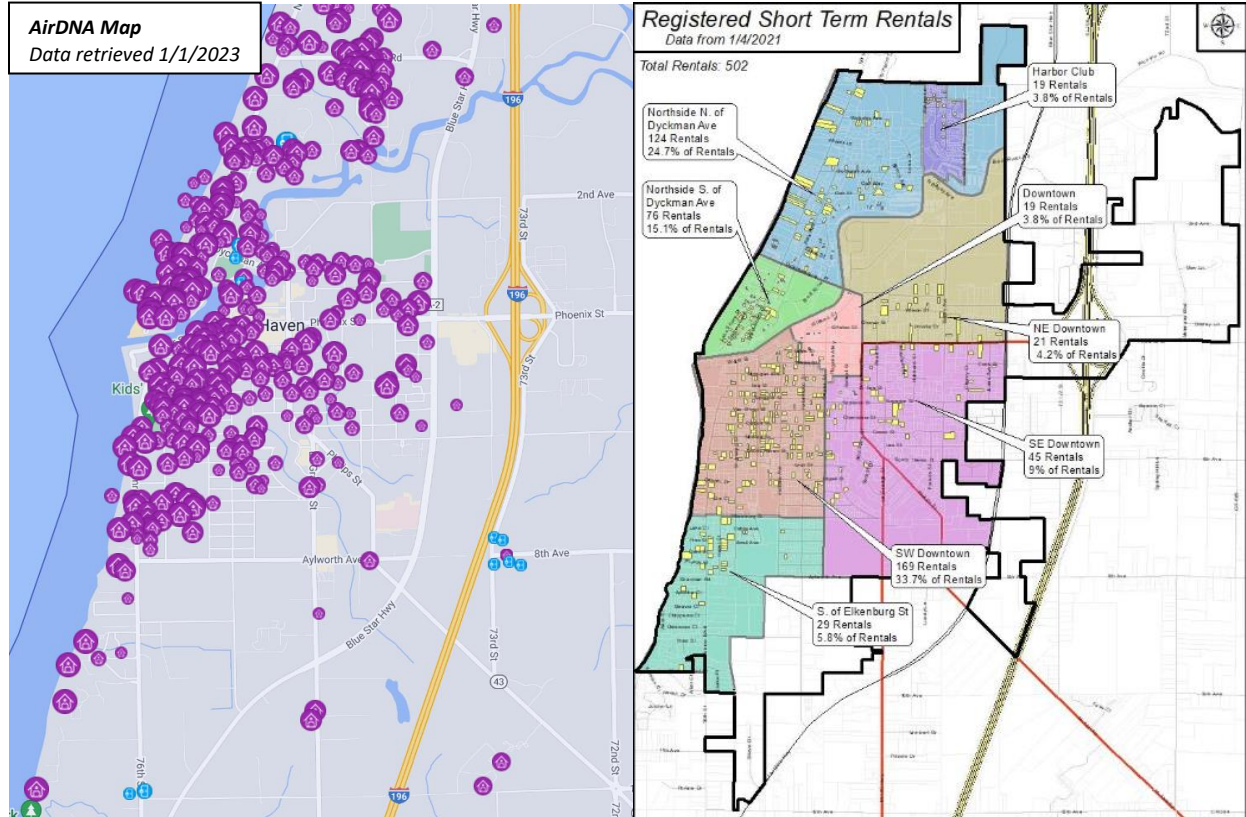
| | Non-Exempt: | Exempt |
|-----------------|---------------------------------|-------------------------------|
| Business | Limit: 497 1/4/23 count: 449 | No limit 1/4/23 count: 178 |
| Personal | No Limit 1/4/23 count: 63 | No Limit 1/4/23 count: 18 |

January 2023 STR total count: **708 units**

South Haven Charter Township

South Haven Charter Township does not limit, track, or require permits on Short Term Rental units.

Using AirDNA to understand the local STR Market

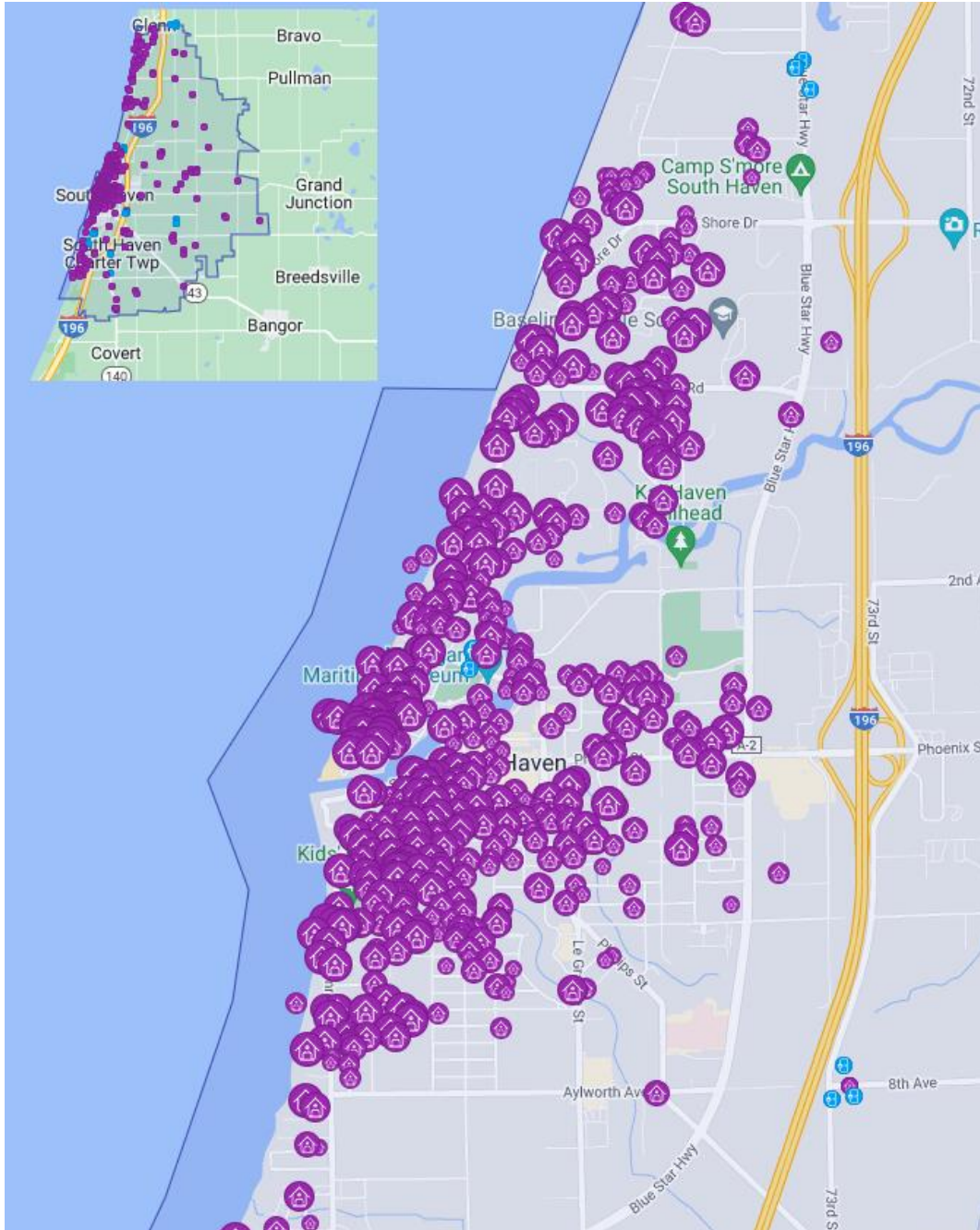


Source: AirDNA 2023 data, City of South Haven 2021 Short Term Rental Snapshot Report

AirDNA observes and records data from AirBNB and VRBO, the top two short-term rental companies operating in South Haven.

Because AirDNA includes units outside of the municipal boundaries of the South Haven Community, it is not possible to draw direct, one-to-one inferences from the information provided. However, useful observations can be found by examining trends and considering the proportion of STR permits within South Haven.

AirDNA Market Data

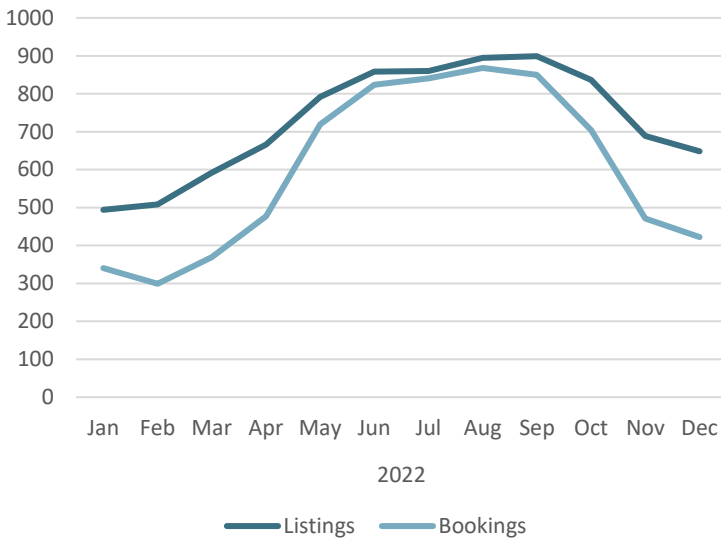


This map from AirDNA shows the high demand for short-term rentals centered around the South Haven community. Of the 661 STR units listed on AirDNA as of 1/1/2023, 180 are outside the city limits of South Haven City and 481 are inside the city limits (72%).

Detailed analysis during peak listing months (typically July or August) would provide more accurate understanding of where in South Haven the short-term rentals are located.

Source: AirDNA

STR Listings and Bookings from January to December 2022



AirDNA reports the total number of STR listings across the South Haven market (including units outside of South Haven and South Haven Charter Township) to have started at 494 units on the market in January 2022, risen to 899 units on the market in September 2022, and fallen to 648 in December 2022.

This growth reflects the seasonal demand for vacation properties. In January 2022, 69% of properties were booked, while in July 2022, 98% of properties were booked.

Source: AirDNA

STR Market Summary: 2022

| | |
|-----------------------------|---------------------|
| Total Nights Booked | 108,146 |
| Peak Listing Month | August 2022 |
| Peak Listing Count | 868 |
| Unit Type: | Market Revenue: |
| Whole House | \$53,337,012 |
| Unique Stays | \$416,818 |
| B&B | \$94,427 |
| Apartment | \$4,241,212 |
| Total Market Revenue | \$58,089,469 |

Source: AirDNA

The average revenue for a 5-bedroom STR in July 2022 was \$27,121.

The average annual revenue for a 5-bedroom STR was \$148,000.

This high average annual revenue creates a very high demand for STR properties.

Market Trends 2019-2022

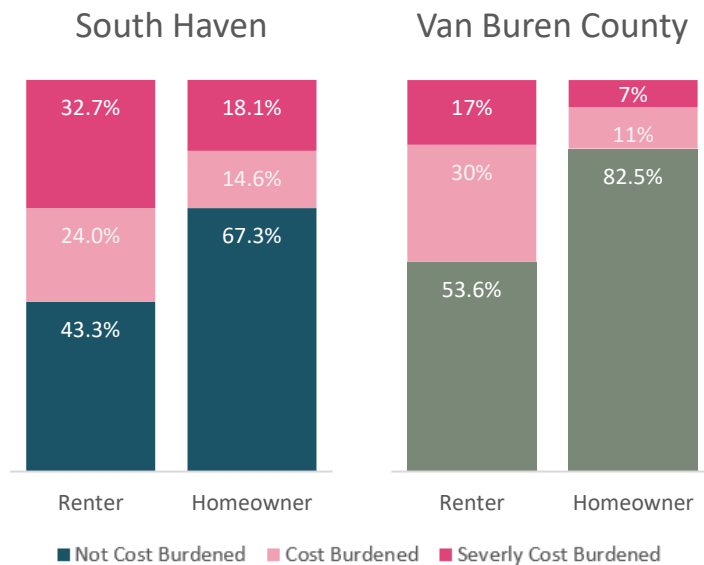
| | Total Market Revenue | Total Nights Booked | Average revenue per night | Month with most listings | Average revenue per unit in peak month |
|------|----------------------|---------------------|---------------------------|--------------------------|--|
| 2019 | \$30,081,547 | 61,117 | \$492 | 692 properties (August) | \$10,150 |
| 2020 | \$33,436,269 | 64,451 | \$519 | 610 properties (July) | \$13,619 |
| 2021 | \$48,088,401 | 91,312 | \$527 | 708 properties (August) | \$12,440 |
| 2022 | \$58,089,469 | 108,146 | \$537 | 868 properties (August) | \$12,554 |

The South Haven Community and the surrounding area experienced a sharp increase in the total number of nights booked (77%) when comparing 2019 numbers to 2022. However, the total number of properties listed in the peak month of August only increased by 25% over the same time period. Furthermore, average revenue per night increased by only 9% over the same period. This suggests that while there has been some increase in the number of properties being leased on a seasonal or short-term basis, the largest component of seasonal rental occupancy is actually in the utilization rate of existing short-term and seasonal rentals. Those properties being leased on a short-term basis are more likely to be leased for a greater number of nights throughout the year as compared to data available in 2019. The above notwithstanding, a 25% increase in the number of properties available for lease on a short-term basis will certainly have impacted the number of properties available for year-round occupancy and is an important factor influencing local housing prices.

Further analysis of STR units in the South Haven community might track and audit unit listings across a calendar year to understand the cost margins of these businesses, if they make use of traditional mortgages or business loans, and if there are differences between personal and business STRs.

Affordability and Housing Cost Burden

Cost Burden Rates by Tenure



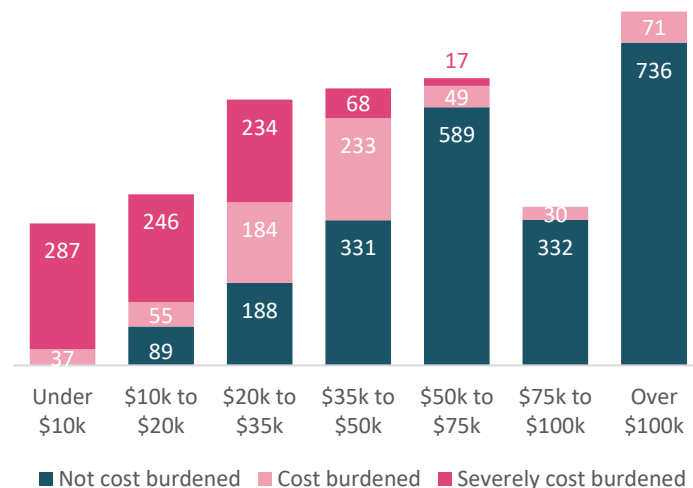
38% of South Haven Community households are cost burdened

An indirect measure of housing affordability is the number of households that are identified as cost burdened (paying over 30% of their income towards housing) and severely cost burdened (paying over 50% of their income towards housing).

Source: 2020 American Community Survey B25095 and B25074

The South Haven Community has higher rates of cost burden than in Van Buren County among both households who own their home and households who rent. The number of severely cost-burdened households among both renters and homeowners is a troubling indicator and makes up a larger percentage of the population than most communities in Michigan.

Cost Burden Rates for Both Homeowners and Renter Households



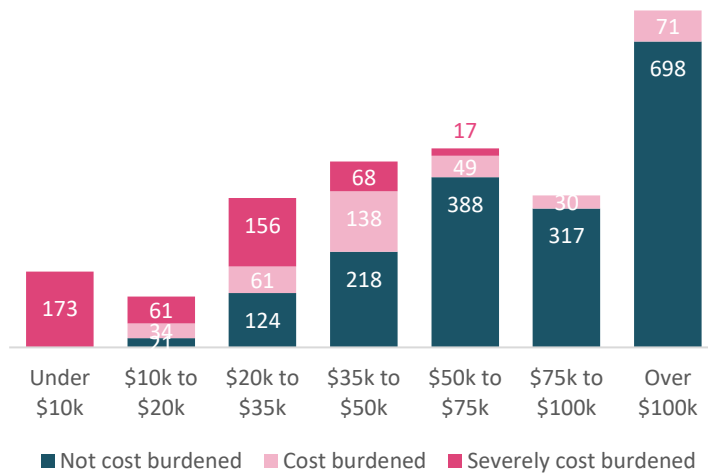
Of 3,776 households in South Haven, **1,511 (40%) are cost burdened**, paying over 30% of their income towards housing expenses.

Of these cost burdened households, 659 pay between 30% and 50% of their income towards housing expenses, and **852 are severely cost burdened**, paying over 50% of their income towards housing expenses.

The majority of cost-burdened households earn below \$50,000 per year.

Source: 2020 American Community Survey B25095 and B25074

Homeowner Cost Burden



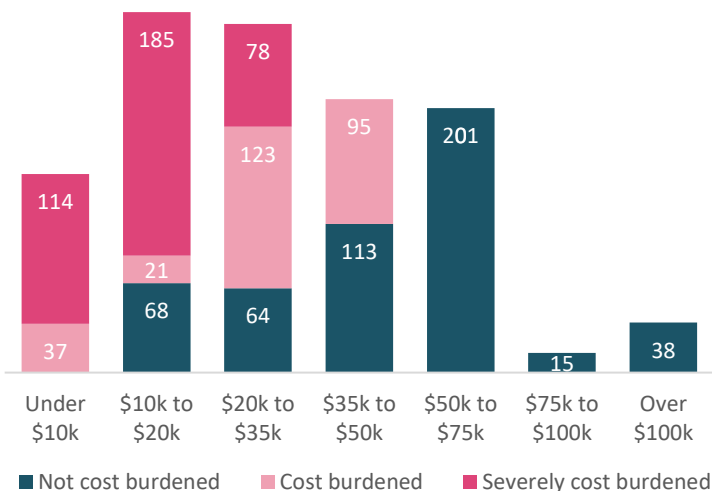
Source: 2020 American Community Survey B25095 and B25074

Of 2,642 households which own their residences, **858 (32.7%) are cost burdened**, paying over 30% of their income towards housing expenses.

Of these cost burdened households, 383 pay between 30% and 50% of their income towards housing expenses, and **475 are severely cost burdened**, paying over 50% of their income towards housing expenses.

The majority of cost-burdened homeowner households earn below \$50,000 per year.

Renter Cost Burden



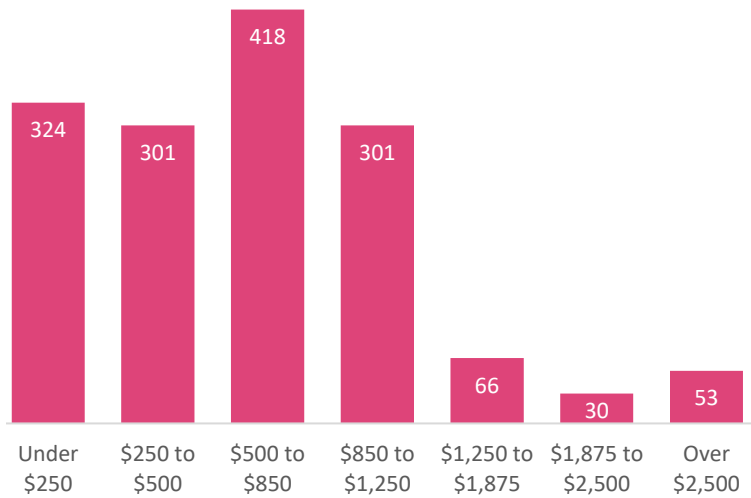
Source: 2020 American Community Survey B25095 and B25074

Of 1,275 households which rent their residences, **653 (56.7%) are cost burdened**, paying over 30% of their income towards housing expenses.

Of these cost burdened households, 276 pay between 30% and 50% of their income towards housing expenses, and **377 are severely cost burdened**, paying over 50% of their income towards housing expenses.

The majority of cost-burdened renter households earn below \$50,000 per year.

Setting Affordability Targets based on Capacity for Housing Costs



Source: 2020 American Community Survey B25095 and B25074

Because cost burden is a measure of a community's affordability, one way to consider affordable targets is by seeking to provide housing at prices that meet the community capacity for housing costs.

For example, there are currently 418 households that cannot afford their current housing costs, but that could afford housing costs between \$500 per month and \$850 per month.

These measures can be used to set targets for the number and price of new or rehabilitated affordable units.

Community Survey and Round Table Feedback

A series of round table conversations were held with members of the community to understand and capture a variety of perspectives, misconceptions, needs and opportunities. Comments from these focus groups have been anonymized, sorted, and summarized. These comments are a snapshot of the community's values and considerations, and can be used to identify and prioritize housing efforts.

Homeowner - I don't object to tourism at all, but I think you have to be a healthy community in order to have tourists come here. Who wants to go to Mackinaw City, just where the fudge shops are? Then you just walk up and down the street. It gets so boring. People want to come to a vibrant community who know who they are, who value who they are, and who work together. That's part of who we are. And that's why tourists like coming here, because we have a community.

Subsidized Housing Property

Manager - We have homeless people coming in, homeless people with kids, and we have to turn them away because we don't have vacancies or we still have 30 people ahead of them on the wait list before we even consider them.

Housing Advocate - Ten years ago, my wife and I bought three long-term rentals here in town. You cannot afford to buy a property any more for long-term rental and make it work. The rule of thumb is to charge 1% of the value for your monthly rent. With houses selling for a minimum of \$190,000, you would have to charge \$1,900 a month. You won't find people here that can afford that.

Realtor - The lake is the "great protector." When the market goes up, we go up. But when the market goes down, we just level off.

Homeowner - Many of the houses being built wouldn't work as single-family homes because they are being built only for short term rentals. They're trying to get as many heads and beds as they can to make the most money.

Homeowner - 20 years ago, there were kids on the block, and they grew up with our kids. Seeing new houses that were being built made us think there were families that were moving in. But we didn't see kids at Halloween, or walking around as families like they used to. They're not building houses for families. They're building houses for companies to rent out.

Young Professional - The money we are paying towards rent is the money we wish we were contributing to our 401K or emergency savings.

Young Professional - I've been here since 2014, three-fourths out of the year anyway, because I was a teacher. I found a rental that kicked me out in May or June when the school year was up, so I was just three-fourths time for, like, three or four years. I've lived in three different houses just for the school year.

Elected or Appointed Official - We are lacking the ability for people to start here in the community. There are 20–30-year-olds that are working here in town but coming in from Holland.

Employer - Last year we spent almost \$700,000 relocating people to South Haven. I'm signing two-month leases for a family of four and in some cases it's \$10,000 to \$14,000.

Realtor - When you talk about affordable housing, that ship sailed a long time ago. It's difficult to afford to live along Lake Michigan, I don't care where you are.

Elected or Appointed Official - Is there a shortage of subsidized housing in this community? I don't think so.

Housing Advocate - The city has to be more innovative in tackling these problems. Look to the other innovative, smart cities in this country and find how they are tackling these problems.

Housing Advocate - I want to see a situation where those that built this city, that are 2nd and 3rd generation, have the opportunity to still live here.

Realtor - I would like to see people step out of their comfort zone and be willing to talk about change. We can't get different results if we keep doing the same thing.

Homeowner - Our city elected officials have an obligation to help out with our housing crisis.

Community Needs and Opportunities

| <i>Income Group</i> | <i>Scope</i> | <i>Opportunity</i> |
|----------------------|---|--|
| \$25,000 per year | 930 households – most are cost burdened | Housing Vouchers Project vouchers Workforce development Affordable senior rental housing |
| \$25,000 - \$50,000 | 719 Cost Burdened households 519 additional households | More rental options Preserve existing rental options More LIHTC housing New manufactured home communities Explore employer-assisted housing programs |
| \$50,000 - \$75,000 | 655 households | Parcel development opportunity analysis |
| \$75,000 - \$100,000 | 362 households | Clustered Homes Accessory Dwelling Units |

At or below \$25,000 per year Incomes.

South Haven has challenges with housing affordability and availability but also has challenges with poverty. There are 259 households earning below \$5,000 per year and another 671 earn less than \$25,000 per year. For the most part, these households are likely working less than 40 hours per week and many that are working are likely earning close to the State of Michigan minimum wage of \$10.10 per hour. It is likely that many of these households are either seniors or are living with a disability that limits their ability to work. There may be some need for services to assist these households to ensure they are accessing any available state or federal income supports such as social security benefits, disability benefits, Medicaid, and other services. Housing programs dedicated to extremely low-income adults with disabilities or senior citizens should also be considered.

Recommendations:

It's important to recognize that building new housing for individuals and families earning at or below \$25,000 only works when significant subsidies are attached. The cost of new construction is now insurmountable without some form of state or federal subsidy or significant local philanthropy. The most effective tools to address the housing needs of individuals and families in this income segment are as follows:

Housing Vouchers

This federal subsidy program is a form of housing subsidy that can be specifically tied to a housing development or can be a mobile voucher that a resident is able to take with them to select the most

appropriate housing type and size for their needs. The Housing Choice Voucher is one of the most successful federally subsidized housing programs in the history of the United States' effort to combat poverty and high housing costs. It requires that the resident pay 30% of their gross income toward housing, and the voucher covers the remaining cost of rent. This means that a resident can seek out any housing within the community that meets their needs, provided that the total amount of rent paid does not exceed fair market rent for the region.

However, the voucher program only supports roughly one out of every four households who are eligible based on income. This leaves a sizable gap between the number of households in need of some support and the availability of vouchers. Furthermore, in supply constrained housing markets, the housing choice voucher is only effective with the recipient is actually able to find an available home and where the landlord is willing to accept the voucher as a form of payment. Local community outreach to landlords and property managers to ensure they understand the value of the voucher program and have the ability to express any concerns about accepting these vouchers can be an important next step.

In addition to the housing choice voucher, the federal government also makes available project-based vouchers which can come in multiple forms. A project-based voucher works the same way that a housing choice voucher works in that it guarantees a payment that is equivalent to the difference between 30% of the resident's income and the fair market rent of the home. However, a project-based voucher is specifically tied to a physical building – meaning that it cannot be taken with a resident to select their preferred home in their preferred neighborhood. The downside of the project-based voucher is that it is simply not a mobile voucher. The upside is that it can provide a long-term guarantee of an available and affordable unit to voucher holders in the community.

There are similar vouchers which can be allocated specifically to individuals with disabilities, and this includes people with substance abuse, mental health conditions, as well as physical disabilities.

Workforce Development

Some job opportunities in highly price sensitive sectors do not pay an adequate wage to support the cost of living. While these jobs can be important steppingstones as young workers or returning citizens enter the job market, the general workforce cannot sustain themselves or a family on less than \$15 per hour. In the short-term, housing subsidies like vouchers can be an important tool to bridge the gap between monthly earnings and the cost of rent. Over the long-term, partnerships with local and state agencies responsible for workforce development to connect lower wage workers to education and apprenticeship opportunities can be critical to ensuring lower income households have access to the resources and jobs necessary to move up the economic ladder.

Affordable Senior Rental Housing

The low-income housing tax credit (LIHTC) program can be ideally structured to support older adults with very low and fixed incomes. The LIHTC program is intended to fund the construction and long-term operation of multi-family housing and can be specifically catered to seniors over the age of 62 or to families and the local workforce. The South Haven Community has a clear need for both workforce

housing and senior housing. There can be several community benefits that come with a focus on senior housing. For older adults with limited mobility, senior housing can be a lower-maintenance and accessible housing option as compared to a single-family home with stairs and sometimes significant maintenance obligations. As seniors move out of their legacy homes, they are often able to secure a sizable portion of their equity to support long-term living expenses while also making older, naturally occurring housing available to the next generation of homeowners. Also important in this consideration is the ability to connect seniors who may have become isolated in their homes due to a disability or a lack of transportation back to a broader community.

\$25,000 - \$50,000 Incomes

Among the full-time workforce, 719 households are earning between \$20,000 and \$50,000 per year *and* spending more than 30% of their gross wages on housing. Another 519 households are earning similar wages but are currently able to afford their housing and spend less than 30% of their income. However, this group is likely most susceptible to future price increases that may result from a scarcity of available housing in the regional market. Given current interest rates averaging at or above 6.5%, this population of the workforce can afford a maximum mortgage of \$150,000. There are a small number of older homes available in the regional market at this price point, but new construction of stick-frame single-family homes will cost at least \$75,000 more than these households can likely afford. While the community may be able to generate subsidies to support the difference between the cost of construction and what households in this income range can afford, it is unlikely that there are enough local resources to subsidize all or a majority of the more than 1,200 households that would likely need assistance to become traditional homeowners.

This amounts to nearly 32% of the total South Haven Community population and was the fastest growing income segment between 2010 and 2020. Residents within this income range are often what have become referred to as Essential Workers. This includes preschool teachers, grocery store workers, retail managers, waiters and waitresses, and recent graduates who are just starting a career in teaching, social work, non-profit administration, or local government.

We recommend exploring a range of solutions which can be executed at-scale to serve all of the impacted households.

Recommendations:

Support additional rental options.

Households earning between \$40,000 and \$50,000 per year can generally afford monthly rents between \$1,000 and \$1,250. With limited financial incentives, these price points are still possible within market-rate rental development, supporting primarily one bedroom and two-bedroom apartments. Buildings can be designed at a smaller scale (2-10 units) to blend in more seamlessly with existing neighborhood development patterns or larger buildings can be located along primary streets and close to commercial centers. The City and the Township may want to consider supporting this type of development with tax

increment financing or temporary tax abatements to ensure that at least a portion of the new rental units created will be set aside for the workforce earning at or below \$50,000 per year.

Preserve existing rental options.

There are several good rental options currently available within the South Haven community, although many are fully occupied and have a long waiting list. The City and Township could consider offering the owners of the properties a limited Payment in Lieu of Tax for a portion of the apartments in these properties if the property manager agrees to make those units available exclusively to the local workforce earning at or below \$50,000 per year. This may be a helpful short-term and interim approach as the community works to add more market-rate and affordable rental housing supply over the coming years.



Support additional LIHTC housing.

The Low-Income Housing Tax Credit program is designed to serve the regional workforce earning between 40% and 80% of the county-wide median income. Across Van Buren County, this demographic would be earning between \$22,000 and \$45,000 per year if they are single adults, or between \$32,000 and \$64,000 per year if they are a family of four. Rents are automatically capped at 30% of the renter's income- whether their income rises or falls, their rent will adjust with their income. This program is financed by the Federal Treasury Department and the Michigan State Housing and Development Authority (MSHDA) and there are two different types of LIHTC financing:

4% LIHTC – This program is non-competitive and works best for larger investments. A typical 4% LIHTC project is at least 80 residential apartments, but is often 120 or more apartments. The 4% program provides an equity contribution that is roughly equivalent to 4% of the total project cost each year for 10 years. In theory, this would be a 40% subsidy to the project, but after the cost of syndication, it is typically closer to a 35% subsidy. The development team will work closely with MSHDA to finance the remaining portion of the project costs using state bond funds. These projects do require a local payment in lieu of tax and the majority of the rental units will likely serve households earning 50% - 60% of the median income (\$28,000 - \$33,000 for single adults or \$40,000 - \$48,000 for families). It is possible for a developer to use this program to build a mixed-income neighborhood with up to 60% of the total units offered at market-rate rents. However,



The LIHTC program allows for new apartment construction that serves the local workforce earning 40 – 80% of the median income.

mixed-income developments require much more sophisticated development partners with adequate equity to fund the market rate component of the project. These developments also require sufficient demand in the regional market to support market rate rents of \$1,250 per month or more.

9% LIHTC – This program is competitive and can be used to support smaller projects (20 – 60 units). However, given the highly competitive nature of this program, only projects with very strong access to community amenities are likely to be funded. MSHDA is responsible for scoring and awarding 9% LIHTC funds and their current scoring process heavily favors development that is close to a regional downtown or city center with high levels of walkability to daily amenities and jobs. The 9% program provides 9% of the total project funding every year for 10 years – totaling roughly 80% of the project costs after syndication fees. MSHDA then finances the remaining balance with state bond funds. Given the deeper subsidy, this program is able to target a larger share of residential units priced for households earning closer to 40% of the median income (\$20,000/yr).

Support new Manufactured Home Communities

Manufactured housing has come a long way since its last heyday in the 1980s. Previously referred to as mobile homes, today's manufactured housing is assembled in climate controlled facilities with exacting standards and state of the art equipment. New homes can be built for under \$100,000 with 3 beds, 2 baths and 1,100 square feet.



In the past, manufactured home communities have been designed to varying standards and on-site maintenance and management has been highly dependent on the quality of the manager. However, there are best practices in community design which can be applied to new communities and development agreements which can be crafted to establish minimum standards for care and maintenance of both the grounds and the individual homes.

Another criticism of manufactured housing is that residents often do not build long-term equity in their home. While it is true that manufactured housing does not build equity in the same way that traditional fee-simple and stick-frame homes do, manufactured homes can often be a better financial investment than renting an apartment and often provides community with greater access to nature and greenspace for young children.

South Haven Charter Township should consider where new manufactured housing could be prioritized and seek out developers with a track record of strong property management and care for the local residents. South Haven Charter Township may consider offering some support for the cost of installing infrastructure with the condition that the property manager maintains affordability and high-quality maintenance for a minimum period of time as part of a development agreement. A development agreement can be written to ensure long-term compliance or the Township will claw back and any incentives provided.



Explore the creation of Employer Assisted Housing Programs

Much of the current housing gap in the South Haven Community is felt most acutely by local employers who have struggled to attract and retain a dependable workforce at wages that are sustainable for the business. Some employers have invested heavily in recruitment and temporary housing placements to secure their workforce, while others continue to lose potentially high value employees because of the lack of housing.

Few employers have the balance to fully fund a new development project or the human resources capacity to staff an employer assisted housing program in-house. However, many employers have expressed a desire to have some form of program or initiative to participate in that would help them to attract skilled workers. There are numerous examples of successful employer assisted housing programs from across the country, some which focus on homeownership opportunities while other are more heavily invested in housing production.

\$50,000 - \$75,000 Incomes

Among households earning more than \$50,000 per year, 90% of this population is currently able to afford their housing and spend less than 30% of their income. Again, rising scarcity of available homes will put pressure on this segment of the workforce and this income segment may not be satisfied with the housing choices available. However, by and large, households earning more than \$50,000 per year are still able to afford housing in the South Haven community.

This demographic segment makes up about 17% of the overall community population in South Haven and generally doesn't quite earn enough to afford the cost of new home construction in the area but can afford much of the older housing stock *if* something becomes available for sale. There are often more buyers in the market than there are homes available for sale. They are also generally able to afford

existing and newly built rental options. Yet, most places for rent will continue to feel as though they are overpriced given that average rental rates have climbed 40-60% over the last few years. This is due in large part to the fact that very few rental units ever become available. It's a disappointing symptom of too much demand and not enough supply in the market.

Recommendations:

As market pressures continue to squeeze middle class families in the \$50,000 to \$75,000 income segment, we strongly recommend conducting a residential property analysis to determine where opportune sites exist for small-scale residential infill development with access to sewer and water utilities. This should also include an audit of existing zoning standards to determine whether the preferred housing types are actually possible on the proposed sites.



4-plex designed to look like a single-family home.

This population is generally able to afford market rate rents in the region, but relatively few apartments are available on a consistent basis. The City and the Township should explore opportunities for additional construction of multi-family and townhouse infill development with access to sewer and water. Local zoning ordinances should be examined to ensure that the types of housing that are needed can be built and are financially feasible. Adjustments to minimum unit sizes, parking requirements, lot area calculations, and other standards that impact the number of residential units available on a parcel should be examined.

The City and Township may also want to expand upon any existing design requirements to ensure that new construction is well designed for the context of the community and materials used will stand the test of time. While affordability is the goal, good design and longevity of materials are imperative to ensuring any new housing product built is sustainable over the long term.

Specific housing types to explore should include both small scale development of 2-4 homes per building as well as larger-scale development of 5 or more homes per building. There are numerous examples of high-quality multi-family developments that have been constructed in the last five years across West Michigan and would work well in the South Haven market. Ensuring that local zoning allows for these housing types and that preferred development partners are aware of available sites where these housing types can be permitted is an important next step.



The 'Big House' design can accommodate 4 -10 individual apartment units.

Finally, an examination of the financing available to develop the types of market rate housing that are needed will be important. Working with a network of developers, the South Haven Community should identify any financial barriers to development and examine the available tools to local municipalities and employers which may be helpful in overcoming those obstacles. One very important tool may be a local employer assisted housing program.

\$75,000 - \$100,000 Incomes

It is likely that homes near the lakeshore or close to downtown South Haven feel increasingly out of reach for these households, but there are still options within a 10-minute drive in the community and many more options could be created to support this segment of the workforce without the need for significant subsidies. In general, these households can afford \$250,000 to \$300,000 mortgages. Although this falls below the average price of newly constructed homes, this price point is still possible to build despite the high cost of construction.

Recommendations:

Cottage courtyards, attached townhomes, and smaller homes with a built-in accessory dwelling unit are all options to ensure newly constructed housing can be affordable to households earning under \$100,000 per year.

Clustered Homes

Amend local zoning to permit a greater variety of owner-occupied housing types. This should include cottage courtyards and pocket neighborhoods which allow for smaller homes to be clustered together with minimal private yards and some shared greenspace. This should also include duplex and townhouse development as options that can be permitted by right on traditional single-family lots. This strategy

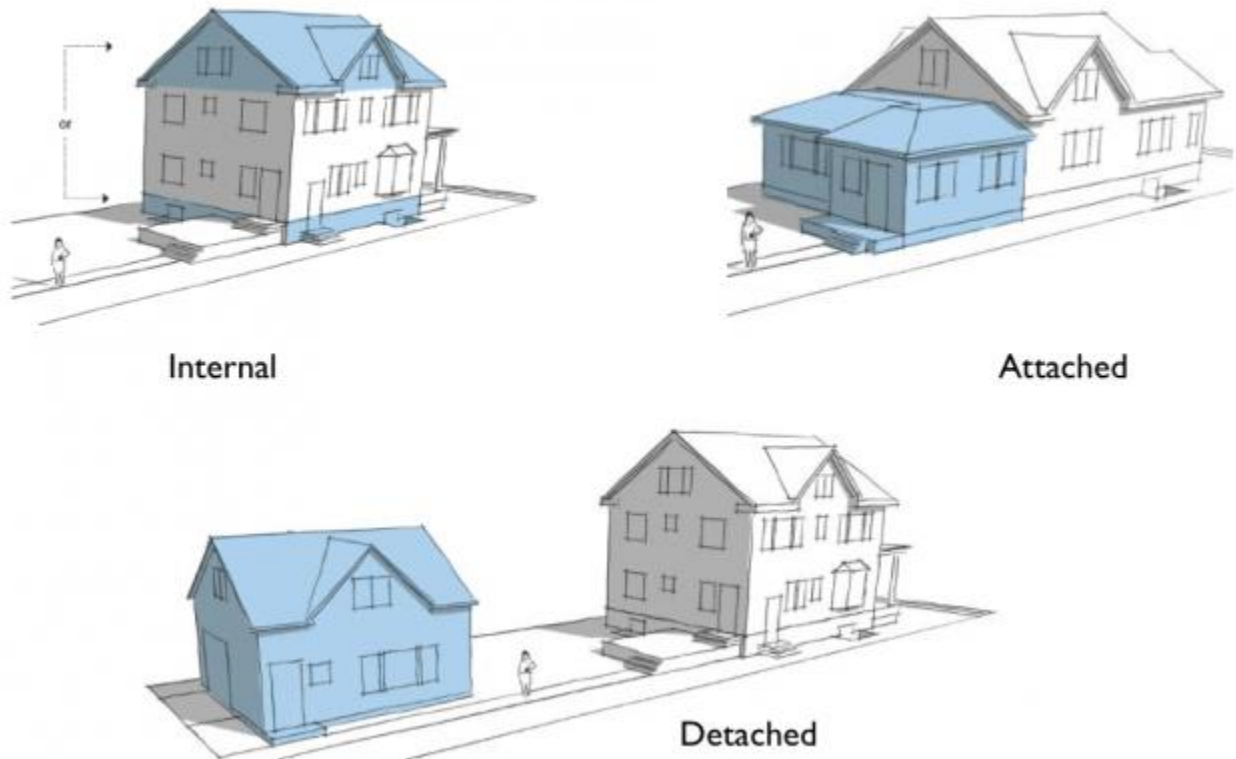


Clustering smaller homes around shared green spaces can be an excellent method of allowing additional housing to exist on less land while maintaining the small town charm and neighborly feeling of a community.

only works where the number of total homes per acre of land can be increased fairly substantially when compared to traditional large lot development. Total development yield of 10-18 homes per acre is an economical standard, however, each project is slightly different and establishing a maximum density is an unhelpful metric when also working to achieve a modest price point.

Accessory Dwelling Units

Accessory Dwelling Units (ADUs) are a housing option that is often talked about but rarely examined for who they can benefit and how. ADUs can be either interior or exterior homes. They can be referred to as guest suites and cottages, mother-in-law apartments, artist studios, home offices, or simply flex spaces.



An interior ADU is a secondary unit that is usually created within the existing four walls of a home, or as an addition to an existing home. This type of ADU is much less expensive to construct than an exterior (or detached ADU). Interior ADUs can be designed using just a few hundred square feet of the existing home and can be located in a lower level with adequate entry doors and egress windows, on the main floor, or on an upper level. When the existing space is already finished and simply needs new plumbing or cabinetry to create a fully independent unit, these types of ADUs can be completed for as little as \$35,000 to \$50,000, depending on the amount of structural work needed. This type of unit is an excellent option to support a young adult looking for a modest apartment, an older retiree who is still healthy and independent but wants to be close to friends or family, a nanny or family caretaker, or a single professional moving to the area for a new job and who wants to get to know the community before making a long-term commitment to specific neighborhood.

If a homeowner spends \$50,000 to create a new ADU, they will likely need to charge a minimum of \$500 per month in rent and will more likely charge closer to \$650 - \$750 if there is reasonable demand for their unit. This is 30% - 40% less expensive than the typical market rate rent for a one-bedroom apartment in South Haven. Not only does the lower rent payment benefit the renter, but also the homeowner. The value of a few hundred dollars per month in rental income for a middle-income homeowner or retiree on a fixed income is real. Furthermore, the value of having a helpful neighbor

close by, whether a family member, a friend, or a trusted tenant, can be invaluable. Someone to feed the cat while the homeowner is on vacation, assist with moving furniture on occasion, or perhaps takeover a portion of the yard work and snow shoveling as the homeowner gets older. There can be incalculable benefit to these relationships that can be built into a economic model to maintain the property.

An external ADU can often be a different kind of investment. In many communities, external and detached ADUs are required to be separately metered for electricity and served with independent sewer and water laterals from the principal structure on the property. In most cases, this can add \$20,000 or more to the cost of construction. Additionally, the cost of site preparation, a new foundation, and ground up construction, will be another expense when compared to an internal ADU conversion. Finally, many detached ADUs are designed to sit atop a ground level garage. An existing garage is not always built to support a second story addition. So, in many cases, the existing garage must be replaced or reinforced to allow for a second story. None of this negates the value of a detached ADU. It simply highlights the fact that a detached ADU will be more expensive and will therefore have a higher rental income requirement. This does not have to be a deterrent.

A detached ADU can be an excellent housing option for remote workers looking to spend 3-6 months in town but not yet ready to commit year-round. They can also be excellent options for young professionals who are looking to keep their living arrangements modest while preferring to live in a traditional neighborhood as opposed to an isolated apartment community. And, of course, there is the seasonal and short-term rental option. While communities can be appropriately concerned about too many short-term rentals, when permitted to be constructed as an independent unit, these can be very helpful to a middle-income homeowner that is looking to offset their mortgage costs with rental income.

Finally, there are an increasing number of modular ADU units and kit houses becoming available in the marketplace. As national acceptance of this housing option takes hold, production of modular units will likely increase and will bring down the cost of construction and delivery over time. There are some modular units currently available for under \$60,000 and only require the property owner to have the site prepared with a foundation and plumbing and electrical hookups. Kit houses are now available at national chain stores like Home Depot for as little as \$23,000 with all materials included. For the DIY homeowner, this can be an extraordinary option to support a passive income stream while simultaneously satisfying a regional housing need. The American Association for Retired People is an excellent source of information about ADUs.



366 square foot Sea breeze unit available at Home Depot.

None of these options are a panacea. Each land use decision comes with benefits and tradeoffs. However, it's important to take careful consideration of all those who may benefit from additional flexibility and the actual trade-offs that can be calculated. Too often land use decisions are made from a position of fear about all of the possible things that might go wrong. And yet, this is precisely why housing choices across the country are so limited today. ADUs and Missing Middle housing may not be the right fit for every neighborhood and most certainly may not work on every property. But finding ways to allow these land uses more often and with fewer barriers to entry can be beneficial to the entire housing market over time.

Data sources used:

American Community Survey <http://data.census.gov/>

Open Street Map <https://www.openstreetmap.org>

State of Michigan Open Data <https://gis-michigan.opendata.arcgis.com/>

AARP, *All About ADUs* <https://www.aarp.org/livable-communities/housing/info-2019/accessory-dwelling-units-adus.html>