

Building The Missing Middle: Affordable Housing Initiatives

Michigan's population is inching upward again, but housing supply hasn't kept pace. Rising construction costs, higher interest rates, and a shortage of skilled labor have pushed rents and home prices beyond the reach of many working families. As a result, the land-use planners for many cities, villages, and townships are looking for ways to close the gap by creating better opportunities for the so-called "missing middle" of housing.

What is the "missing middle?" This phrase is often used to refer to housing types that sit between single-family homes and large apartment complexes. Examples include duplexes, triplexes, fourplexes, townhomes, courtyard apartments, and accessory dwelling units. Proponents of providing for the "missing middle" sometimes refer to the following advantages of this housing type:

- **Blending with neighborhoods:** The housing can be constructed in a low-rise style, and similar in scale to single-family houses.
- **Providing moderate prices:** Construction and land costs are shared across multiple units, making them more attainable for middle-income households.
- **Offering variety:** They meet the needs of young professionals, small families, and downsizing seniors who want something between a detached house and a high-rise.

Proponents also point to an increasing demand. To that point, the Michigan State Housing Development Authority (MSHDA) projects a shortfall of more than 119,000 affordable units statewide by 2030. There is also demographic pressure: Millennials are forming households while the state's aging population downsizes, creating increasing competition for the same "missing middle" homes. Providing the "missing middle" can also help to retain workforce, support seniors, and sustain vibrant downtowns. Municipalities that combine zoning updates, creative financing, and regional collaboration can help close the affordability gap while strengthening their tax base.

So, what can your municipality do to better provide for the "missing middle" if it wishes to address increasing demand and promote these benefits? The following are some possible strategies:

Zoning Reform:

- **Allowing small-scale multifamily or accessory dwelling units (ADUs) in single-family districts can gently add supply without altering neighborhood character.**
- **Offering extra height or units in exchange for including affordable apartments.**

Tax Incentives & Financing:

- **Brownfield Tax Increment Financing (TIF):** Michigan’s expanded brownfield program allows a developer to utilize tax increment revenues to not only offset the cost of cleaning up underused sites for mixed-income housing, but also to “make up” any gap in offering affordable housing at less than market rental rates, offset costs of construction, and undertake needed public infrastructure improvements.
- **Neighborhood Enterprise Zones (NEZ):** Providing property tax abatements for new or rehabilitated residential projects in designated areas.
- **Low-Income Housing Tax Credits (LIHTC):** Partnering with private developers on LIHTC projects can improve affordability.

Land Banking and Public Property:

- Local land banks can acquire tax-foreclosed or vacant parcels and bundle them for affordable housing development, sometimes with pre-approved site plans to speed construction.

Public-Private Partnerships:

- Municipalities can issue Requests for Proposals (RFPs) to attract developers willing to meet affordability targets in exchange for city-owned land or infrastructure investment.

There is sometimes a degree of community resistance to these types of initiatives, and so it is good to consider some keys for success in advance. For example, pursue prior community engagement. Early outreach helps counter “not in my backyard” sentiment and fosters buy-in for zoning changes. Regional cooperation can also be important. Housing demand rarely stops at municipal borders. Joint planning with neighboring jurisdictions can align infrastructure and transit investments. Finally, set clear affordability targets. Define income levels (e.g., 60% or 80% of area median income) and set enforceable standards to maintain affordability for a defined period.

Local leaders can also set the stage for these types of initiatives through pre-planning measures: conduct a housing needs study to obtain data on income levels, rental vacancies, and projected growth supports grant applications and rezoning proposals; and, monitor state grants that may be available through MSHDA’s Missing Middle Housing Program.

If your community is interested in pursuing initiatives for filling the so-called “missing middle,” or otherwise promoting more affordability housing, Mika Meyers’ municipal attorneys are here to help you with the legal services needed to fulfill those goals.