

MSHDA Mod “Real Houses in Real Time”

Michigan State Housing Development Authority

Homeownership: Encouraging New Construction

HFA Staff Contact

Mark Garcia

garciam8@michigan.gov

Michigan State Housing Development Authority (MSHDA)
MSHDA Mod – “Real Homes in Real Time”
Homeownership – Encouraging New Construction

Summary

The MSHDA Mod Pilot program was developed and launched in 2019 as a response to local officials demonstrating a market need for affordable, workforce single-family housing. MSHDA Mod defines modular as homes that are either fully constructed or partially constructed, such as panelized walls, at the factory and shipped to the site, assembled, and finished by a licensed builder who adds the other site amenities such as a basement, porch, garage, driveway, and landscaping. A subcontractor is utilized to complete plumbing, electrical, HVAC, and other interior and exterior finishing. Under the pilot program, MSHDA provided a repayable grant up to \$196,000 directly to the community. Once the initial home was sold, the funds received from the sale could be recycled to acquire and install additional modular homes for resale to qualifying families.

The pilot program used a non-competitive award process to test out a wide variety of recipients and products. Ten formal awards were made in 2019 and 2020 to three different recipient types - four local units of government, five non-profit 501(c)(3) organizations, and one limited dividend housing association (for-profit developer). In addition to awarding the funding to different agency types, the program also provided flexibility in vendor and product options. Five different manufacturers were chosen by the communities, some within the State of Michigan and some outside of the state, and each selected model was designed to fit within the specific lot and to blend in with neighboring stick-built houses.

The MSHDA Mod financing covers costs associated with the spec model including site prep, manufacturing deposits, delivery fees and installation. Funding is structured as a repayable grant. Basically, this funding is used primarily as construction financing, with the intention that the home will be sold and that at the time of sale MSHDA will recoup an amount equal to the cost of production, and if a profit is generated will receive an additional 3% of that profit with the remaining amount being retained locally. Program compliance and repayment is secured by a mortgage on the modular home until sale.

MSHDA Mod is Innovative

Michigan communities are currently facing a workforce housing shortage throughout the State. One of the major challenges that employers face is how to attract qualified workers without having new and affordable housing options within the employer's community. This innovative program started with an idea of encouraging and promoting the concept of modular housing in low- and moderate-income communities where new construction of affordable housing is not common. One of the major barriers has been the availability and willingness of contractors to construct housing at a price point below \$200,000 when the typical home being constructed is averaging over \$300,000. MSHDA Mod was designed based on the premise that we could play a critical role in addressing the workforce housing issue by providing one spec model within an existing neighborhood

Michigan State Housing Development Authority (MSHDA)
MSHDA Mod – “Real Homes in Real Time”
Homeownership – Encouraging New Construction

and allowing the public to watch the entire construction process (set and finishing), tour the final product, facilitating the establishment of value, and developing local capacity and partnerships to undertake this type of housing.

MSHDA Mod is Replicable

Other housing agencies may be experiencing the same challenges in terms of overcoming public perceptions about manufactured housing, so they can use MSHDA Mod as an opportunity to provide better education and advocacy around factory-built housing and modular techniques. One barrier to the construction of affordable homes is the inclusion of land costs. Many of the pilot homes were built on in-fill lots. The Michigan Land Bank Authority provides grantees with lists of vacant land bank owned lots and sells those lots for a minimal cost, which significantly helps to retain the affordability of a unit.

MSHDA Mod Responds to an Important State Housing Need

There are an estimated 9.96 million residents who live in Michigan. In 2017, a total of approximately 4.6 million housing units existed in the state. Nearly 40% of residential units (either owner- or renter-occupied) are built before 1960. By building affordable new construction housing, large employers, and their supporting manufacturing plants such as St. Gobain in rural Beaverton or Pepsi in Dowagiac can retain and/or attract qualified workers by minimizing commute times of 30 – 60 minutes due to a lack of housing. Some of the pilot communities had not had affordable housing units built in decades and this program is generating a lot of local excitement.

MSHDA Mod Uses Data, Research, and Analysis to Demonstrate Measurable Benefits to HFA Targeted Customers and Underserved Markets

Construction documents, quarterly reports/photographs, buyers’ documents, final reporting, and inspections are required and evaluated throughout the build. MSHDA assigns a grant manager entitled “Champion” who provides encouragement directly to the communities through on-site visits, emails, and virtual videocalls. The benchmark of success is the sale and occupancy of each completed home by a qualifying household, as outlined in the quantitative data that is being collected with every sale.

MSHDA Mod Has a Proven Track Record in the Marketplace

MSHDA has multiple housing programs that serve Michigan’s low/moderate income population. We responded to the explosion of home purchasing during Covid-19 by financing a record number of single-family home loans. Multi-family rental development has continued to fund both market rate and affordable rental units. The Neighborhood Enhancement Program (NEP) has provided six rounds of housing rehabilitation to over 90 homes. Proceeds from the single-family financing and multi-family rental development programs enable MSHDA to invest resources in new, innovative pilots like MSHDA Mod.

Michigan State Housing Development Authority (MSHDA)
MSHDA Mod – “Real Homes in Real Time”
Homeownership – Encouraging New Construction

MSHDA Mod Provides Benefits That Outweigh Costs

Manufactured homes are built in a factory-controlled environment which allows for a more efficient process, including fewer weather delays and quicker construction in a state where temperatures range from a high of 90 during the summer to a high of 10 during the winter months. The homes are designed with energy efficiency in mind, roofs are adjusted for area snow loads, and construction crews can be scheduled prior to the house being set, allowing for a seamless transition from the factory build to the on-site finishing.

MSHDA Mod Demonstrates Effective Use of Resources

There is very little waste generated in the production of manufactured housing due to careful design planning and production processes. Furthermore, the approach provides an affordable new unit in markets where existing older homes could generate immediate or short-term financial pressures on new buyers related to renovations and maintenance. Manufactured housing is beneficial for the environment, the buyer, the prospective employer, and adds a new tax base to the community.

MSHDA Mod Effectively Employs Partnerships

We see our role as a funder and facilitator, providing financial resources, minimizing initial local construction risk so communities can pilot a new product, and to encourage the building of local capacity. Manufactured housing had never been attempted by any of the pilot communities. Partnerships were formed between planners, city officials, non-profit organizations, for-profit developers, state departments, manufacturing facilities, contractors, housing inspectors, and neighborhood residents.

MSHDA Mod Achieves Strategic Objectives

MSHDA’s mission is to build equitable pathways to housing programs and services. MSHDA Mod achieves this by designing and implementing a program that provides equal access to resources, increases homeownership for underserved populations through housing education and investment, and increases access to housing opportunities.

Conclusion

The reaction to the pilot program has been positive. As a result, the program has been made into a permanent program and will fund up to ten additional communities annually.

Amid Covid-19 mandated factory shutdowns, material shortages, and construction delays, ten pilot communities’ homes are fully completed or on their way to completion and the majority are planning to recycle their funding for an additional home in 2021/2022. The communities have enthusiastically promoted the modular concept, and all attended a summit to share lessons learned to make the construction of their next units even more affordable and successful. Overall, MSHDA’s investment has been extremely effective in promoting homeownership and addressing a workforce housing need and is managing to promote a conceptually misunderstood housing type by providing “real homes in real time”.



VIDEOS

Neighbors excited at Muskegon modular set day

youtube.com/watch?=obrVEkRnI3s

MSHDA Mod Program Marketing Tool

youtube.com/watch?=V51EAtdXo9w

MSHDA MOD Pilot Communities 2019/2020



TEN PILOT COMMUNITIES

1. **Grantee:** Barry County Community Foundation, Hastings (SOLD 2021)



2. **Grantee:** City of Beaverton, Beaverton (SOLD 2020)



3. **Grantee:** Bethany Housing Ministries, Muskegon (SOLD 2019)



4. **Grantee:** Big Rapids Housing Commission, Big Rapids (SOLD 2020)



5. **Grantee:** City of Dowagiac, Dowagiac (In Process 2021)



6. **Grantee:** Habitat for Humanity Northeast Michigan, Harrisville (Completed/For Sale 2021)



7. **Grantee:** Kalamazoo Neighborhood Housing Services, Inc., Kalamazoo (SOLD 2019)



8. **Grantee:** Marquette County Land Bank Authority, Ishpeming (In Process 2021)



9. **Grantee:** Northern Michigan LDHA, LLC, Grayling (In Process 2021)



10. **Grantee:** City of Coldwater, Coldwater (SOLD 2020)

