

MSHDA MOD

Solutions for Increasing the Supply of Single-Family Housing

Michigan State Housing Development Authority





Launched MSHDA Mod Pilot Program in 2019

Established MSHDA Mod Permanent Program in 2021

- ▶ Funding Source is MSHDA's General Operating Fund – Annual allocation is \$2 Million
- ▶ The program was developed as a response to local officials demonstrating a market need for affordable, workforce single-family housing.
- ▶ The pilot program used a direct award/non-competitive process to test out a wide variety of recipients, areas and construction options.
- ▶ Ten formal awards were made in 2019 and 2020 to three different recipient types – 4 local units of government, 5 non-profit 501c3 organizations, and 1 limited dividend housing association (for-profit developer)

Affordable New Construction Need

- ▶ 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.
- ▶ MSHDA Mod was designed based on the premise that we could play a critical role as a catalyst for addressing the workforce housing issue by providing one spec model within an existing neighborhood 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 beyond the program.
- ▶ 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.
- ▶ 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.

Community Capacity Catalyst

- ▶ 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.
- ▶ 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.
- ▶ Manufactured housing had never been attempted by any of the pilot communities.
- ▶ Some of the pilot communities had not had affordable housing units or any new construction built in decades and this program is generating a lot of local excitement.

Program Design Parameters

- ▶ To be eligible, the community must have at least 51% of the households in the surrounding neighborhood income qualify (up to 80% of median income) utilizing HUD's data.
- ▶ The household purchasing the home must qualify as eligible at 120% of AMI per HUD data.
- ▶ The modular home must fit into the existing neighborhood and be designed in a style compatible with surrounding homes. Home design and size should be based on a market study need for the area.
- ▶ The home should be in area location with high visibility, and act as a catalyst for other home builds
- ▶ Leverage funds and partnerships within the community are encouraged.
- ▶ No land costs, demolition, or developer fees are funded.
- ▶ The foundation must be concrete/concrete masonry unit or pre-approved alternative equivalent.
- ▶ The driveway must be made of poured concrete.
- ▶ Reasonable amenities, including appliances and landscaping are required.
- ▶ The sale price of the home may not exceed \$224,500.

Basic MSHDA Mod Pilot Structure:

- ▶ A repayable grant of up to \$196,000 directly to the community.
- ▶ MSHDA Mod financing covers costs associated with the model including site prep, manufacturing deposits, delivery fees and installation.
- ▶ MSHDA Mod funds 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.
- ▶ Local subcontractors are utilized to complete plumbing, electrical, HVAC, driveways, landscaping, porches, and other interior and exterior finishing.
- ▶ Seven 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.
- ▶ Program compliance and repayment is secured by a mortgage on the modular home until sale.
- ▶ Once the house is sold, MSHDA expects full return on the investment plus 3% of any profit generated. If full return is not provided, the Grantee cannot recycle the funds into another home unless at least 90% of the funds are returned or 80% with a written explanation. Each community has the opportunity to recycle the funds **received from the sale** to undertake additional homes. A loan loss reserve has been established by MSHDA to address any unforeseen losses.

The average return on investment rate for the sold homes to date is 93%.

Results To Date

- ▶ 100% of the programs funding has been committed to ten low/mod communities.
- ▶ 80% of the communities have sold their completed model home and the additional two communities have completed homes currently listed for sale.
- ▶ 100% of the funding provided for the models that have been sold has been returned post-sale to MSHDA and is made available for recycling for an additional house within each community.
- ▶ Two of the communities with completed homes have ordered their second houses. One is 100% completed and has accepted a full price offer. The other house is at 80% completion.

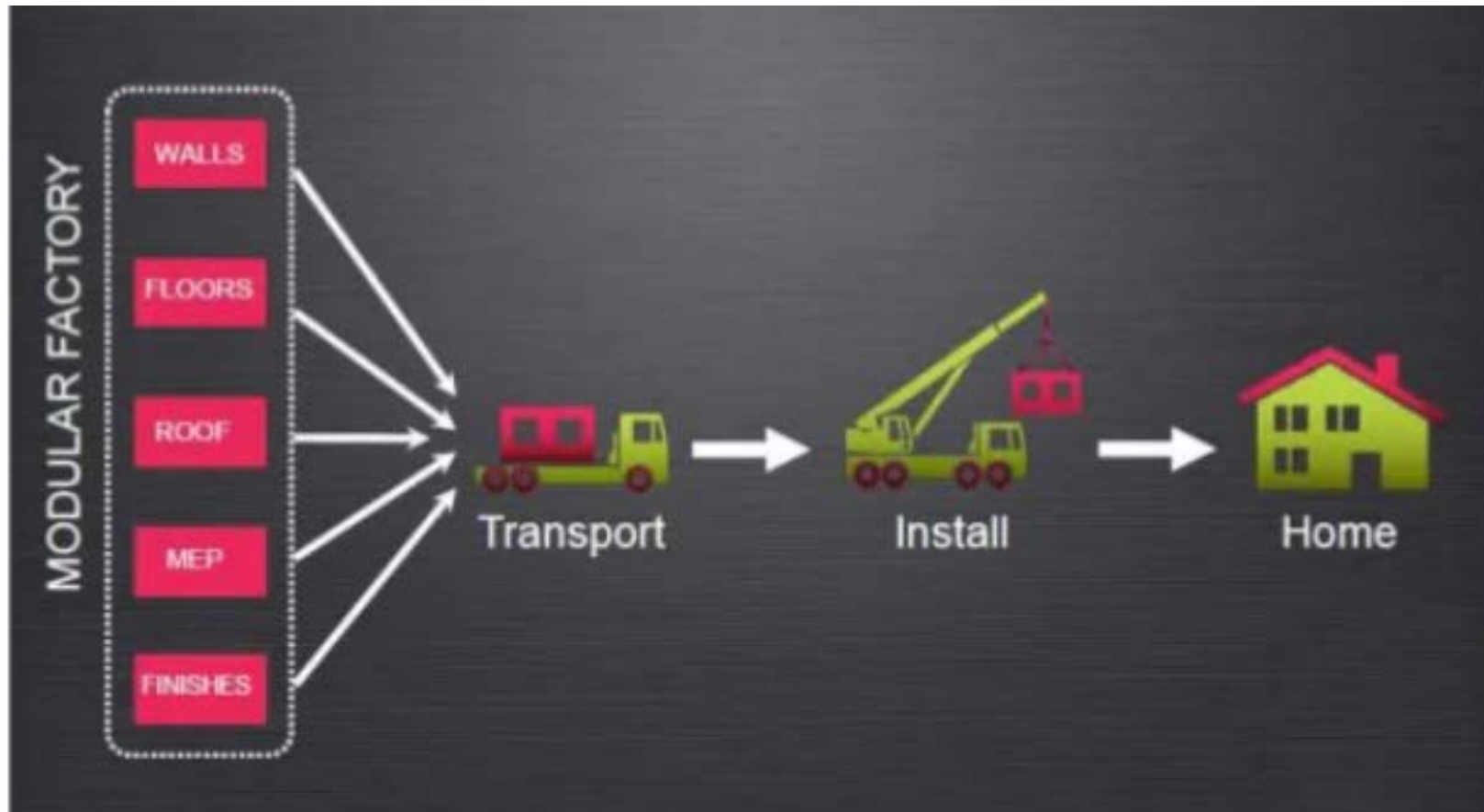
Lessons Learned – Programmatic Changes

- ▶ Due to increased construction materials prices, maximum funding request increased to \$200,000.
- ▶ Income restrictions no longer imposed on the homebuyer – community is income-qualified upfront.
- ▶ Shell modular construction is not actually cheaper and can take longer to complete.
- ▶ Ensuring that out of state manufacturers are knowledgeable and address state building requirements and approvals and local codes is critical.
- ▶ Infrastructure needs to be assessed and addressed upfront to minimize delays.
- ▶ This housing type is not cheaper than stick built due to shipping costs. It would be much more economical when a manufacturer is located within the area.
- ▶ This housing type does have a shorter ordering, construction, completion timeline as long as infrastructure needs, subcontractors and additional material ordering, and receipt is coordinated.
- ▶ We are exploring the concept of bulk purchase discount pricing to reduce costs.

Single-Family Housing Need Statewide

- 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.
- Therefore, affordable workforce housing needs will continue to grow.
- The goal for this program is that it will become self-sustaining as an affordable housing financing tool and increase single-family home construction to address the workforce housing need.
- The strategy is that we will be able to continue to recycle the initial funding and add in the yearly allocation funding.
- Therefore, it is anticipated that in the future we will be able to continue to add in additional communities each year and the number of homes will double every year from 10, to 20, to 40, to 80, to 160 in 5 years!

The Modular Process



Factory Build



Factory Finishes



Transportation



Setting



Installation



Advantages



MSHDA MOD Pilot Communities 2019/2020





City of Grayling



City of Coldwater



City of Ishpeming



City of Harrisville



City of Muskegon



City of Kalamazoo

City of Beaverton



City of Dowagiac



City of Big Rapids



City of Hastings



Solutions for ▶ Increasing the Supply of Single- Family Housing



Innovation Grant

Up to \$500,000 to support construction technology and building processes to spur adoption and greater market utilization

Focused on homeownership but discussions about expanding to include rental and mixed-use

Martinsville – Five Points

- Partnership between City, Harvest Foundation, Nationwide builders
- Twenty-seven new homes, 15 single family detached, 12 townhome
- Modular construction
- Targeting persons at 80%-120% AMI



project:Homes – Manufactured Housing

- Improve quality / performance of MH housing
- Hardie plank siding, conditioned crawlspace, durable skirting, increased insulation, wider eaves for water control and appearance, front entrance, porches, smart technology
- Six units planned; replacement units for Bermuda Estates





3D Printing – Alquist / Virginia Tech

- In partnership with project: Homes and Better Housing Coalition
- Three bedroom, 2-bath; 1,550 SF
- Concrete wall system
- Reduce labor, shorten time—improve affordability





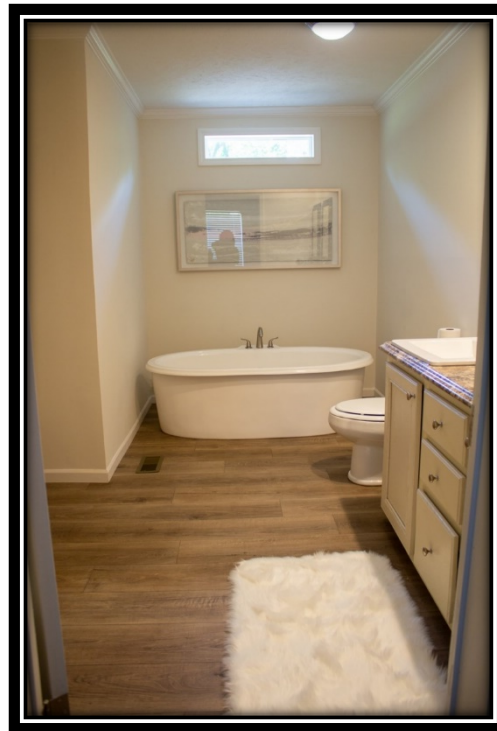
“It’s really like we’re building a layer cake”



Danville – Next Steps

- City of Danville, Danville Redevelopment and Housing Authority, Next Step, Virginia Manufactured and Modular Housing Association
- Permanent foundation, pitched roof, drywall throughout, garage / carport, porch
- Manufactured housing not allowed in the City due to current zoning restrictions
- Educate neighbors and the community
- Work with City staff to engage Planning Commission
- Neo-Traditional Residential District approved by Commission and Planning Council
- Five neighborhood infill homes





indieDwell

- Steel-frame, modular housing
- Durable, sustainable, energy-efficient, high quality, affordable
- Single-family and multi-family
- First East Coast operations to open in 2022—Newport News
- Create over 200 new jobs



Governor Northam Announces Modular Housing Manufacturer to Create 220 New Jobs in Newport News

indieDwell will invest over \$2 million to establish first East Coast operation

RICHMOND—Governor Ralph Northam today announced that indieDwell, an industry leader in the steel modular housing manufacturing sector, will invest over \$2 million to establish its first East Coast manufacturing facility in the City of Newport News. The new manufacturing facility and related administrative offices will occupy a portion of 520 21st Street in Newport News, Virginia. indieDwell successfully competed with other states for the project, which will create 220 jobs when fully operational.

and across our country has deepened amid the pandemic and indieDwell's part of the solution," **said Governor Northam**. "We are proud to welcome this health and look forward to collaborating with indieDwell and the many local strong, resilient, and sustainable communities."

Corporation and a Certified B Corporation with a mission to manufacture modular housing to help solve the affordable housing crisis. The company is based in Boise, Idaho and Pueblo, Colorado, and is actively expanding to other states. indieDwell offers competitive wages and benefits coupled with profit sharing and ownership for all

Thank You

Chris Thompson

Director of Strategic Housing

Chris.Thompson@virginiahousing.com

Home Improvement and Rehabilitation

Home Improvement and Habitat for Humanity

Kimberly Stuart
Manager, Single Family Division



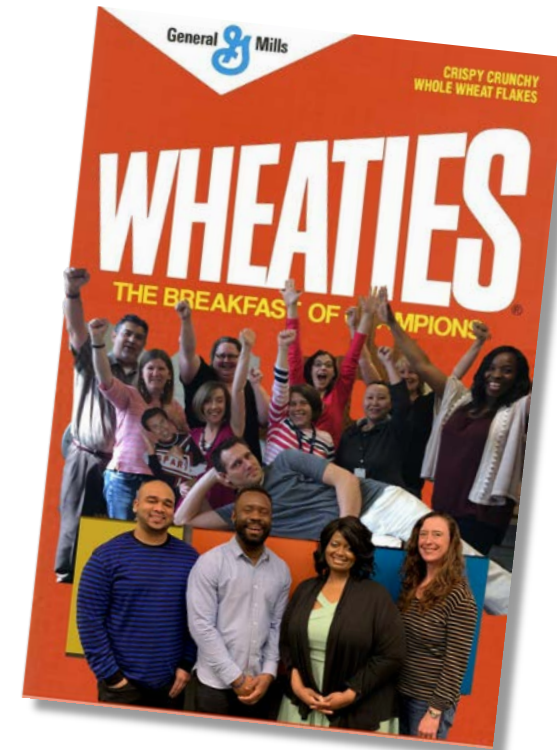


Home Improvement: Rehabilitation Home Improvement: Habitat for Humanity

Kimberly Stuart | Manager, Single Family Division
Date

Process

- ▶ In 2017 the Home Improvement programs and staff joined the Homeownership programs and staff to form a new HO/HI Team
- ▶ HI production was down and declining
- ▶ Visioning session
- ▶ Full program review
 - Borrower data
 - Loan data
 - Lender survey
 - Interviews
- ▶ Identified changes



Overhaul

► Changes: Meet borrower needs

- Expand eligibility

- Borrower – higher income limits
- Repairs – increased loan limits
- Improvements – type and dollar amount
- Increased maximum garage size
- Competitive interest rates



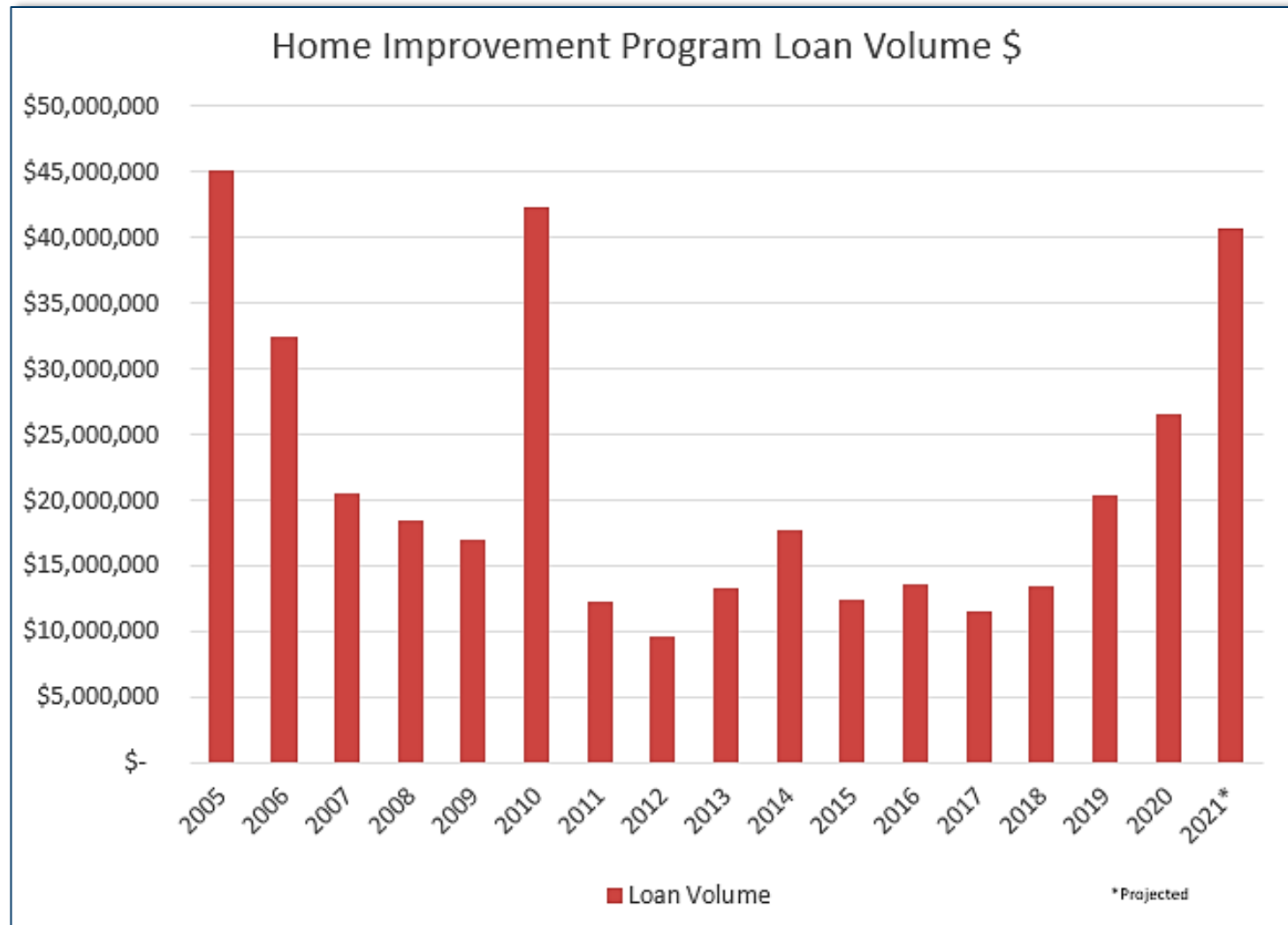
Overhaul

► Changes: Make it easier for lenders

- Streamline the process
 - Industry standard application
 - Change from eligibility income to qualifying income
- Update policies
 - Got rid of MRB requirements
- Increased lender compensation



Transformation





- ▶ Annual program evaluation to support continuous improvement
- ▶ Increase program awareness
 - Dedicated Home Improvement Business Development Representative
 - Marketing campaigns to bring borrowers to the lenders



Habitat for Humanity

Encouraging New Construction



Financial
Support
from
Minnesota
Housing

\$20 Million
Credit Line

Value Gap

Grants to
developers and
other applicants

Affordability Gap

Interest-free
loans with a 30-
year term to
borrowers - due
on sale

Historic Model

- ▶ Value gap
 - Grant covering difference between total development cost (TDC) and appraised value
- ▶ Interest-free mortgage financing
 - Depended on Minnesota legislature, Minnesota Housing and other low/no-cost financing
- ▶ Affordability gap
 - Down payment, closing cost assistance and gap needed to get the first mortgage to an affordable level

... SUPPORTS ...

Historic Model

- ▶ Possible with extensive access to low and no-cost capital
 - State legislature
 - Minnesota Housing
 - Local units of government
 - Individuals
- Low- and no-cost capital has allowed Habitat to offer interest-free loans to homeowners

... SUPPORTS ...



Broader Vision

- ▶ Greatly increase production in order to address Minnesota's home ownership gap
 - Some affiliates planned to double production
- ▶ Realized they would need much more capital, some of which would be interest-bearing loans
 - One lender agreed to purchase all the loans – which eliminated the need for a multi-lender loan pool
 - Minnesota Housing funds a flexible and revolving line of credit

... SUPPORTS ...



Secondary Market Funding

- ▶ Began in 2000
- ▶ \$68 million secondary market for Habitat for Humanity of Minnesota loans
 - Provides liquidity to local affiliates
 - Both first and second mortgages
- ▶ Interest-bearing first mortgage with an interest-free second mortgage
 - Interest-bearing first mortgages attract private capital

... SUPPORTS ...

Secondary Market Funding

- ▶ Lender interest
 - Private lender commitments to purchase the first \$25 million to \$100 million
 - Doubled loan production
- ▶ Replication in markets across the country



... SUPPORTS ...

Innovation for Results



Minnesota Housing supports 40% of Habitat for Humanity Minnesota activity

47.8% of new buyers are Black, Indigenous or people of color

Funds revolve

Innovation occurs – Second mortgage program

Partnership serves more low-income households

Typical household – 36% of Median Income



Thank You!

Kimberly Stuart

Kim.Stuart@state.mn.us