BRIDGING THE GAP:

Housing and Community Needs in Indiana and Michigan

December 2023

Study Commissioned by Federal Home Loan Bank of Indianapolis
From Atria Planning

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Executive Summary

In May 2023, The Federal Home Loan Bank of Indianapolis (FHLB-I) commissioned a housing study to understand the severity and context of housing issues within its District of Indiana and Michigan (the District) during a period of severe market fluctuation and uncertainty.

The outcome of this study, *Bridging the Gap: Housing Needs in Indiana and Michigan*, can be summarized as follows:

The COVID-19 Pandemic of 2020 unpredictably and dramatically increased housing prices throughout the District. As a result, housing affordability problems have reached middle income households in high-priced markets, while low-cost markets – disproportionately low income communities of color – are losing their supply of "naturally affordable" housing stock.

Low income residents are now at a greater risk of displacement, paying an excessive portion of their income for housing (leaving little remaining for other necessities like food and health care), and even homelessness.

On the brighter side, non-profit organizations and the public sector have more opportunity to revitalize undervalued areas in partnership with private interests. However, reinvestment activity should preserve existing affordable housing to mitigate the threat of gentrification.

Affordability

Between 2019 and 2023, the average home price in the U.S. increased 48% and the typical rent increased 30%.[1] Wages were also going up (11% rise), but not enough to keep up with housing prices.[2] As a result, housing affordability is a major problem in most American metro areas.

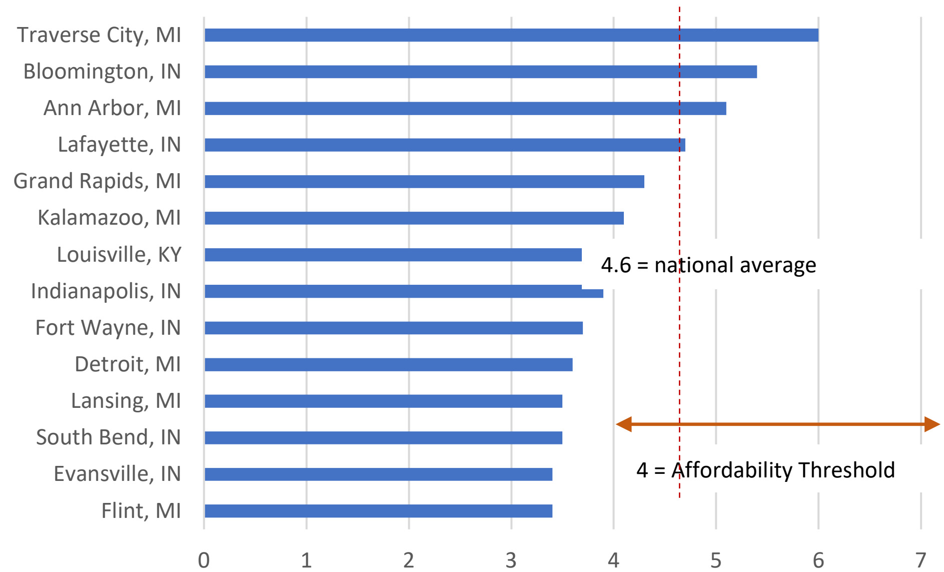
The housing markets in the District follow national trends, with home prices increasing between 30% and 40% during this period. Because the prices were lower than the national average to begin with, housing in the District is still relatively affordable with notable exceptions.

When we compare home prices to median income (a standard test for affordability), we find that ***Lafayette and Bloomington in Indiana; and Traverse City and Ann Arbor in Michigan, are unaffordable housing markets.***

[1] Zillow Home Value Index and ZORI Databases
[2] American Community Survey 2017 - 2021

Housing advocates in these markets are describing an affordable housing "crisis," where the local workforce cannot afford rent and middle-income families cannot afford to buy a home. The data validates these claims; these four market areas have a bigger affordable housing problem than national average.[3]

Home Price to Income Ratio Measuring Affordability in Housing Markets within the District, 2023



Sources: ACS 2017-2021 and Zillow Home Value Index

Meanwhile, distressed communities with historically low property values are now finding affordability to be the primary housing issue.

Non-profit organizations are reporting how first-time homebuyer program participants are being priced out of the market. Tenant advocacy groups are decrying extreme rent hikes as a means toward gentrification. According to one study, more than half the home mortgages underwritten in neighborhoods surrounding downtown Indianapolis were for households that earned twice the neighborhood median income.[4]

Historically undervalued neighborhoods of Detroit and Indianapolis that are predominantly communities of color are experiencing this challenge. Perhaps more unexpectedly, Gary, Indiana and Flint, Michigan have some of the highest price

[3] American Community Survey 2017-2021 and Zillow Home Value Index
[4] Fair Housing Center of Central Indiana, The State of Fair Housing in Indiana – Our Changing Neighborhoods: The Impact of Investors, Foreclosures, and Mortgage Lending, 2022.

increases **since the Pandemic; the typical home increased more than 50% in these two markets in just three years**.[5]

A fundamental issue impacting Indiana and Michigan today is the loss of "naturally affordable" housing. These are homes in the marketplace, without any government subsidy, which are affordable for low and moderate income households. As prices have skyrocketed, the supply of these units has sharply declined since 2020.

Home prices in Gary and Flint rose more than 50% in the last three years.

Additionally, a large number of subsidized apartments managed by housing authorities or with Low Income Housing Tax Credits are aging and will require substantial renovations to remain in use. There are approximately 30,000 tax credit units with expiring affordability contracts in the next five years. These developments are at risk of converting to market rate without additional subsidy,

Development costs are also more expensive due to material and labor shortages, higher acquisition costs, and high interest rates. Between 2021 and 2022, development costs per unit increased between 11% and 14%. It now costs $250,000 to $300,000 to build a one-bedroom apartment and $350,000 to $400,000 to build a modestly sized single family home in the District.[6]

Construction Costs in Market Areas within the District, 2022

	Cost per square foot		
	Multi-Family	Single Family	1-Year Change
Detroit	$323.39	$213.38	11.9%
Flint	$301.60	$199.00	11.5%
Lansing	$304.64	$201.01	11.3%
Grand Rapids	$294.92	$194.60	11.4%
Indianapolis	$301.53	$198.96	13.0%
Gary	$322.39	$212.72	9.9%
South Bend	$299.73	$197.77	12.1%
Fort Wayne	$289.87	$191.26	13.8%

Source: RS Means

With development costs this high, affordable housing developers are finding it increasingly difficult to finance new projects even with subsidy.

This is a major challenge in areas with a shortage of rental housing. College towns, retiree communities, and rural areas do not have enough apartments to support existing residents and workers. The challenge of adding new rental units in these markets

[5] Zillow Home Value Index City Index
[6] RS Means provided by Federal Home Loan Bank of San Francisco. Estimates based on a 700-square foot apartment and a 1,400 square foot home and 30% for acquisition and overhead.

extends beyond development costs. Community opposition, zoning problems, lack of infrastructure, and limited development capacity, make it difficult to build new apartments in places like Traverse City; Bloomington; and rural employment hubs.

Single family homes built by Cook Medical for their employees in Spencer, Indiana. Source: Jennifer Ludden/NPR

Rehabilitation of existing homes may be a more viable solution for increasing affordable housing stock. Detroit Future City analyzed development costs for community-driven home rehabilitation programs in the city. Among nine case studies, home rehabilitation costs per square foot were 30% - 50% lower than new construction.[7]

The problem with home rehabilitation programs is that the cost of rehabilitation, although lower than new construction, is oftentimes higher than market value once the project is complete.

Photo: Rehab Project in North End Detroit. Photo by Yusef El-Eses

[7] Detroit Future City and Enterprise Community Partners, "Rebuilding Home: Community-Driven Single-Family Rehabilitation Models for Long-Term Stability," October 2020.

Housing and Discrimination

Researchers are increasingly shining a light on the legacy and perpetuation of discriminatory housing policies impacting people of color.

Homeownership rates are remarkably higher for White families (76%) compared to all other minoritized groups in the District. The homeownership rate for Asians (which includes India, Pakistan and parts of the Arab World) and Latino households is just over 55%; the homeownership rate for Black households is 40%.[8] (We exclude tribal populations due to small sample size and high margins of error in the Census.)

This disparity cannot be explained by income. In fact, among households earning less than 50% of AMI, more than half of White households are homeowners compared to just 25% for Black households; 33% for Asian households; and 36% for Latino households. This limits wealth-building opportunities for minoritized groups and increases exposure to housing insecurity. Renters are subject to rent increases that may become unaffordable as markets change.

We see this in the data; low income renters, especially those earning between 30% and 50% of AMI, have a much higher risk experiencing housing challenges than low income homeowners. Because the homeownership rate is lower among minoritized groups, Black, Asian and Latino households experience more housing insecurity regardless of income.

Households Experiencing Housing Challenges in the District by Tenure and Race/Ethnicity in the District

OWNERS	White	Black	Asian	Latino	All
<30% AMI	75.6%	75.6%	76.3%	73.0%	75.5%
30% - 50% AMI	50.1%	50.3%	55.6%	48.6%	50.1%
50% - 80% AMI	26.4%	28.4%	37.3%	27.8%	26.8%
80% - 100% AMI	13.0%	14.0%	24.7%	12.8%	13.2%
>100% AMI	3.4%	4.2%	6.7%	5.3%	3.5%
All	17.2%	26.8%	20.0%	23.3%	18.1%

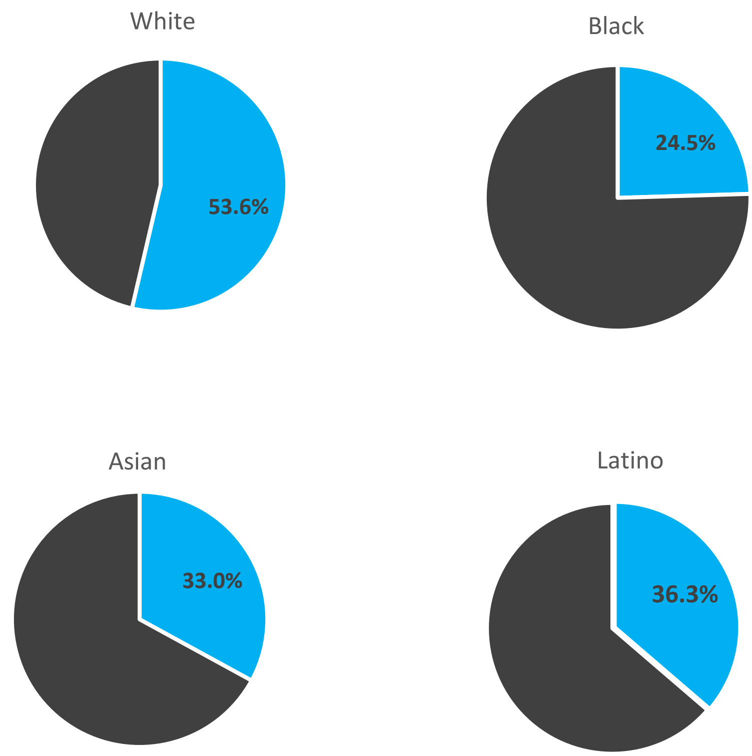
RENTERS	White	Black	Asian	Latino	All
<30% AMI	76.1%	74.9%	66.0%	81.9%	75.8%
30% - 50% AMI	73.3%	78.7%	83.9%	75.4%	75.0%
50% - 80% AMI	32.5%	35.2%	40.4%	31.0%	33.2%
80% - 100% AMI	10.3%	11.3%	20.9%	11.4%	10.8%
>100% AMI	4.8%	4.8%	10.3%	6.3%	5.3%
All	41.8%	53.1%	38.3%	48.4%	44.8%

Source: HUD CHAS released 2023

[8] HUD Comprehensive Housing Affordability Strategy released 2023

Several organizations who provided feedback for this study described the societal impact of “redlining,” or discriminatory lending practices before the 1970s that kept households of color (especially African American) removed from a formal banking system altogether. They noted the lack of trust in banks or knowledge of wealth management continues to be an issue in many low income communities of color who are more vulnerable to predatory lenders and higher fees charged by check cashing services.

Homeownership Rate by Race/Ethnicity for Households Earning Less than 50% of AMI in the District



Source: HUD CHAS 2023 release

Evictions

The upward pressure of the housing market has a domino effect; when households move to neighborhoods or cities more affordable to them, they raise the prices for everyone else. This pattern continues until we reach the least expensive pool of housing units. When the rents increase for these units, the existing renters do not have more affordable housing options to move into. They face the greatest risk of evictions and homelessness.

According to a recent study, evictions disproportionately impact children and Black families; 40% of all individuals issued an eviction are children. Black renters are four times more likely to be evicted than White renters. Alarmingly, 12% of Black families with children are evicted every year, three times higher than White families with children.[9]

Providing support to very low income families when rent prices have skyrocketed has become increasingly important to prevent evictions and homelessness. This includes emergency rental assistance, mediation services between tenants and landlords, and improved tenant protections to stop arbitrary evictions or aggressive rent increases.

Providing services for persons experiencing homelessness or who otherwise need support is also more difficult. Without low-cost permanent housing for formerly homeless to transition into, they remain in shelters and temporary housing that could be available to those without shelter.

Individuals and Families Experiencing Homelessness

People without permanent shelter have the greatest housing need. The extent of the challenge is difficult to quantify because many homeless individuals are transient and unseen. According to HUD's Point in Time (PIT) Survey (a survey conducted every year to track the homeless population), there were nearly 13,000 homeless individuals in the District in 2022, and 21% were children.

The U.S. Department of Education also tracks children without permanent addresses, which includes the unsheltered, children living in shelters or transitional housing, and children precariously housed (e.g. couch-surfing, living in an RV, or living in a temporary motel). In the 2021-2022 school year, there were 45,000 school-aged children without a permanent home.

Stakeholder participants called out two demographic groups at greater risk of homelessness that require more supportive services. The first group, formerly incarcerated individuals, face exceptional hurdles in securing employment and housing. Public and subsidized housing often excludes anyone with a felony record; if their family members live in federally subsidized housing, they are not able to move home while they reestablish themselves in the community.

The second group, people struggling with addiction disorders, have high relapse rates after treatment due to the short treatment plans that Medicaid covers (30 days) and the exposure to drugs and alcohol immediately after being released from treatment

[9] National Low Income Housing Coalition, "Children Face Highest Risk of Eviction," October 10, 2023, based on a study sponsored by Princeton University's Eviction Lab.

In both cases, stakeholders recommended more targeted programs with case management, mental health support, and life coaching.

Background

The Federal Home Loan Bank of Indianapolis (FHLB-I) seeks to support communities and families within Indiana and Michigan (the FHLB-I District or the "District") through grants, low cost loans, and technical assistance for affordable housing, workforce development, and neighborhood revitalization. Its current programs include:

1. Community Investment Program (CIP) – Loans and lines of credit for projects that benefit low and moderate income communities.
2. Affordable Housing Program (AHP) – A grant for the acquisition, construction, and rehabilitation of properties for affordable housing.
3. Homeownership Initiatives – Several programs that assist first-time homebuyers, assist existing homeowners to repair their homes or retrofit their homes to meet disability needs, and a down payment assistance program to bridge the homeownership gap for marginalized communities of color.
4. Elevate Small Business Grant – A grant for small businesses to stabilize and grow.
5. Disaster Relief Program (DRP) – A grant to help homeowners repair their homes damaged by a natural disaster, administered by partner non-profit organizations.
6. Community Mentors Program – A community engagement and economic development program that funds planning and technical assistance for community projects.

To help establish priorities within these programs and explore the potential for new programs, the FHLB-I engaged with a consultant to develop a housing study for the District. The study's purpose is to understand what and where the most pressing housing problems are and to identify certain economic development needs related to housing and community investment.

The 6-month process, from May to November of 2023, involved extensive data analysis, research, and robust stakeholder engagement. The final study, ***Bridging the Gap: Housing and Community Needs in Indiana and Michigan***, will be used by the FHLB-I as a framework for dialogue and decision-making around its investments and partnerships.

Because the region is geographically and culturally expansive and includes a variety of housing markets, the study focuses on the wider critical housing issues and concerns of the District, highlighting areas where the problems are most severe. Additionally, the report includes a chapter describing specific housing markets with unique challenges and needs, and county-related data in the Appendix.

Stakeholder Input

The findings and recommendations of this report incorporate commentary provided by housing and banking industry leaders within the FHLB-I Region. This includes non-profit and for-profit affordable housing developers; community development corporations (CDCs); lending institutions; public housing authorities; supportive service providers; and advocacy groups.

The engagement process utilized three tools to gather feedback: an online survey; six focus groups; and interviews with housing and economic development experts.

In total, 203 stakeholders provided feedback for this report. Their input is immensely valuable in providing context to the analytical findings of the study and reflect intimate knowledge of the housing challenges within their communities that numbers alone could not convey.

Online Survey

In the summer of 2023, an online survey was sent to the FHLB-I's current and historical grantees asking organizations to identify fundamental housing challenges and to prioritize solutions to addressing these needs.

The survey garnered 159 responses, with 57% working in Indiana, 38% working in Michigan, and 5% working in both states. 20% of the respondents represented rural areas.

The outcome of the online survey can be summarized as follows:

General

The increased housing prices, both for rental units and homeownership, were cited as primary challenges, with 97% of respondents claiming housing needs have increased in their communities.
Discrimination against low income households and Section 8 voucher holders was a major concern for renters, along with NIMBYism and local regulations restricting affordable housing development.
Gentrification, and access to homeownership for historically disenfranchised groups, were cited as the two major challenges for equitable housing.

Rural

Respondents believe the most significant issue with rural housing is that development costs are much higher than what local workers earn (58%).

Respondents in rural areas also cited a lack of rental housing (45%) and not enough developers working in rural areas to meet the need (37%) as the second and third most significant challenge.

Homeownership

42% of respondents cited homeownership for households earning less 50% of AMI as the number one housing need among homeowners.
85% of respondents stated homeownership for households earning between 50% and 80% of AMI was in the top three housing needs among homeowners.
43% of respondents stated homeownership for minoritized groups was in the top three housing needs.
Home repairs, and homeownership for households earning between 80% and 100% of AMI, were also prioritized highly.

Rentals

The top two housing challenges for the rental market are high rents and lack of rental supply, with over 90% citing either of these issues as the most problematic.
Respondents believed the top priority for rental housing should be for households earning less than 30% of AMI, with 45% of respondents citing this as the number one need.
This is followed by households earning between 30% and 50% of AMI, with 46% citing this as the second most significant need in the rental market.

Homeless and Vulnerable Populations

The most important need for homeless populations cited by survey respondents was transitional housing (68%) followed by emergency shelters (63%).
Respondents cited the mentally ill as the population with the greatest housing needs by far (80%); followed by the elderly frail (42%) and persons with criminal histories (41%).

Quality of Life

The number one quality of life issue cited by respondents was housing availability (97%).
Respondents also cited low wages (65%); lack of transportation (64%); safety and security (64%); and drug addiction (54%) as major quality of life barriers.

Discrimination

Race was cited as the number one cause of discrimination (97%).
This was followed by ethnicity (71%) and disability (56%).

Recommended Tools

Not surprisingly, Low Income Housing Tax Credits and CDBG/HOME funding was cited as the best tools for affordable housing.
The other recommendations in the top five included Community Land Trusts (52%); Inclusionary Zoning (42%); and Lank Banking (32%).

Other Services

Respondents cited financial literacy training as the most significant need outside of housing (59%).
Case management services (48%) and transportation assistance (34%) were also highly ranked.

Focus Groups

To gather a more in-depth understanding of the issues Michigan and Indiana housing stakeholders are struggling with and potential solutions to these problems, five focus groups were conducted around the topics of homeownership; rental housing; homelessness; rural housing; and equitable housing, as well as a preliminary meeting with the FHLB-I Advisory Committee.

The focus groups were conducted virtually in September and October of 2023 with 39 participants.

Following is a summary of the challenges discussed during these sessions:

CONSTRUCTION

- Construction costs have sharply increased in recent years. Land, labor, materials, interest rates, and delays have made housing construction more expensive, with unpredictable funding gaps that are very challenging to fill.
- The cost of construction far outweighs what local populations can afford, particularly in rural areas and areas that are expensive to develop.
- Participants found Indiana was much easier to fund and build affordable rental projects than Michigan because of approval delays and confusing regulations.
- Cities are usually very restrictive in what can be built "as if right," usually limited to single family units outside major commercial districts. This requires developers to apply for variances or special exceptions that may involve lengthy design review and public meetings, which may or may not kill a project. These unknowns deter developers from many communities without explicit support from leadership and additional gap funding to cover additional predevelopment costs.
- Cities may not have the technical expertise to revise their zoning codes to accommodate alternative housing types that meet the needs of vulnerable population groups (e.g. tiny home development for persons experiencing homelessness.)
- Smaller communities may not have developers with the capacity to build larger rental housing developments and need technical assistance and support.
- There is a severe shortage of skilled construction workers, and many are aging out of the workforce. There are not enough younger workers entering the field to make up for the loss.
- Drug testing construction workers – a requirement of many grant programs – has impacted the ability to retain workers.

RURAL AREAS

- It is more challenging to build in rural areas in a lot of ways. Projects oftentimes require infrastructure investments, NIMBYism is more prevalent, and land costs may be higher because regulations require larger lot sizes.
- Case management services (48%) and transportation assistance (34%) were also highly ranked.
- It is difficult to find construction laborers in rural areas which can delay work and increase costs.
- Rural projects are not as competitive for tax credits because they do not score well in the amenities rating; shopping and services are at a further distance in rural areas. They also cost more per unit because rural developments are typically smaller (30 units versus 100 units that may be viable in urban markets) with the same predevelopment costs.

- Rural homelessness is a growing problem and often isn't acknowledged by local government so it can be hard to work with rural communities to find solutions.
- It is difficult to provide social services in rural areas because population centers are so far apart. There is a general lack of providers in rural areas.
- There are very long waiting lists for senior affordable housing in rural areas.
- It's difficult to find investors or developers interested in building housing in rural areas.
- There is a lack of accessible housing in rural areas, and this greatly impacts seniors and low income persons with disabilities.
- Most mobile home park residents do not own the land beneath their homes and therefore cannot have title ownership.

HOMEOWNERSHIP

- It is difficult for families – even middle income families – to save enough to purchase a home because rents have become so expensive.
- Even when lenders have products that can help first time buyers with lower credit scores, they seem unwilling to work with the buyers; there is a lack of patience and flexibility with lenders which make it difficult to use the products geared towards low income first time homeownership.
- With rising construction costs, builders can no longer build new homes for middle income families. Existing housing subsidy programs usually target low income households, leaving a gap in need.
- Home prices in certain markets have skyrocketed since the COVID 19 Pandemic started, making homeownership out of reach for many families that once could afford to purchase a home.
- Investors are buying up a large share of properties in certain markets, increasing property values and taxes in neighborhoods before actual rehabilitation has even begun.
- First time homebuyers may qualify for a loan based on credit and income, yet banks will deny a loan based on the debt-income ratio.
- Homeowners who could not afford to maintain property insurance or pay taxes are not eligible for home repair programs even though this population has substantial need for maintenance assistance. This is particularly challenging for low income seniors on fixed incomes.
- Older homes have unforeseen rehabilitation costs like asbestos removal that make rehabilitation of older homes daunting due to the unknown.
- It is still less expensive to rehabilitate an existing home than construct a new home in most circumstances, but the funding tools for rehabilitation do not accommodate for the specific challenges like environmental remediation and higher acquisition costs.
- Homes that were rehabilitated with NSP funds must be sold to households earning less than 50% of AMI, which is very limiting in terms of finding a buyer and in building equity for the initial purchaser.

- Many communities have land banks with readily available land to build on but there is no funding for construction.

RENTAL HOUSING

- In most areas, the cost of living is so high that low wage earners are unable to pursue an education or access healthcare, severely lowering basic quality of life standards.
- Landlords are not accepting vouchers because demand is so high, they can be discriminatory. Landlords are charging rents higher than what a voucher is worth and requiring heftier down payments.
- Landlords are permitted to enact extreme rent hikes or make the homes uninhabitable as a means to evict a tenant. There are few legal resources available to renters facing this problem.
- Landlord-tenant laws are not enforced in Indiana and lobbying groups stymie legislative change.
- Households with poor rental histories or past evictions are taken advantage of by some landlords. They are charged excessive rent or live in poorly maintained units because they have few rental opportunities elsewhere.
- There is an imbalance with cities taking properties off the market they deem substandard but not finding alternative solutions for the "naturally" affordable rental stock they removed from the market as a result. The supply of rental units affordable to low income families without being subsidized has rapidly dwindled.
- Permanent rental supply is lower in college towns due to the prevalence of short-term rentals.
- Corporate, out-of-state investors are purchasing properties in college towns like Bloomington and reserving them for student rental housing, reducing available housing stock for existing residents.
- Public housing, the only real source of housing for those earning less than 30% of AMI, is at risk. Public housing authorities do not receive enough federal funding to maintain their portfolios and state and local authorities do not have the resources to step in. It is a looming and serious crisis.

VULNERABLE POPULATIONS

- Having a felony record makes it difficult to secure housing. Subsidized housing programs often restrict anyone with a record, regardless of how long ago the conviction occurred.
- Individuals transitioning out of the penal system have innumerable challenges in finding housing, jobs, and transportation.
- Kids aging out of foster care have nowhere to go.
- People experiencing homelessness and addiction disorders struggle with sobriety considering the obstacles towards recovery. Treatment plans covered by Medicaid are limited to 30 days; this is insufficient for most people with severe addiction, leading to frequent relapses. Additionally, the

Housing First model, which provides housing options for those with active drug use, creates an environment where people struggling to remain sober share residence with users.

- There is a shortage of skilled workers in the public health field, placing an extreme workload on existing case workers. Because of the shortage, inexperienced social workers may be placed in situations they have not been trained for.
- The current zoning codes do not allow certain housing alternative housing models that work for permanent supportive housing like tiny home villages or units smaller than what building codes would allow.
- People transitioning out of shelters have difficulty finding permanent affordable housing. They then remain in the emergency shelter, holding a bed that would otherwise be available for an unsheltered person.
- There are not enough funding sources for the ongoing supportive services many vulnerable population groups require.
- State and local governments recognize the need for more permanent supportive housing in their housing plans, but they do not translate this into funding priorities. There is a substantial mismatch between narrative priorities and funding priorities among most government entities.

EQUITABLE HOUSING

- A low homeownership rate among Black households is a critical problem. They are lower today than they were before the Fair Housing Act was enacted.
- Gentrification without inclusion of existing residents in communities of color is an issue. Even in places like Gary, known for blight and low property values, qualified first-time homebuyers are being outbid.
- We need more fair housing regulations in rental screening processes, which exclude those with conviction records and disproportionately impact persons of color.
- There is a growing Latino population in rural areas but there is a lack of outreach, programs are not in Spanish, and there is a lack of trust in lending institutions.
- Our country’s policies around public housing and Section 8 do not encourage families to seek economic betterment, fostering a generational cycle of poverty. Once a HUD-assisted household exceeds a certain income, they are removed from the support network and are unable to return if their circumstances change for the worse.
- The general practice of limiting homeownership to households earning more than 50% of AMI can create greater financial burden to those households who earn less. They are more susceptible to displacement and evictions and have a much harder time building wealth. This disproportionately impacts communities of color.
- There is a lack of trust in financial institutions among communities of color, limiting the ability to access low interest debt and build wealth. Many families

do not have a bank account and rely on check-cashing services that charge exorbitant amounts.

- The lending products available for first time homebuyers are difficult to understand let alone navigate, discouraging historically marginalized groups from accessing homeownership.
- Financial literacy is critical for communities of color and should begin at a younger age. First-time homebuyers, financial education and support should continue for several years after purchasing the home.
- Existing home rehabilitation programs steer buyers into low-value neighborhoods as part of a larger mission of neighborhood revitalization. However, this furthers the concentration of poverty and limits that family's potential to build wealth by buying into an established residential area with services, where property values are expected to go up. It is a disservice to Black first-time homebuyers, perpetuating the segregation and wealth disparity associated with "redlining" lending practices of the 1950s and 1960s which kept Black families out of the suburbs.
- The issue goes beyond housing; to enable disenfranchised communities to leave poverty and build wealth requires better access to education, job opportunities, and childcare.

Interviews

This study also incorporated feedback from housing-related experts through one-on-one interviews. Topics include heirs' rights; tribal housing; economic development needs; and workforce housing. The outcome of these interviews is described in the chapters for Housing Discrimination and Workforce Housing.

People

From Southern Indiana to Michigan's Upper Peninsula, and from the eastern outskirts of the Chicago metro area to Cincinnati's western suburbs, the FHLB-I District encompass a wide range of American communities. In a way, it is a snapshot of the land's cultural and economic history.

Before European settlement, the area was home to more than a dozen native tribes. It largely remained agricultural and as a Great Lakes trading post until the mid-1800s, when its timber, copper and iron helped fuel railroad expansion, and in turn, steel and automotive manufacturing.

Manufacturing job opportunities brought millions of southern, mostly rural, African Americans into Midwestern cities during the Great Migration of the early 20th Century, marking the greatest voluntary migration of African Americans in history and transitioning African Americans from a predominantly rural to a predominantly urban population.

The loss of manufacturing jobs in the latter half of the 20th century, combined with suburbanization and racially discriminatory lending practices, reversed population growth in most Midwestern cities and led to a profound decline in many cities and small towns across the District.

The resulting decline in property values and housing vacancy in "Rustbelt" cities brought an influx of immigrants, many of them refugees, into the District. and the District is now home to a significant number of southeast Asian, Arab, Latino, and Eastern European communities.

The mortgage lending crisis of 2007 had a fundamental impact on much of the District, especially communities of color who were especially targeted for predatory lending. Neighborhoods already struggling with disinvestment contended with foreclosures and further loss of property values, undermining local initiatives to rebuild their community.

In the past decade, many of the District's declining communities have experienced various degrees of reinvestment and population growth. Efforts from the public and non-profit sectors to bring energy back into declining cities have proved fruitful in many respects. However, this resurgence has not benefited all population groups equally, and there are communities of color still struggling with systemic poverty and lack of opportunity that are now at risk of displacement due to rising housing costs.

The Covid-19 Pandemic of 2020 (the "Pandemic") accelerated this disparity in many ways. Low wage workers in the service and logistics industry – disproportionately from minoritized populations – faced the brunt of its impact, while professional workers who could work from home benefited by increasing their savings and having the freedom to move to less expensive markets.

The overall housing market surged in prices, both for rent and ownership, but its impact is most severely felt by lower income households who can no longer afford rent or property taxes and face greater financial hardship and are at an increased risk of displacement.

Race & Ethnicity

Residents of the District are predominantly non-Hispanic and White (76%). Like most places in the U.S., the racial distribution differs greatly between rural areas, suburbs and cities.

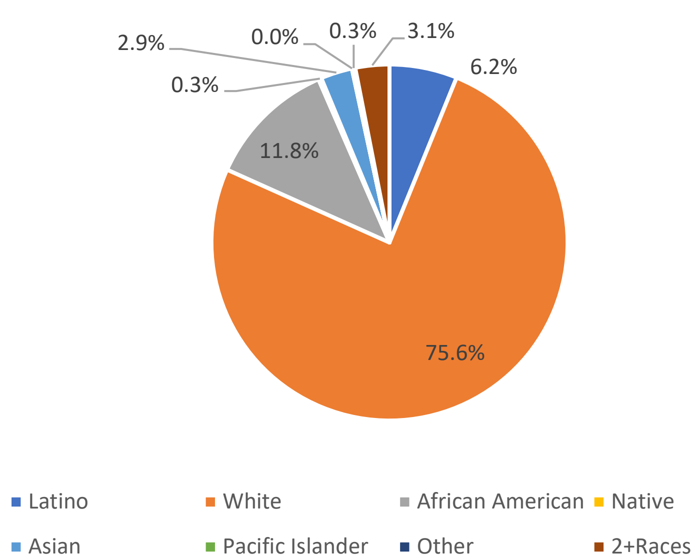
African American and Black residents comprise a significant portion of the population in Detroit, Indianapolis, Gary, Flint, Muskegon, Saginaw, and Saint Joseph.

The largest concentration of Native Americans is within Michigan, with approximately 10,000 living in the Detroit region. The largest concentration per capita is in northern Michigan, where 10% of the population in Mackinac, Chippewa, and Baraga Counties are Natives.

The largest number of Latino/Hispanic residents live in Detroit and Indianapolis, but a large percentage of residents are Latino/Hispanic in Gary, Elkhart, Frankfort and Logansport.

There are a large number of Asians in the larger cities, particularly the Detroit area, and significant Asian communities in Columbus, Ann Arbor, and Lafayette.

Chart 1: Race and Ethnicity in the District



Source: ACS 2017-2021

Table 1: Top Ten Counties with a High Concentration and Percentage of Various Races and Ethnicities in the District

County	State	Highest Concentration	County	State	Highest Percentage
African American/Black					
Wayne Co.	MI	672,458	Wayne Co.	MI	37.6%
Marion Co.	IN	269,056	Marion Co.	IN	27.8%
Oakland Co.	MI	166,732	Lake Co.	IN	23.0%
Lake Co.	IN	114,170	Genesee Co.	MI	19.2%
Macomb Co.	MI	106,200	Saginaw Co.	MI	18.5%
Genesee Co.	MI	78,059	Berrien Co.	MI	13.9%
Kent Co.	MI	59,255	Oakland Co.	MI	13.1%
Washtenaw Co.	MI	42,845	Muskegon Co.	MI	13.0%
Allen Co.	IN	42,417	St. Joseph Co.	IN	12.5%
Saginaw Co.	MI	35,229	Macomb Co.	MI	12.1%
Native American					
Chippewa Co.	MI	4,856	Mackinac Co.	MI	15.6%
Wayne Co.	MI	4,201	Chippewa Co.	MI	13.1%
Oakland Co.	MI	2,013	Baraga Co.	MI	10.7%
Macomb Co.	MI	1,917	Schoolcraft Co.	MI	6.6%
Isabella Co.	MI	1,888	Luce Co.	MI	4.2%
Mackinac Co.	MI	1,685	Alger Co.	MI	2.9%
Kent Co.	MI	1,359	Isabella Co.	MI	2.9%
Muskegon Co.	MI	1,170	Gogebic Co.	MI	2.7%
Genesee Co.	MI	1,061	Leelanau Co.	MI	2.6%
Marion Co.	IN	962	Emmet Co.	MI	2.5%
Hispanic/Latino					
Wayne Co.	MI	111,186	Lake Co.	IN	19.7%
Marion Co.	IN	105,058	Elkhart Co.	IN	16.7%
Lake Co.	IN	97,885	Clinton Co.	IN	16.5%
Kent Co.	MI	71,832	Cass Co.	IN	16.3%
Oakland Co.	MI	56,343	Oceana Co.	MI	15.2%
Elkhart Co.	IN	34,508	Van Buren Co.	MI	11.8%
Allen Co.	IN	29,854	Kent Co.	MI	11.0%
Ottawa Co.	MI	29,843	Marion Co.	IN	10.8%
St. Joseph Co.	IN	25,030	Noble Co.	IN	10.6%
Macomb Co.	MI	24,591	Porter Co.	IN	10.5%
Asian					
Oakland Co.	MI	99,329	Washtenaw Co.	MI	9.1%
Wayne Co.	MI	61,002	Bartholomew Co.	IN	8.0%
Macomb Co.	MI	38,344	Tippecanoe Co.	IN	7.9%
Marion Co.	IN	35,464	Oakland Co.	MI	7.8%
Washtenaw Co.	MI	33,822	Monroe Co.	IN	6.6%

Hamilton Co.	IN	21,235	Ingham Co.	MI	6.4%
Kent Co.	MI	19,823	Hamilton Co.	IN	6.2%
Ingham Co.	MI	18,367	Allen Co.	IN	4.5%
Allen Co.	IN	17,289	Macomb Co.	MI	4.4%
Tippecanoe Co.	IN	14,629	Johnson Co.	IN	3.9%

Source: ACS 2017-2021

Immigrant Populations

There are close to 900,000 foreign-born residents in the FHLB-I District. They live in larger cities (with the exception of Columbus, Indiana, where more than 10% of the population are foreign-born), with nearly half living in the Detroit region. The Detroit metro is now home to substantial Arab, Bangladeshi, Eastern European and Latino communities, with cities like Troy, Hamtramck, Dearborn, and Sterling Heights home to tens of thousands of first generation immigrants.

The largest Latino immigrant population is within Indianapolis and Flint, with roughly half coming from Mexico.

Overall, immigrants of Asia make up more than half of all immigrants in the District. This includes southeast Asians, Chinese, and parts of the Arab world.

Table 2: Origin of Foreign Born Population by Percent

	Foreign Born Population	Europe	Africa	Asia	Oceania	Latin America	Northern America
Wayne Co., MI	167,958	11.8	5.7	60.2	0.2	18.4	3.8
Oakland Co., MI	165,547	19.3	3.8	59.2	0.4	11.7	5.5
Macomb Co., MI	101,364	29.8	1.9	56.6	0.4	6.8	4.4
Marion Co., IN	95,908	5.4	19.2	29.2	0.3	45.4	0.5
Kent Co., MI	54,255	13.9	12.5	30.9	0.4	39.9	2.5
Washtenaw Co., MI	46,702	18.1	7.1	58.3	0.5	11.4	4.5
Lake Co., IN	34,418	20	4	18.7	0.4	55.1	1.8
Hamilton Co., IN	30,543	13.4	9.8	53.9	0.6	18	4.3
Ingham Co., MI	27,723	9.4	14.9	58.1	0.2	15	2.5
Allen Co., IN	27,418	8.6	6.7	49.4	0	33.2	2.1

Source: ACS 2017-2021

Income & Poverty

There is significant poverty within urban and rural areas throughout the District. As would be expected, the numbers are much higher in densely populated areas. Wayne County (Detroit) for example, has 66,000 households earning less than $10,000 per year. Urban poverty – highest in numbers, with Detroit and Indianapolis having highest numbers, with almost 100,000 households earning less than $25,000 per year. Rural counties, however, have much higher percentages of poverty. One in four households in Lake County, Michigan earns less than $25,000 per year.

One distinction between rural and urban poverty within the District is that in urban areas, the majority of households earn less than $10,000 per year, whereas in rural areas, the majority earn between $10,000 and $25,000. This may be related to the difference in unemployment rates (higher in urban areas) versus households on fixed incomes (with seniors concentrated in rural areas).

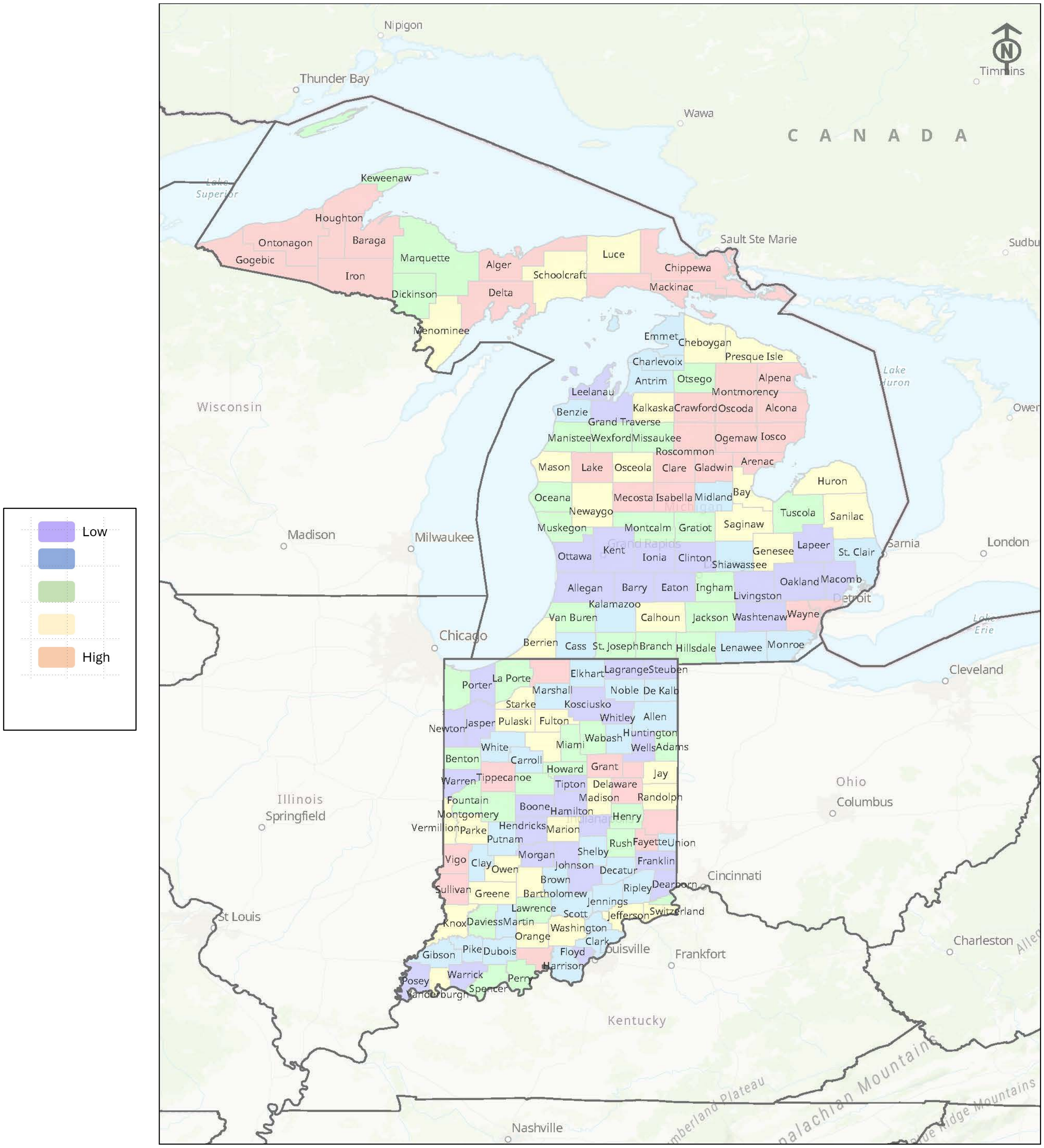
Table 3: Extremely Low Income Households Ranked by County (Top 10)

By Count				By Percentage			
County	<$10,000	$10,000-$24,999	<$25,000	County	<$10,000	$10,000-$24,999	<$25,000
Wayne, MI (Detroit)	66,351	1,006	67,357	Lake, MI	9.6%	16.6%	26.1%
Marion, IN (Indianapolis)	29,583	1,490	31,073	Gogebic, MI	8.6%	15.9%	24.5%
Oakland, MI (Detroit Metro)	21,235	2,625	23,860	Houghton, MI	9.0%	13.4%	22.5%
Macomb, MI (Detroit Metro)	15,824	2,151	17,975	Scott, IN	5.0%	15.4%	20.5%
Kent, MI (Grand Rapids)	10,930	786	11,716	Blackford, IN	11.7%	9.3%	21.1%
Lake, IN (Gary, IN)	12,796	4,197	16,993	Isabella, MI	10.5%	11.2%	21.7%
Genesee, MI (Flint)	12,030	2,431	14,461	Clare, MI	6.6%	13.1%	19.7%
Allen, IN (Fort Wayne)	6,870	711	7,581	Crawford, IN	9.8%	12.7%	22.5%
Ingham, MI (Lansing)	8,790	2,201	10,991	Iosco, MI	7.2%	13.6%	20.8%
Washtenaw, MI (Ann Arbor)	9,343	1,894	11,237	Fayette, IN	6.9%	15.1%	22.0%

Source: American Community Survey 2017-2021

Map 1: Percentage of Households that are Very Low Income

(earning less than $35,000 per year)



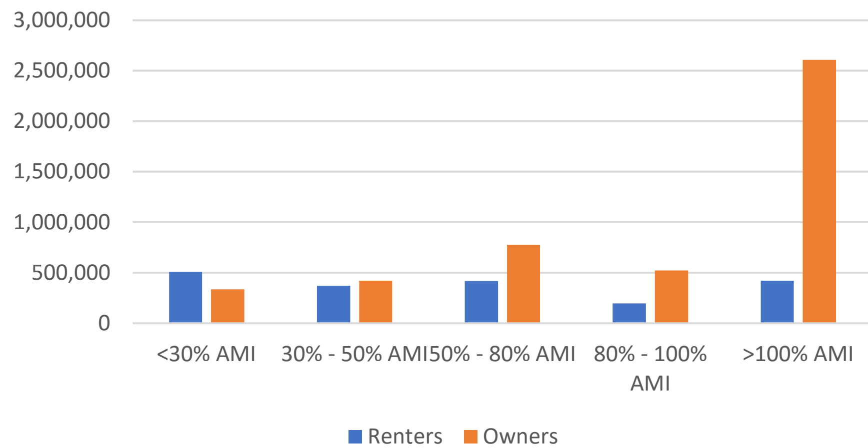
Source: ACS 2017-2021

Income and Homeownership

Most households in the FHLB-I District are homeowners (71%). However, more than half of all homeowners (56%) earn above median income, and as we can see later in the study, are less likely to need housing assistance.

Renters, however, are disproportionately low income (68% of all renter households earn less than 80% of AMI), and in turn, are far more likely to struggle with housing expenses.

Chart 2: Income and Tenure in the District



Source: ACS 2017-2021

The income disparity between renters and homeowners exacerbates longstanding housing and community-related problems and manifests in sharp geographic differences.

Renter communities are disproportionately communities of color with higher poverty rates, higher vacancy rates, and lower educational attainment. They are also concentrated in urban areas. Indeed, 55 of the top 100 Census Tracts with renter populations are in the Detroit region and Indianapolis.

Age of Residents

Rural counties in northern Michigan and the Upper Peninsula have the largest concentration of older adults (relative to overall population), where one in three people are over 65 years old. Conversely, rural counties in Indiana, along with the northern suburbs of Indianapolis and Fort Wayne, have the highest concentration of children.

Table 4: Top Ten Counties with the Highest Concentration of Seniors and Children in the District

County	State	Top Ten Counties with Highest Percentage of Children	County	State	Top Ten Counties with the Highest Percentage of Seniors
LaGrange Co.	IN	27.0%	Alcona Co.	MI	35.5%
Adams Co.	IN	26.9%	Ontonagon Co.	MI	36.3%
Daviess Co.	IN	24.7%	Keweenaw Co.	MI	35.4%
Elkhart Co.	IN	23.0%	Iron Co.	MI	30.2%
Hamilton Co.	IN	21.8%	Presque Isle Co.	MI	31.6%
Clinton Co.	IN	21.7%	Roscommon Co.	MI	32.4%
Boone Co.	IN	21.5%	Leelanau Co.	MI	31.2%
Allen Co.	IN	21.4%	Montmorency Co.	MI	32.0%
Marion Co.	IN	21.0%	Iosco Co.	MI	29.4%
Jay Co.	IN	20.8%	Mackinac Co.	MI	28.1%

Source: ACS 2017-2021

A Summary of Housing in the District

The housing stock in Indiana and Michigan is predominantly comprised of single family homes that are older and have lower property values than the national average. The District had limited new construction overall, with Indiana and Michigan adding 5.2% and 2.5% of new housing units between 2010 and 2020, below the national average of 6.9%. Vacancy is a major issue in the District's Rustbelt cities (Detroit, Gary, and Flint) and in rural communities. While reinvestment is occurring in Detroit, it is concentrating in the downtown and downtown adjacent areas.

The Indianapolis region, along with college towns (Ann Arbor, Lafayette, and Bloomington) and Traverse City are high growth areas in an otherwise slow-growing region. This has helped to revitalize formerly distressed parts of Indianapolis but has also placed financial pressure on longstanding residents and the local workforce who cannot afford the increased prices.

Older Homes

Homes older than 50 years old are oftentimes more costly to rehabilitate and maintain than newer homes.

They are more prone to environmental hazards like asbestos and lead-based paint, and fire safety hazards like knob and tube wiring and balloon framing. Older plumbing systems oftentimes used lead, which can leach into your water systems, and are prone to deterioration and seepage.

Older homes may also be less desirable to live in without structural changes, with smaller rooms, limited storage space, poor lighting and less efficient heating and cooling systems.

This issue is prevalent in areas throughout the District but is particularly acute in rural Indiana and Detroit.

Table 5: Top Ten Counties with the Highest Percentage of Homes Built Before 1970 in the District

County	State	All Units	% Built before 1940	% Built Before 1970
Wayne Co.	MI	793,207	20.1%	70.7%
Benton Co.	IN	3,804	41.7%	69.7%
Blackford Co.	IN	5,885	34.0%	67.3%
Rush Co.	IN	7,364	40.0%	66.7%
Wayne Co.	IN	30,798	28.3%	65.1%
Randolph Co.	IN	11,415	40.5%	65.1%
Clinton Co.	IN	13,418	35.1%	64.5%
Cass Co.	IN	16,387	36.3%	64.4%
Henry Co.	IN	20,962	29.1%	63.4%
Gogebic Co.	MI	10,442	38.1%	63.0%

Source: ACS 2017-2021

Homes Built since 2010

New construction (homes built since 2010) is highly concentrated in Indiana, particularly the counties surrounding Indianapolis, where housing stock increased 10% to 20% in a 10-year period. Ottawa County (west of Grand Rapids along the shoreline) is the only Michigan county in the top ten growing counties within the District. In terms of volume, Fort Wayne, Traverse City, Lafayette, Gary, and the Detroit region added more than 10,000 units since 2010.

When reviewing new construction by census tract, we see heavy development activity in the downtown and downtown-adjacent neighborhoods within Indianapolis and Detroit; more development in distant suburbs ("exurbs") of metropolitan areas; and development activity in rural and semi-rural areas near the Great Lakes.

Housing Types

Approximately 75% of all housing units in the District are single family homes with little difference between Indiana and Michigan. This is substantially higher than the national average of 62%. Unique to the District (and the Midwest in general), urban areas also have a high concentration of single family homes. For example, 66% of homes in Detroit and 60% of homes in Indianapolis are single family units. This rate is much higher than most cities in other areas of the country of comparable size – even sprawling cities with room to build. Less than half the homes in Atlanta and Houston are single family structures.

The counties with the greatest share of multi-family units are concentrated in the District's college towns and in Indianapolis. More than 30% of housing units are in multi-family structures in Bloomington, Lafayette, Ann Arbor, and Lansing.

Not surprisingly, mobile homes are concentrated in rural areas, with the exception of Lake County (Gary, Indiana), where 28% of residential units are mobile homes.

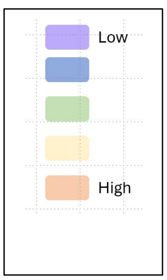
Large Homes

In America's industrial age, newfound wealth and an ample supply of building materials spurred the development of grand homes. Stately Victorian, Tudor Revival, and neo-Classical mansions were commonly built in many Midwest cities before the Great Depression.

Today, many of these homes lie vacant and in areas where households cannot afford to repair or maintain them. They are not practical for first-time homebuyer programs and are less profitable for multi-family developers than new construction or rehabilitation of larger projects.

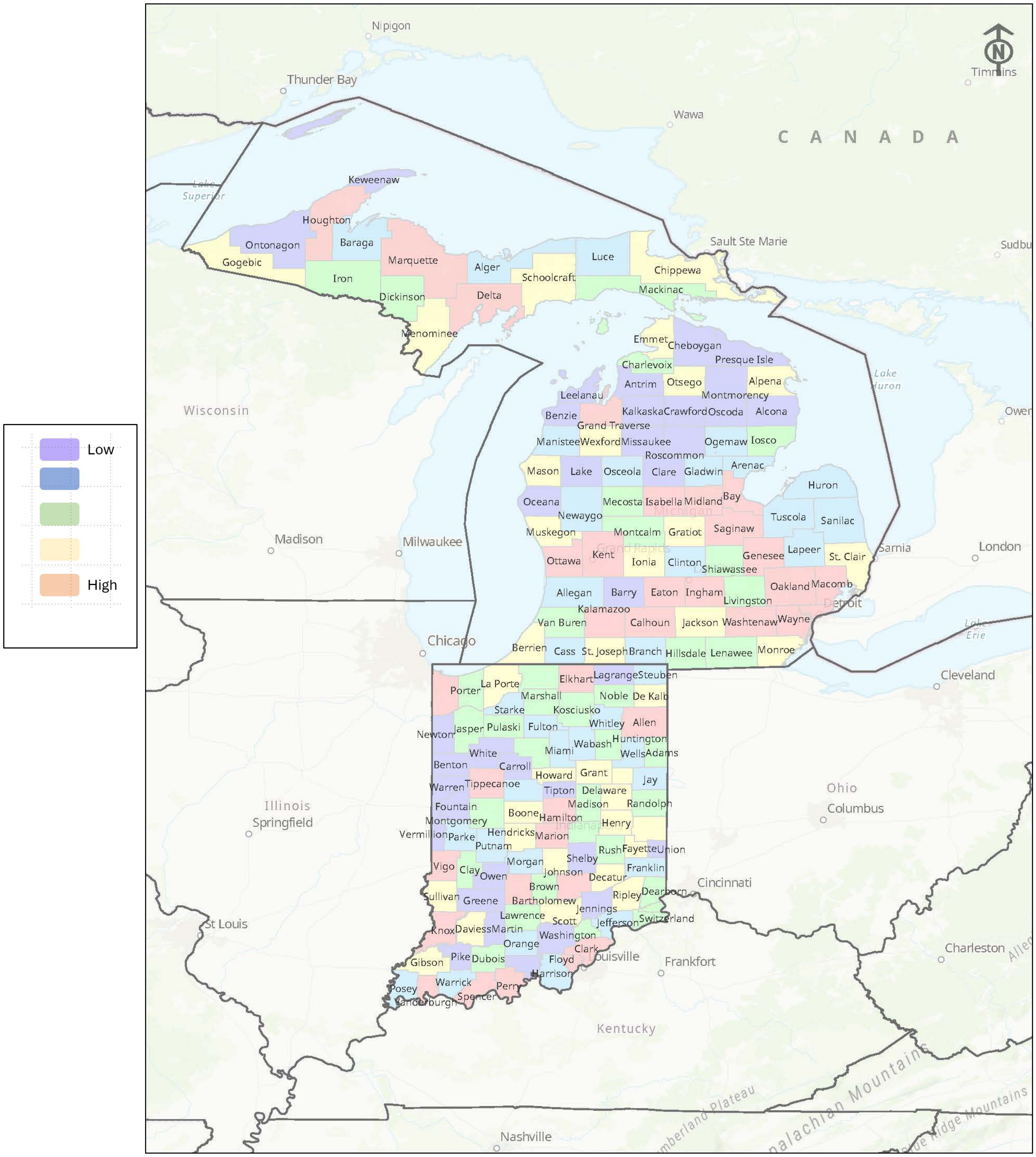
This issue is more concerning in areas with low property values. Detroit, Gary, and Flint all have a large number and percentage of large homes totaling 125,000 properties.[i]

Map 2: Mobile Homes (as Percent of All Homes)



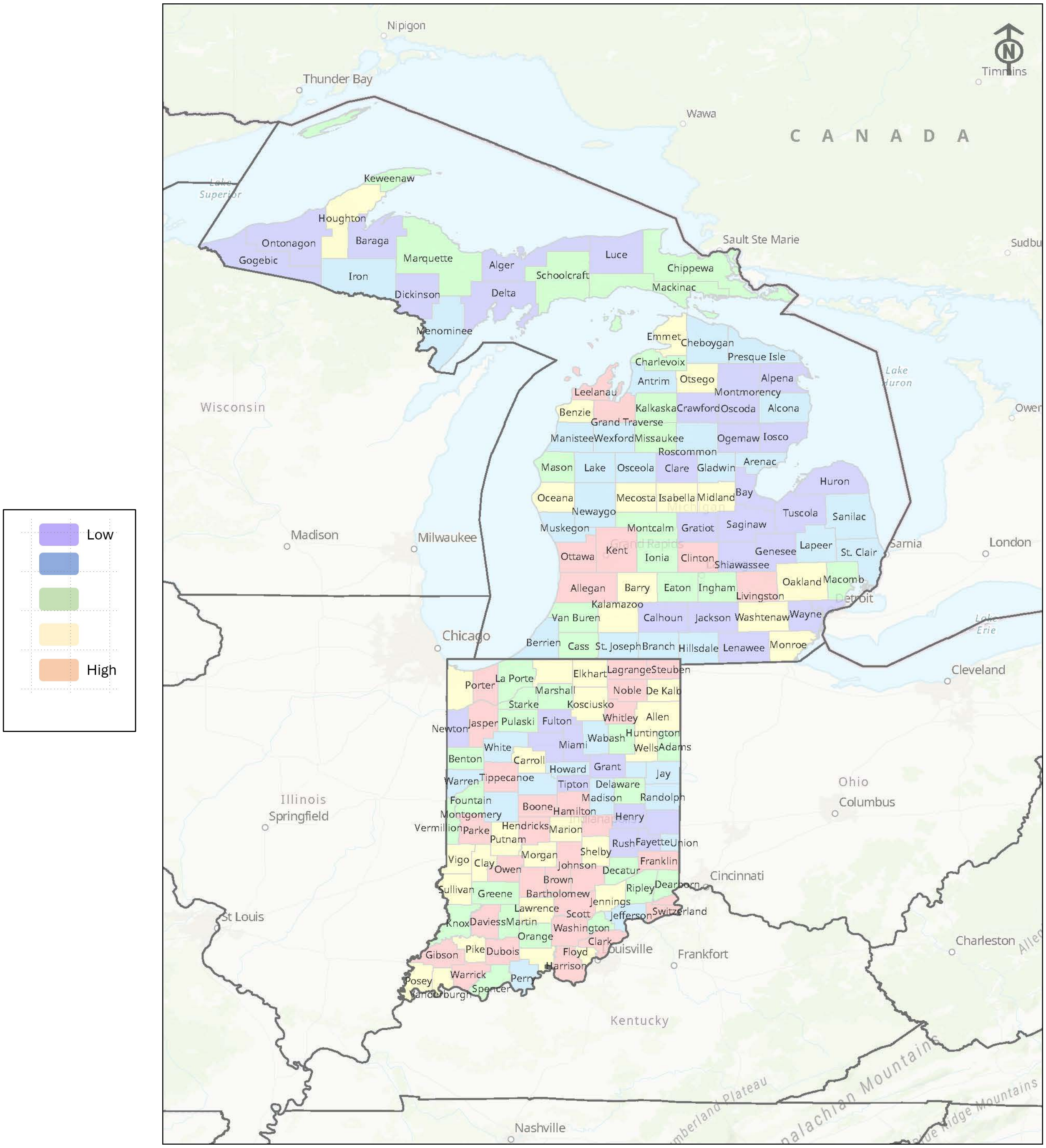
Source: ACS 2017-2021

Map 3: Multi-Family Homes (as Percentage of All Homes)



Source: ACS 2017-2021

Map 4: New Construction in the District (Built after 2010)



Source: ACS 2017-2021

Vacancy

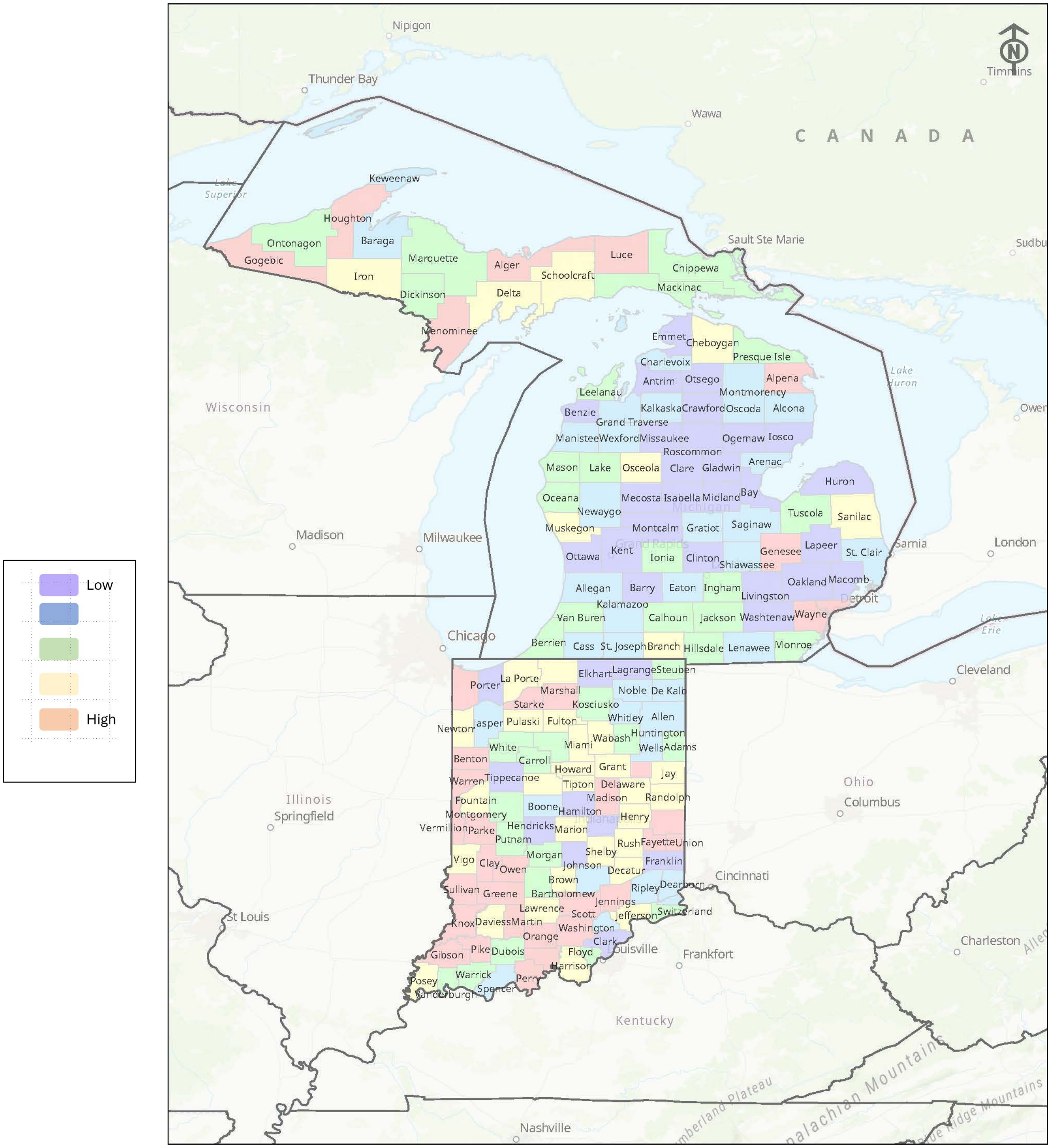
The Midwest struggles with housing vacancies both in its cities and rural areas due to population decline. In terms of volume, the problem is most prevalent in urban areas. The counties that are home to Detroit, Indianapolis, Gary, and Flint top the list, with nearly 150,000 vacant, unutilized homes. But when we analyze vacant homes as a percentage of the housing stock, the problem is more prevalent in Indiana's rural counties, with the exception of Detroit, where 10% of housing units (roughly 77,000 homes) are vacant.

Table 6: Top 10 Counties with the Most Severe Housing Vacancy

County	State	Vacant Units	County	State	Percentage of Units that are Vacant
Wayne Co.	MI	77,334	Martin Co.	IN	10.9%
Marion Co.	IN	27,052	Parke Co.	IN	9.8%
Lake Co.	IN	15,367	Wayne Co.	MI	9.7%
Genesee Co.	MI	13,217	Benton Co.	IN	8.8%
Oakland Co.	MI	11,855	Wayne Co.	IN	8.6%
Macomb Co.	MI	7,435	Starke Co.	IN	8.4%
Kent Co.	MI	5,253	Owen Co.	IN	8.2%
Allen Co.	IN	5,180	Union Co.	IN	8.2%
Ingham Co.	MI	4,789	Blackford Co.	IN	8.1%
Madison Co.	IN	4,693	Madison Co.	IN	8.0%

Source: ACS 2017-2021. This data excludes vacant units that are listed for sale or rent; recently sold or rented but remain vacant; vacation homes; and migrant worker housing.

Map 5: Vacant, Unutilized Homes



Source: ACS 2017-2021

Subsidized Rental Housing

There are approximately 380,000 subsidized rental units and housing vouchers in the District. This includes Low Income Housing Tax Credit (LIHTC) units; public housing; Section 8; HUD senior housing (202); and HUD Supportive Housing (811).

In Michigan, there are a significant number of smaller communities with a high concentration of LIHTC units. This includes Ypsilanti and Saginaw, where the majority of these units were built in the 1990s and whose affordability contracts are due to expire.

In many communities, public housing has been privatized under HUD's Rental Assistance Demonstration (RAD), converting public housing units into Project Based Vouchers. This allows the housing authorities to access capital for needed repairs that traditional public housing units could not. There is ongoing debate about how this will impact the long-term affordability of these units, which are the last supply of designated affordable housing for people with extremely low incomes. As an example, only 3% of Indianapolis' HUD-assisted housing stock is public housing and 92% are vouchers.

Low Income Housing Tax Credit Projects

There are approximately 150,000 housing units funded through the LIHTC Program in the District, with 90,000 units in Michigan and 60,000 units in Indiana. The largest number of LIHTC units are in Detroit and Indianapolis, with 17,000 units and 16,000 units, respectively.

Several cities in Michigan have an extremely high concentration of LIHTC units per capita. For example, Ypsilanti, Michigan (outside of Ann Arbor) has a population of about 20,000 and over 2,000 tax credit units. Highland Park, a jurisdiction with a population of 9,000 within Detroit, has 1,400 units. There are seven cities in Michigan with a population of less than 50,000 and more than 1,000 LIHTC units. In addition to the cities named above, Saginaw; Jackson; Holland; Benton Harbor; and Muskegon make the list. There are no cities in Indiana where this occurs.

A growing national concern is the expiration of affordability contracts for LIHTC projects that are nearing their 30-year affordability term. Currently there are 32,000 units in the District whose affordability terms are due to expire in the next five years. The smaller cities will feel a greater impact with the loss of affordable housing units, particularly in areas where market forces are pressuring prices upwards like Ypsilanti, Ann Arbor, Bloomington, and Saginaw.

Table 7: Cities with more than 500 LIHTC Units Due to Expire by 2029

CITY	LIHTC Projects with Expiring Contracts, 2023-2029
INDIANAPOLIS	3,641
DETROIT	1,989
GRAND RAPIDS	1,189
YPSILANTI	865
SAGINAW	741
FLINT	716
ANN ARBOR	632
EVANSVILLE	514
BLOOMINGTON	510
INKSTER	508

Source: HUD LIHTC Database

Public Housing

The FHLB-I District is home to 233,000 HUD-assisted housing units.

This includes Public Housing (30,000 units); Section 8 Housing Choice Vouchers (110,000 vouchers); Project Based Vouchers (88,000 units); Section 202 senior housing (5,500 units); and Section 811 housing for persons with disabilities (1,400 units).

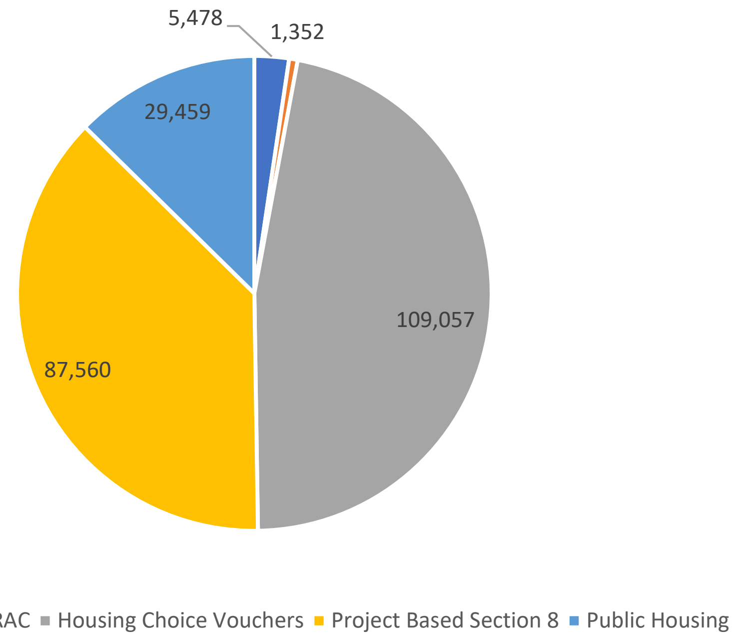
Detroit has, by far, the greatest number of public housing units at nearly 6,000. All other counties have fewer than 1,300 public housing units. Less populated areas like Flint, Saginaw, Benton Harbor, and Floyd County (outside Louisville) also have a large number of public housing units.

Table 8: Profile of HUD-Assisted Housing in Counties with more than 5,000 HUD-Assisted Units in the District

County	State	202/ PRAC	811/ PRAC	Housing Choice Vouchers	Project Based Section 8	Public Housing	Total
Wayne	MI	1,408	67	20,671	15,220	5,958	43,324
Marion	IN	669	54	9,009	6,358	561	16,651
Oakland	MI	303	109	4,529	6,250	502	11,693
Kent	MI	306	24	7,256	3,067	450	11,103
Lake	IN	443	109	4,973	3,418	1,201	10,144
Macomb	MI	316	7	3,417	4,199	1,138	9,077
Washtenaw	MI	108	6	3,907	2,343	1	6,365
Ingham	MI		24	3,199	2,685	350	6,258
Genesee	MI	174		2,330	2,652	989	6,145
St. Joseph	IN	190	42	2,834	1,773	1,109	5,948
Allen	IN	34	95	3,458	1,515	656	5,758

Source: Source: HUD Picture of Assisted Households 2020-2022

Chart 3: Type of HUD-Assisted Housing in the District



Source: HUD Picture of Assisted Households 2020-2022

Housing Market Conditions

Housing prices and construction costs have increased across the board throughout the U.S., including the FHLB-I District. But in the larger context, home prices are less expensive in Indiana and Michigan than in most of the country. America's housing market has become so expensive for the average household that the Midwest may benefit from its ample supply of affordably priced homes by attracting new residents outpriced in their hometown markets.

The District also has a large volume of vacant homes – oftentimes single-family, historic homes in walkable neighborhoods – that cities are "banking on" as a way to bring population and investment back into their communities.

However, it is a difficult climate to build affordable housing or invest in existing buildings. Interest rates are high, land and materials are expensive, and labor shortages continue two years after the Pandemic lockdown ended. There is also growing pressure from corporate investors stockpiling homes in gentrifying areas and already tight markets. College towns and retirement communities are experiencing drastic increases in sales prices and rents that are incompatible with local wages.

New Construction

In most areas within the FHLB-I District, the cost to build a single family home exceeds what the average family can afford.

The COVID-19 Pandemic strained the housing market in several ways. The shutdown of much of the workforce led to shortages in materials and labor, thereby increasing the costs of both. Shortages also translated to slower delivery of materials, resulting in construction delays that added to overall development costs.

Habitat Home, Midtown Indianapolis

Osborn Commons in Sault Ste. Marie

According to a 2023 survey of 691 construction companies, 86% responded that they had difficulty filling positions, and 65 claimed this led to project delays. 71% of respondents also claimed delays in materials due to material shortages.[ii]

While construction became costly and slow, demand for homeownership surged– a result of historically low interest rates and increased savings during the shutdown – leading to home prices increasing for new and pre-existing homes.

As we can see in Table 9, construction costs have increased faster than inflation (~3.7%) since 2020. According to developers who provided feedback for this study, shifting costs has led to projects with financing facing substantial and unanticipated funding gaps during construction.

Another problem discussed frequently during the focus group sessions is the inflexibility of federal and state grant programs and local zoning codes to do the types of projects they prioritize in their housing plans. Housing for people and families experiencing homelessness; conversion of vacant commercial structures into residential use; infill development; and more mixed income development, are common public sector priorities but without the funding and technical assistance to do the work.

Table 9: Multi-Family Construction Costs per Square Foot

	2021	2022	1-Year Change
Detroit	$288.94	$323.39	11.9%
Flint	$270.60	$301.60	11.5%
Lansing	$273.74	$304.64	11.3%
Grand Rapids	$264.76	$294.92	11.4%
Indianapolis	$266.92	$301.53	13.0%
Gary	$293.31	$322.39	9.9%
South Bend	$267.37	$299.73	12.1%
Fort Wayne	$254.79	$289.87	13.8%

Source: RS Means data provided by FHLB San Francisco

By and large, Indianapolis and its northern and western suburbs experienced the greatest housing boom in the post-2010 era, both by total number of new units built and as a percentage of all units. Building activity was also strong in the northern suburbs of Detroit and areas around Grand Rapids.

Table 10: New Housing Construction by County (Built After 2010, Top Ten)

County	By Count	County	By Percentage
Hamilton, IN (Indianapolis metro)	28,438	Hamilton, IN (Indianapolis metro)	21.4%
Oakland, MI (Detroit metro)	25,152	Boone, IN (Indianapolis metro)	18.2%
Marion, IN (Indianapolis)	21,581	Hendricks, IN (Indianapolis metro)	15.0%
Kent, MI (Grand Rapids)	17,296	Hancock, IN (Indianapolis metro)	11.9%
Macomb, MI (Detroit metro)	15,530	Tippecanoe, IN (Lafayette)	11.1%
Wayne, MI (Detroit)	14,396	Johnson, IN (Indianapolis metro)	10.1%
Ottawa, MI (Grand Rapids metro)	10,856	Bartholomew, IN (Columbus region)	9.8%
Hendricks, IN (Indianapolis metro)	9,864	Ottawa, MI (Grand Rapids metro)	9.6%
Lake, IN (Gary region)	9,665	Warrick, IN (Evansville metro)	9.3%
Allen, IN (Fort Wayne)	9,622	Clark, IN (Louisville metro)	9.3%

Source: ACS 2017-2021

Rehabilitation

There are a substantial number of vacant, unutilized homes in the District that would, in most cases, be less expensive to rehabilitate than new construction. Detroit alone has 77,000 units.

However, housing developers who participated in focus groups for this study frequently cited the difficulty in financing home rehabilitation projects for prospective homebuyers.

Source: Trulia. Home for sale in Gary, Indiana for $20,000, retrieved 10/15/2023

The cost to rehabilitate a vacant home in a distressed neighborhood exceeds the value of the home once construction is complete.

This limits access to private capital, and developers must rely on competitive and limited government subsidy programs to return vacant, blighted homes to productive use. These programs are largely restricted to low income homebuyers, excluding moderate and middle income households from the pool of potential buyers and limiting mixed income development.

Table 11 identifies counties that have a larger number of neighborhoods with homes valued less than $50,000 and are more prone to this issue.

Rehabilitating vacant homes is necessary work in undervalued neighborhoods which struggle with blight and lack of services due to population loss, but it is not financially feasible without more flexible and targeted subsidy.

Table 11: Counties with the Highest Concentration of Neighborhoods with Low Property Values

County	Number of neighborhoods with a Concentration of Homes Valued at Less than $50,000
Wayne County (Detroit)	204 neighborhoods
Genesee County (Flint)	52 neighborhoods
Oakland County (Detroit region)	33 neighborhoods
Macomb County (Detroit region)	29 neighborhoods
Saginaw County	26 neighborhoods
Lake County (Gary)	24 neighborhoods
Marion County (Indianapolis)	21 neighborhoods
Jackson County	18 neighborhoods
Kent County (Grand Rapids)	18 neighborhoods
Allen County (Fort Wayne)	17 neighborhoods

Source: American Community Survey 2017-2021. Indicates the ten counties with the greatest number of Census Tracts in the top quintile of homes valued at less than $50,000 within the FHLB-I District.

Rental Market

Rental prices increased between 30% and 40% from 2018 to 2023 within most metro areas within the FHLB-I District. This has had a detrimental impact for many low wage earners who could once afford market rent and now cannot.

Like much of the Midwest, the District maintained a natural supply of affordable rental housing longer than most markets in the U.S. Housing insecurity was not as much of an issue for full-time workers when compared to the east and west coasts.

This changed during the Pandemic. The supply of apartments priced under $1,000 a month (what someone earning $20 per hour can afford) is now very limited. Affordable housing advocates cited increased rent as the number one challenge now facing their communities. Gentrification once referred to displacement from neighborhoods but there is now a potential reality that it leads to displacement from cities and regions.

However, the District is still more affordable than the national average. Typical rent in the U.S. is over $2,000 per month.

Areas with the greatest price increases and overall rents are concentrated in college towns and Traverse City, with typical rent ranging from $1,300 to $2,000 per month (see Table 12).

Chart 4: Typical Rent, Metro Areas in Michigan

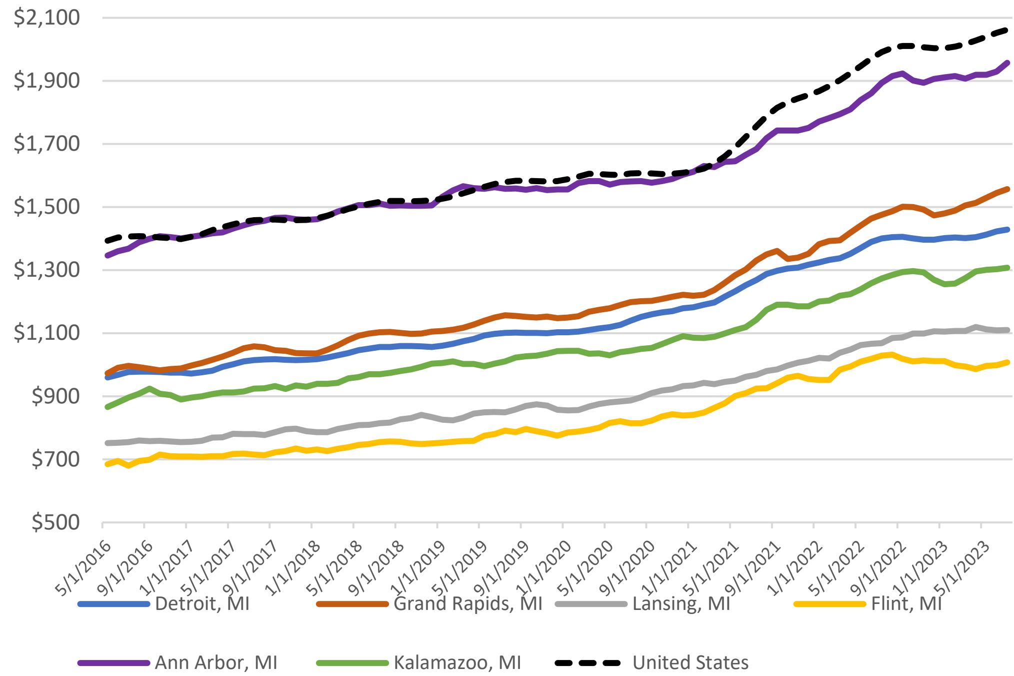
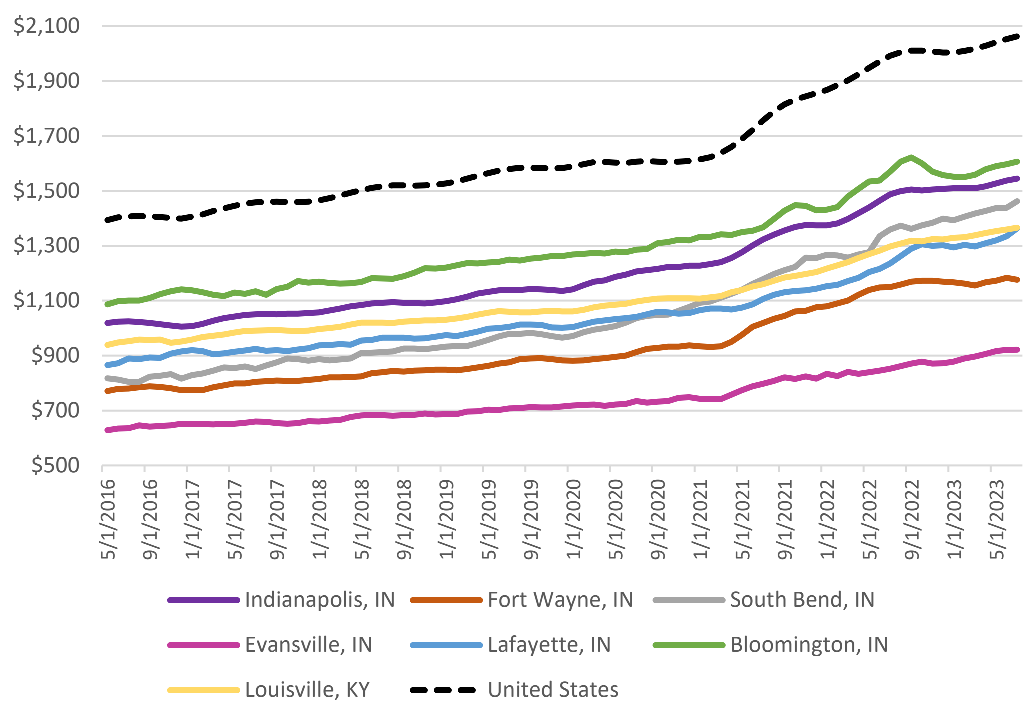


Chart 5: Typical Rent, Metro Areas in Indiana



Source: Zillow Observed Rent Index

Homes for Sale

Home prices have also surged since the Pandemic, for better and for worse.

Non-profit organizations expressed concern during focus groups that the neighborhoods they work in, once considered safeguarded from becoming unaffordable, are becoming too expensive for first-time homebuyers. This sentiment is validated by the numbers. An average-priced home in Flint, Michigan in 2018 was $110,000; today it is $177,000.

Others noted how difficult it is for homebuyers to compete with investors making all-cash purchases. This was highlighted as an issue in college towns, where landlords can charge $800 or more per bedroom, spurring small-scale and corporate investors to purchase single family homes in places with large college populations. According to Pew Charitable Trusts, investors bought 24% of single family homes purchased in 2021.[iii]

One focus group participant noted how investor purchases have raised property values, but the housing conditions remain the same. First-time homebuyers are seeing huge price hikes but with no work done to the properties.

Mortgage rates are near 8% (up from 3% in 2020), the highest in the past 20 years. It is now challenging for middle income households in higher priced markets like Lafayette; Bloomington; Traverse City; and Ann Arbor; to access homeownership (see Table 12).

One would expect prices to drop but this is not the case. Michigan home prices increased 6.8% in 2023 and homes sell within three weeks on average. Similarly, Indiana home prices increased 4.8% and homes sell in 20 days on average.[iv] According to Redfin Analytics, Michigan and Indiana housing markets outperformed high-growth states like Texas and Tennessee in the past year.

Despite increased home prices, the District is more affordable than the national average except for Ann Arbor and Traverse City, where the typical home costs roughly $400,000.

Increased property values are generally good for distressed areas; bringing in more private equity and less subsidy will help stabilize neighborhoods. But there is a tipping point in which displacement occurs. Stakeholders voiced this concern, recommending intervention strategies in low income communities that are experiencing rapid price increases.

Chart 6: Typical Home Value, Metro Areas in Michigan

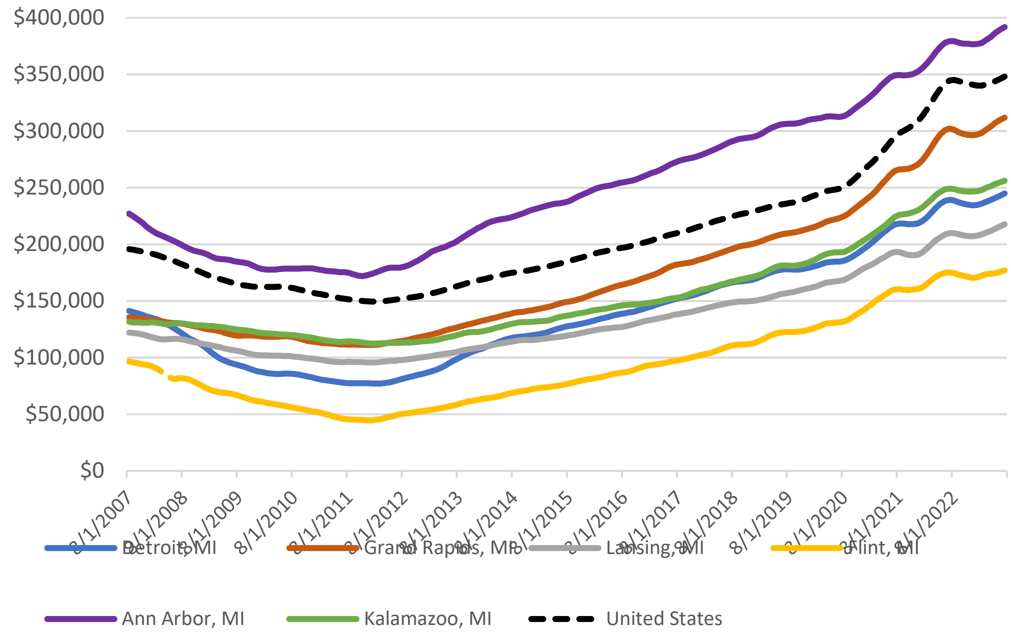
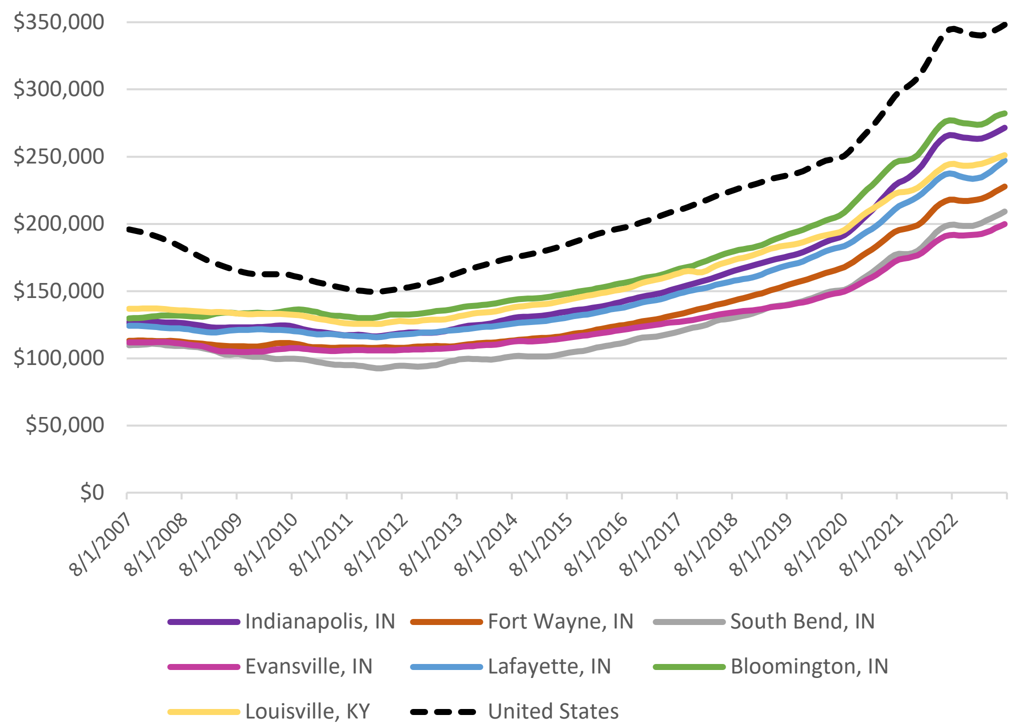


Chart 7: Typical Home Value, Metro Areas in Indiana



Source: Zillow Home Value Index

Housing Affordability

This study uses two approaches to understand housing affordability within the FHLB-I District.

The first approach compares typical home prices with median income. This is a common litmus test for whether a housing market is affordable *in general*. From this perspective, we find that most metro areas within Indiana and Michigan are relatively affordable with a few notable exceptions.

With this approach, we find that Ann Arbor; Traverse City; Lafayette; and Bloomington are unaffordable housing markets.

The second approach quantifies the number and percentage of households paying an excessive amount of their income on housing. Households are categorized by tenure (renter or owner) and income bracket.

This approach captures the housing affordability issues that naturally occur among households with limited income and highlights areas where there is a shortage of designated, affordable housing options. It also identifies the price point at which housing becomes affordable among low and moderate income households.

With this approach, we find significant affordability challenges in areas with high poverty, like Detroit, Flint, and Gary, and also in rural areas, particularly central and northern Michigan. We also see it in areas experiencing significant affordable housing shortages and where there is significant economic disparity. This includes college towns and areas with high tourism.

Approach 1 - Housing Price to Income Ratio

A general way to understand whether a housing market is priced affordably is to compare the typical home price with median household income (home price divided by income). The analysis includes select metropolitan areas within Michigan and Indiana where data was readily available.

This metric -the Housing Price to Income (HPI) Ratio – has historically hovered between 2.6 and 4.0 nationally. What is “affordable” within this range depends on interest rates; the higher the interest rate, the lower the HPI Ratio threshold deemed affordable.

When we assess the HPI Ratios for metropolitan areas within the FHLB-I District, we see that most markets included in this assessment are affordable, falling below the 4.0 threshold.

In recent years, home sale prices have drastically outpaced wage increases. From July 2019 to July 2023, the cost of a typical home went up 48% nationally, from roughly $236,000 to $348,000, yet median household income only increased 11%.[v]

America's HPI Ratio in July 2023 was 4.6.[vi] This means on average, middle income households in the U.S. cannot afford to purchase a home.

Relative to most places in the U.S., homes for purchase are priced affordably in the FHLB-I District with a few exceptions.

The market areas that are especially unaffordable include Ann Arbor and Traverse City in Michigan; and Lafayette and Bloomington in Indiana. These four market areas are less affordable than the national average.

It should be noted that this general approach to housing affordability does not factor in the range of housing prices within a metropolitan area. Wealthy suburbs may have lower HPI Ratios because residents have higher incomes, while neighborhoods experiencing gentrification or housing shortages may have much higher HPI Ratios, with new residents or investors pressuring home prices upwards while existing residents' incomes remain the same.

Table 12: Affordable Homeownership in Select Markets

	Market Area	Median Income	Typical Home Price	HPI Ratio (U.S. = 4.6)
Affordable	Flint, MI	$52,025	$177,053	3.4
	Evansville, IN	$59,153	$199,808	3.4
	South Bend, IN	$59,416	$209,144	3.5
	Lansing, MI	$61,980	$217,710	3.5
	Detroit, MI	$67,153	$244,943	3.6
	Fort Wayne, IN	$62,155	$227,722	3.7
	Indianapolis, IN	$70,224	$271,482	3.9
	Louisville, KY	$64,029	$251,069	3.9
Unaffordable; Below National Average	Kalamazoo, MI	$62,128	$256,203	4.1
	Grand Rapids, MI	$72,014	$311,842	4.3
Above National Average	Lafayette, IN	$52,617	$247,116	4.7
	Ann Arbor, MI	$76,918	$391,842	5.1
	Bloomington, IN	$52,588	$282,159	5.4
	Traverse City, MI	$64,033	$383,253	6

Sources: American Community Survey 2017 – 2021 and Zillow Home Value Index July 2023.[vii]

We can measure the affordability of rental housing in a similar way. The accepted threshold for rental housing affordability is 30% of gross income. This includes rent and utility expenses (assumed at 10% of rent).

Using this measure of affordability, most of the metro areas included in this assessment have an affordable rental housing market, where a household earning median income will spend less than 30% of their wages on housing. (See Table 13)

Like the home sale market, rent increases since the COVID-19 Pandemic outpaced wage growth. From July 2019 to July 2023, typical rent in the U.S. increased 30% but median household income only increased 11%.

Based on this measure, American renters are struggling to find affordable rental housing, paying on average 36% of their income on housing costs.[viii] In comparison, the rental housing markets in Michigan and Indiana are more affordable.

The Bloomington and Traverse City rental markets exceed national average and are the most unaffordable rental markets in the FHLB-I District.

Table 13: Affordable Rent in Select Markets

	Market Area	Median Income	Typical Rent	Percentage of Income Spent on Housing Costs
Affordable	Evansville, IN	$59,153	$921	21%
	Lansing, MI	$61,980	$1,110	24%
	Fort Wayne, IN	$62,155	$1,176	25%
	Flint, MI	$52,025	$1,007	26%
	Kalamazoo, MI	$62,128	$1,308	28%
	Detroit, MI	$67,153	$1,429	28%
	Louisville, KY	$64,029	$1,366	28%
	Grand Rapids, MI	$72,014	$1,557	29%
	Indianapolis, IN	$70,224	$1,544	29%
Unaffordable; Below National Average	**South Bend, IN**	**$59,416**	**$1,462**	**32%**
	Lafayette, IN	**$52,617**	**$1,363**	**34%**
	Ann Arbor, MI	**$76,918**	**$1,957**	**34%**
Above National Average	**Bloomington, IN**	**$52,588**	**$1,606**	**40%**
	Traverse City, MI	**$64,033**	**$1,994**	**41%**

Sources: American Community Survey 2017 – 2021 and Zillow ZORI Index

Approach 2: Housing Cost Burden

Another way to understand housing needs is to quantify how many households in an area cannot afford housing. This approach relies less on general market conditions and instead examines the housing circumstances of low and moderate income households. There are numerous areas in Indiana and Michigan where housing is relatively affordable i.e. a household earning area median income can afford to rent an average-priced apartment and/or purchase an average-priced home.

The problem arises when a large percentage of families do not earn enough to afford housing. They either pay an excessive portion of their income on housing or are forced to live in overcrowded or dilapidated homes.

The U.S. Department of Housing and Urban Development (HUD) documents this issue in their Comprehensive Housing Affordability Strategy (CHAS) database, quantifying how many households experience housing cost burden within a given area. It is the most robust dataset available for housing needs assessments and is used by local, county and state governments to develop their housing plans and strategically invest available resources.

This study uses the most recent HUD CHAS data released in September of 2023 aggregated to the county level. The data was developed using American Community Survey 5-Year 2016-2020 data, and therefore does not reflect any changes that occurred since the sharp housing price increases of 2020.

HUD CHAS Definitions

HUD states that a household is experiencing housing challenges if at least one of the following conditions are true:

1. Pays more than 30% of their income on housing expenses (termed "cost burden");
2. Pays more than 50% of their income on housing expenses (termed "severe cost burden");
3. Lives in overcrowded conditions, defined as more than one person per room excluding bathrooms; and/or
4. Living without adequate kitchen or plumbing facilities.

The HUD CHAS data categorizes households experiencing housing challenges by income group; tenure; household size; household type; age; and race/ethnicity. The income brackets in the HUD CHAS may differ from other resources and are defined below.

Table 14: HUD Income Classifications

Extremely Low Income	Household earns less than 30% of AMI
Very Low Income	Household earns less than 50% of AMI
Low Income	Household earns less than 80% of AMI
Moderate Income	Household earns between 80% and 100% of AMI
Middle Income and Above	Household earns above 100% of AMI

Source: HUD CHAS 2023 release

Households Experiencing Housing Cost Burden

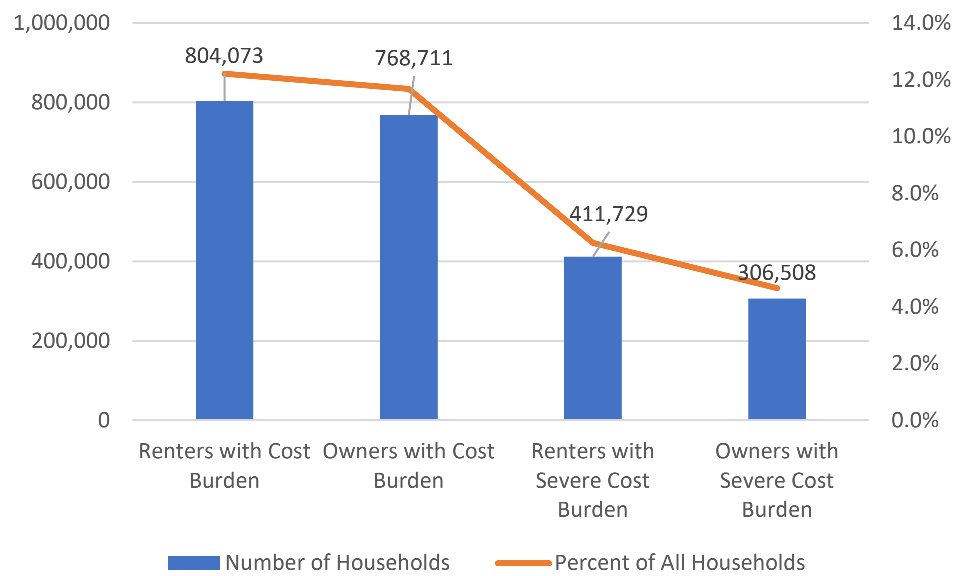
In general, renters have lower incomes than homeowners and therefore are more susceptible to experiencing housing challenges.

Two-thirds of all renters are low income, compared to one-third of homeowners. Largely because of this fact, renters are 2.5 times more likely to be housing cost burdened than homeowners.

However, there are far more homeowners in the FHLB-I District than renters. Thus by count, there are slightly more low income homeowners in the region (1.5 million households) than low income renters (1.3 million households).

As a result, a much larger share of renters struggles with housing costs compared to homeowners, yet the number of renters and owners experiencing housing cost burden in the FHLB-I District is similar (804,000 renters and 769,000 homeowners).

Chart 8: Housing Cost Burdened Households in the FHLB-I District



Source: HUD CHAS 2023 release

More than one in five renters pays more than half their income on housing costs in the District.

Renters Experiencing Housing Cost Burden

The FHLB-I District has approximately 800,000 renters who pay more than 30% of their income on housing costs and are cost burdened. Among these 800,000 renters, over 400,000 pay more than half their income on housing.

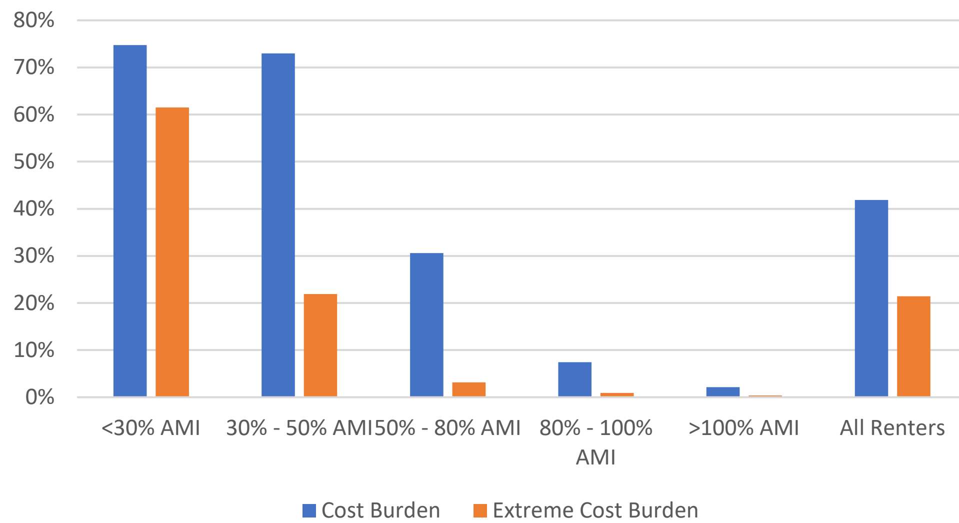
Alarmingly, more than one in five renters are extremely cost burdened by housing expenses, paying more than half their income on rent and utilities.

By far the greatest need is among renters earning very low incomes (<50% of AMI), where the vast majority have difficulty affording rent. This includes full-time workers earning at or near minimum wage, along with the underemployed, unemployed, and households on fixed income due to age or disability.

Example:

A person in Detroit who works full time and earns the minimum wage of $10.10 can afford to pay $525 per month on rent and utilities (30% of income). A typical studio rents for $879 and a 2-bedroom rents for $1,300. Even if they lived with a roommate and split the $1,300 in rent, they would be paying too much for housing. They would pay more than 50% of their income if they rented the studio apartment. It would be nearly impossible if they had a child, requiring a 1-bedroom or 2-bedroom unit.

Chart 9: Renters Experiencing Cost Burden in the FHLB-I District



Source: HUD CHAS 2023

The struggles low income renters face in affording basic housing is not unique to the FHLB-I District. Indeed, the National Low Income Housing Coalition has documented the severe shortage of affordable rental units – particularly for households earning less than 50% of AMI – for more than a decade. Since the Pandemic, the problem worsened, and there is now a national shortage of over 7 million units for very low income renters.[ix]

The problem is not likely to be alleviated without substantial federal policy changes. The cost to build new units is higher than ever while the affordable housing stock dwindles due to expiring subsidy contracts, increased rents and/or obsoletion.

Table 15: Renters Experiencing Housing Cost Burden

	All Renters	Cost Burdened Renters	Extremely Cost Burdened Renters	Percentage of Renters who are Cost Burdened	Percentage of Renters who are Extremely Cost Burdened
Indiana					
<30% AMI	201,816	149,783	122,895	74.2%	60.9%
30% - 50% AMI	158,522	113,176	30,503	71.4%	19.2%
50% - 80% AMI	179,336	50,463	4,026	28.1%	2.2%
80% - 100% AMI	84,681	5,386	808	6.4%	1.0%
>100% AMI	170,004	2,128	468	1.3%	0.3%
All Renters	794,359	320,936	158,700	40.4%	20.0%
Michigan					
<30% AMI	308,947	231,909	191,278	75.1%	61.9%
30% - 50% AMI	211,768	157,130	50,562	74.2%	23.9%
50% - 80% AMI	239,719	77,882	9,155	32.5%	3.8%
80% - 100% AMI	112,810	9,296	1,020	8.2%	0.9%
>100% AMI	251,555	6,920	1,014	2.8%	0.4%
All Renters	1,124,799	483,137	253,029	43.0%	22.5%
FHLB-I District					
<30% AMI	510,763	381,692	314,173	74.7%	61.5%
30% - 50% AMI	370,290	270,306	81,065	73.0%	21.9%
50% - 80% AMI	419,055	128,345	13,181	30.6%	3.1%
80% - 100% AMI	197,491	14,682	1,828	7.4%	0.9%
>100% AMI	421,559	9,048	1,482	2.1%	0.4%
All Renters	1,919,158	804,073	411,729	41.9%	21.5%

Source: HUD CHAS 2023

Areas with the Most Significant Rental Affordability Challenges

To understand where there may be the greatest housing need, we identify the top ten counties with the highest number of renters (a) and/or the highest percentage of renters (b) who are low income and paying more than half their income on housing.

Not surprisingly, the ***greatest number of renters with extreme cost burden*** are in counties with large populations, notably Detroit and its suburbs (Wayne, Macomb, Oakland and Washtenaw Counties); Indianapolis (Marion County); and Fort Wayne (Allen County).

The top five counties for the ***highest percentage of renters with extreme cost burden*** are also home to major colleges or universities, including Bloomington, home of Indiana University (Monroe County); Lafayette, home of Purdue University (Tippecanoe County); Muncie, home of Ball State University (Delaware County); Ann Arbor, home of University of Michigan (Washtenaw County); and Mount Pleasant, home to Central Michigan University (Isabella County).

The historically underinvested, African American industrial cities of Gary (Lake County) and Flint (Genessee County) rank in the top ten for number of renter households with extreme cost burden, but Flint also ranks in the top ten for percentage of renters with extreme cost burden.

Lansing, Michigan (Ingham County) ranked in the top ten for both number and percentage of renter households with extreme cost burden.

One county in the Upper Peninsula – Houghton County – ranked in the top ten for percentage of renters with extreme cost burden.

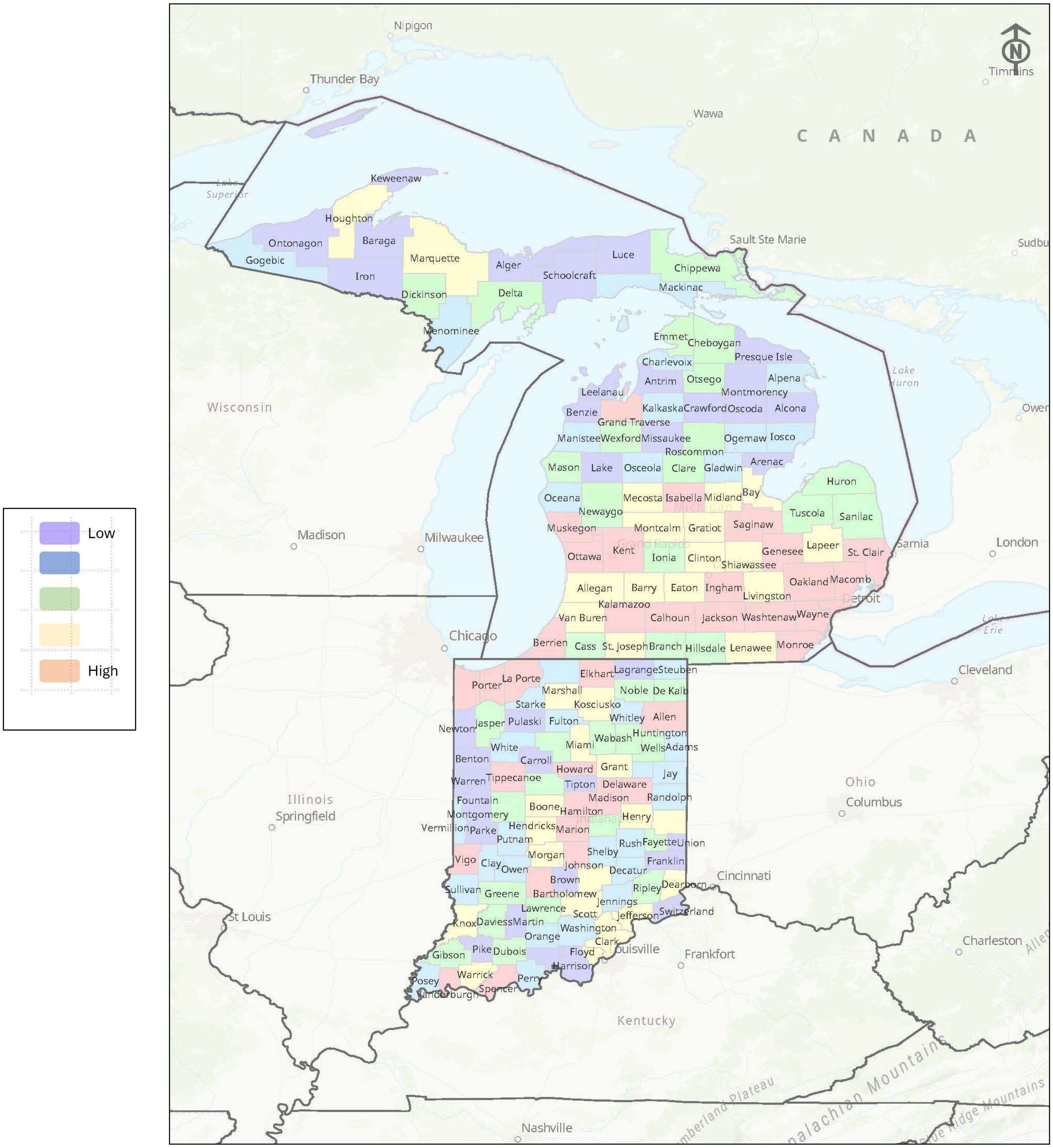
The counties that are home to Detroit, Ann Arbor, Lansing, and Flint, ranked in the top ten for the greatest number and highest percentage of renters with extreme cost burden.

Table 16: Top Ten Counties for Low Income Renters with Extreme Housing Cost Burden

Top Ten Counties: Low Income Renters who are Extremely Burdened by the Cost of Housing			Top Ten Counties: Percentage of Renters who are Low Income and Extremely Burdened by the Cost of Housing		
Wayne	Michigan	68,807	Isabella	Michigan	31.8%
Marion	Indiana	39,303	Monroe	Indiana	30.7%
Oakland	Michigan	28,850	Delaware	Indiana	28.0%
Macomb	Michigan	19,921	Washtenaw	Michigan	27.0%
Kent	Michigan	15,412	Tippecanoe	Indiana	26.5%
Washtenaw	Michigan	14,865	Wayne	Michigan	26.4%
Genesee	Michigan	12,557	Houghton	Michigan	26.4%
Lake	Indiana	12,381	Ingham	Michigan	25.8%
Ingham	Michigan	12,053	Lapeer	Michigan	25.1%
Allen	Indiana	8,689	Genesee	Michigan	24.5%

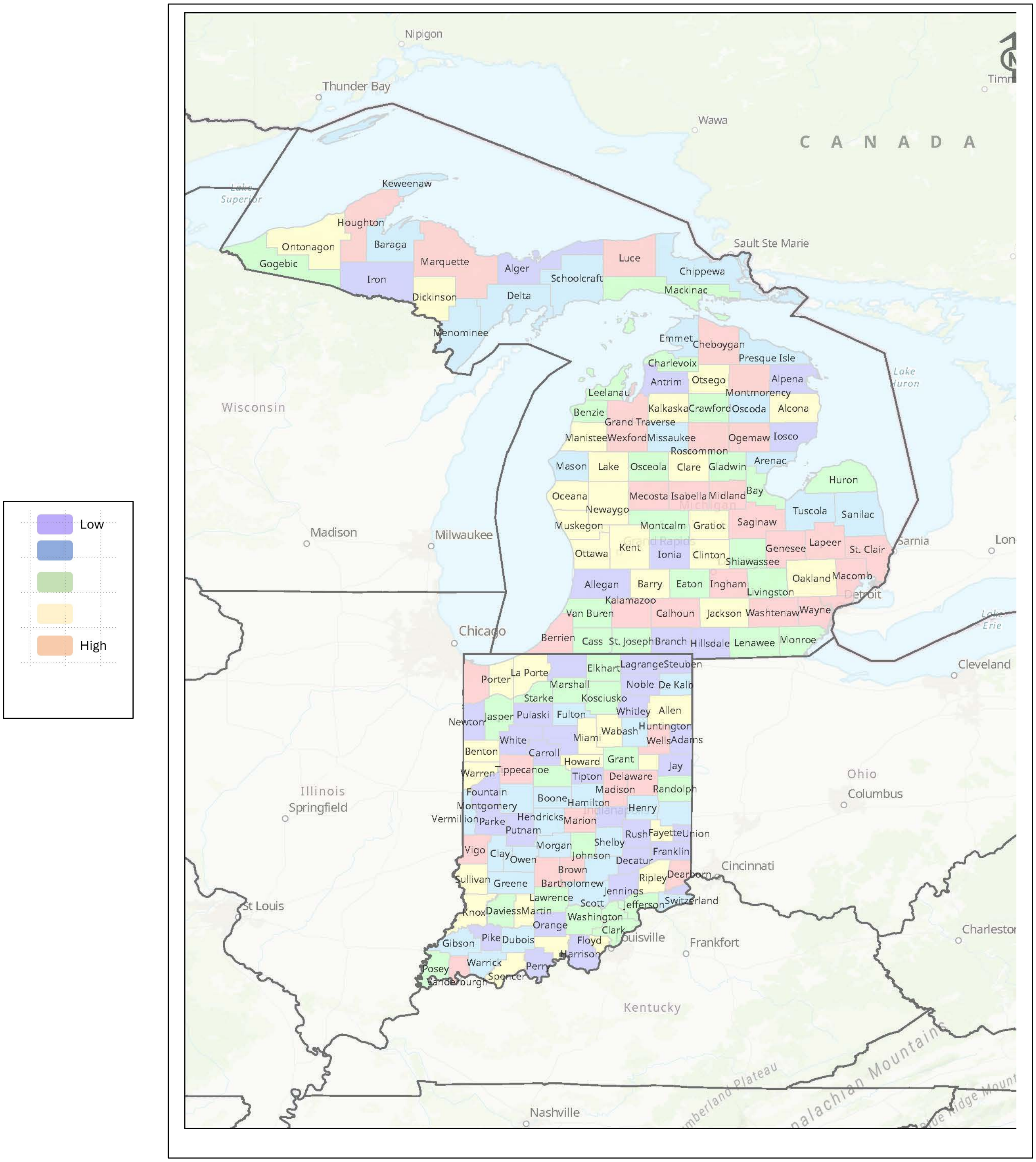
Source: HUD CHAS 2023

Map 6: Number of Renters Severely Burdened by Housing Costs



Source: HUD CHAS 2023 release

Map 7: Percentage of Renters Severely Burdened by Housing Costs



Source: HUD CHAS 2023 release

Homeowners Experiencing Housing Challenges

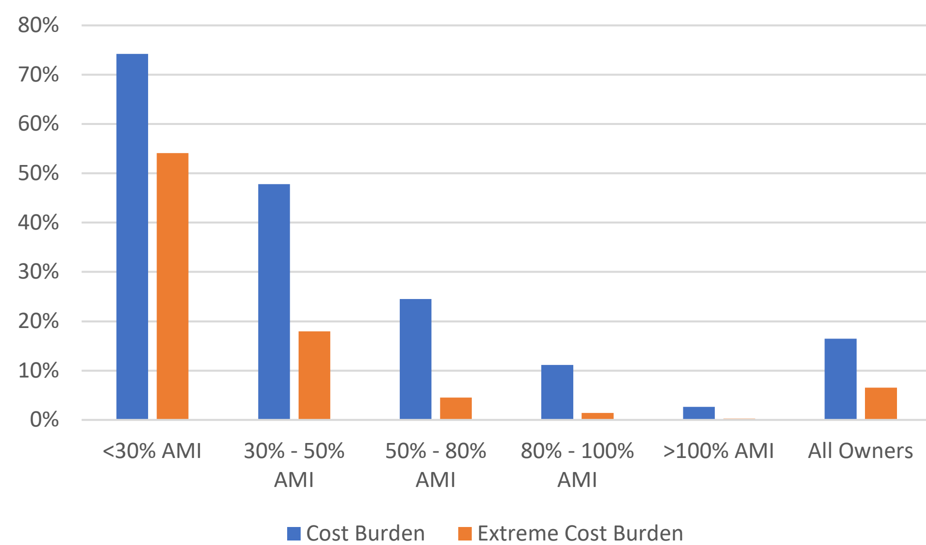
One in six homeowners in the FHLB-I District, approximately 770,000 households, pay more than 30% of their income on housing costs and are cost burdened.

Roughly 307,000 homeowners, or 7% of all homeowners, pay more than half their income on housing and are severely cost burdened.

By far the greatest need among homeowners are households who earn less than 30% of AMI, where 54% are severely cost burdened.

The percentage of homeowners with severe cost burden precipitously drops in the 50% - 80% range and is negligible for homeowners earning more than 80% of AMI. Two-thirds of all homeowners in the District earn above 80% of AMI.

Chart 10: Owners Experiencing Cost Burden in the FHLB-I District



Source: HUD CHAS 2023 release

Overall, homeowners have less severe affordability challenges than renters, even when accounting for income. For households earning between 30% and 50% of AMI, 73% of renters are cost burdened compared to less than half of homeowners.

These data corroborate feedback from lenders who stated that homeownership is a viable tool for addressing housing needs among very low income households, providing more financial protections than the rental market

Addressing housing affordability challenges among homeowners is very different from renters. Most homeowners do not wish to move out of their homes. They are seeking financial solutions to mitigate potential foreclosure and help with paying property taxes and insurance. They also require home repair assistance and retrofitting to accommodate persons with disabilities. This is a growing need among Baby Boomers who are aging into their senior years.

Table 17: Owners Experiencing Housing Cost Burden

	All Owners	Cost Burdened Owners	Extremely Cost Burdened Owners	Percentage of Owners who are Cost Burdened	Percentage of Owners who are Extremely Cost Burdened
Indiana					
<30% AMI	119,252	85,789	62,225	71.9%	52.2%
30% - 50% AMI	159,427	72,869	25,780	45.7%	16.2%
50% - 80% AMI	297,709	66,087	10,999	22.2%	3.7%
80% - 100% AMI	210,608	18,321	2,149	8.7%	1.0%
>100% AMI	1,021,254	20,794	2,002	2.0%	0.2%
All Owners	1,808,250	263,860	103,155	14.6%	5.7%
Michigan					
<30% AMI	216,959	163,748	119,680	75.5%	55.2%
30% - 50% AMI	261,908	128,623	50,004	49.1%	19.1%
50% - 80% AMI	478,298	124,380	24,081	26.0%	5.0%
80% - 100% AMI	310,814	39,770	5,127	12.8%	1.6%
>100% AMI	1,587,342	48,330	4,461	3.0%	0.3%
All Owners	2,855,321	504,851	203,353	17.7%	7.1%
FHLB-I District					
<30% AMI	336,211	249,537	181,905	74.2%	54.1%
30% - 50% AMI	421,335	201,492	75,784	47.8%	18.0%
50% - 80% AMI	776,007	190,467	35,080	24.5%	4.5%
80% - 100% AMI	521,422	58,091	7,276	11.1%	1.4%
>100% AMI	2,608,596	69,124	6,463	2.6%	0.2%
All Owners	4,663,571	768,711	306,508	16.5%	6.6%

Source: HUD CHAS 2023

Areas with the Most Significant Affordability Challenges Among Homeowners

To understand where there may be the greatest housing need, we identify the top ten counties with the greatest number of homeowners (a) and/or the highest percentage of homeowners (b) who are low income and paying more than half their income on housing.

Not surprisingly, the ***highest number of homeowners with extreme cost burden*** are in counties with large populations and a long history of disinvestment. The Detroit metro; Gary, Indiana; Flint, Michigan; and Indianapolis are in the top six. Grand Rapids, Fort Wayne, Ann Arbor, and Sturgis also have a large number of low income homeowners with severe cost burden.

When reviewing the ten counties with the highest percentage of homeowners who are low income and severely cost burdened, it focuses more on rural areas in central and northern Michigan and in the Upper Peninsula, with the exception of two cities (Gary and Detroit), and one rural area in southern Indiana along the Kentucky border (Switzerland County).

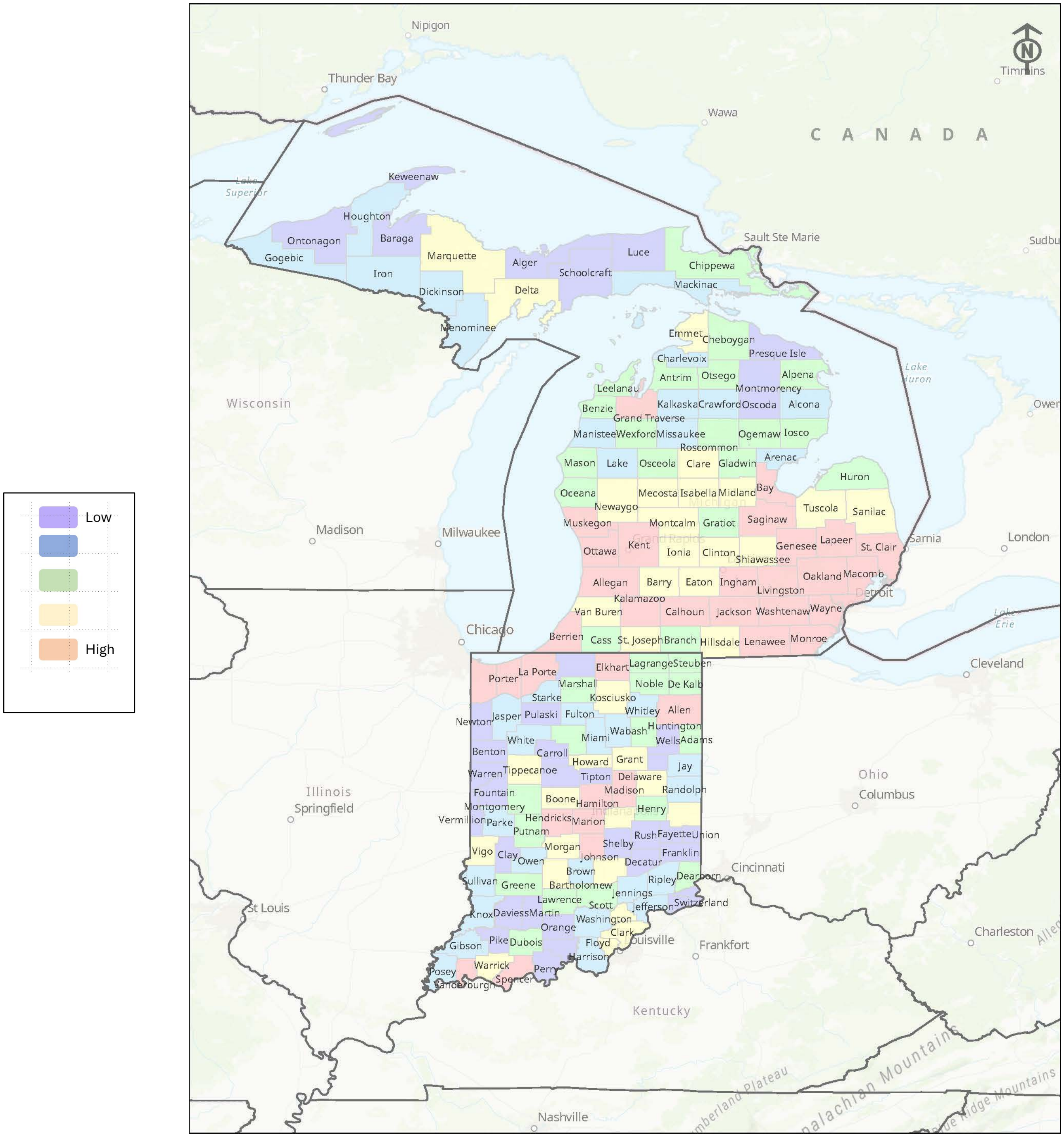
Gary and Detroit (Lake and Wayne Counties) are in the top ten counties for both number and percentage of homeowners with severe cost burden.

Table 18: Top Ten Counties for Low Income Homeowners with Extreme Housing Cost Burden

Top Ten Counties: Low Income Homeowners who are Extremely Burdened by the Cost of Housing			Top Ten Counties: Percentage of Owners who are Low Income and Extremely Burdened by the Cost of Housing		
Wayne	Michigan	38,636	Lake	Michigan	10.4%
Oakland	Michigan	23,255	Iron	Michigan	9.7%
Macomb	Michigan	18,867	Clare	Michigan	9.4%
Marion	Indiana	14,025	Benzie	Michigan	9.0%
Lake	Indiana	9,404	Oscoda	Michigan	9.0%
Genesee	Michigan	8,822	Switzerland	Indiana	8.9%
Kent	Michigan	8,588	Wayne	Michigan	8.9%
Washtenaw	Michigan	6,281	Mackinac	Michigan	8.8%
Allen	Indiana	4,501	Montmorency	Michigan	8.6%
St. Joseph	Indiana	4,123	Gladwin	Michigan	8.1%

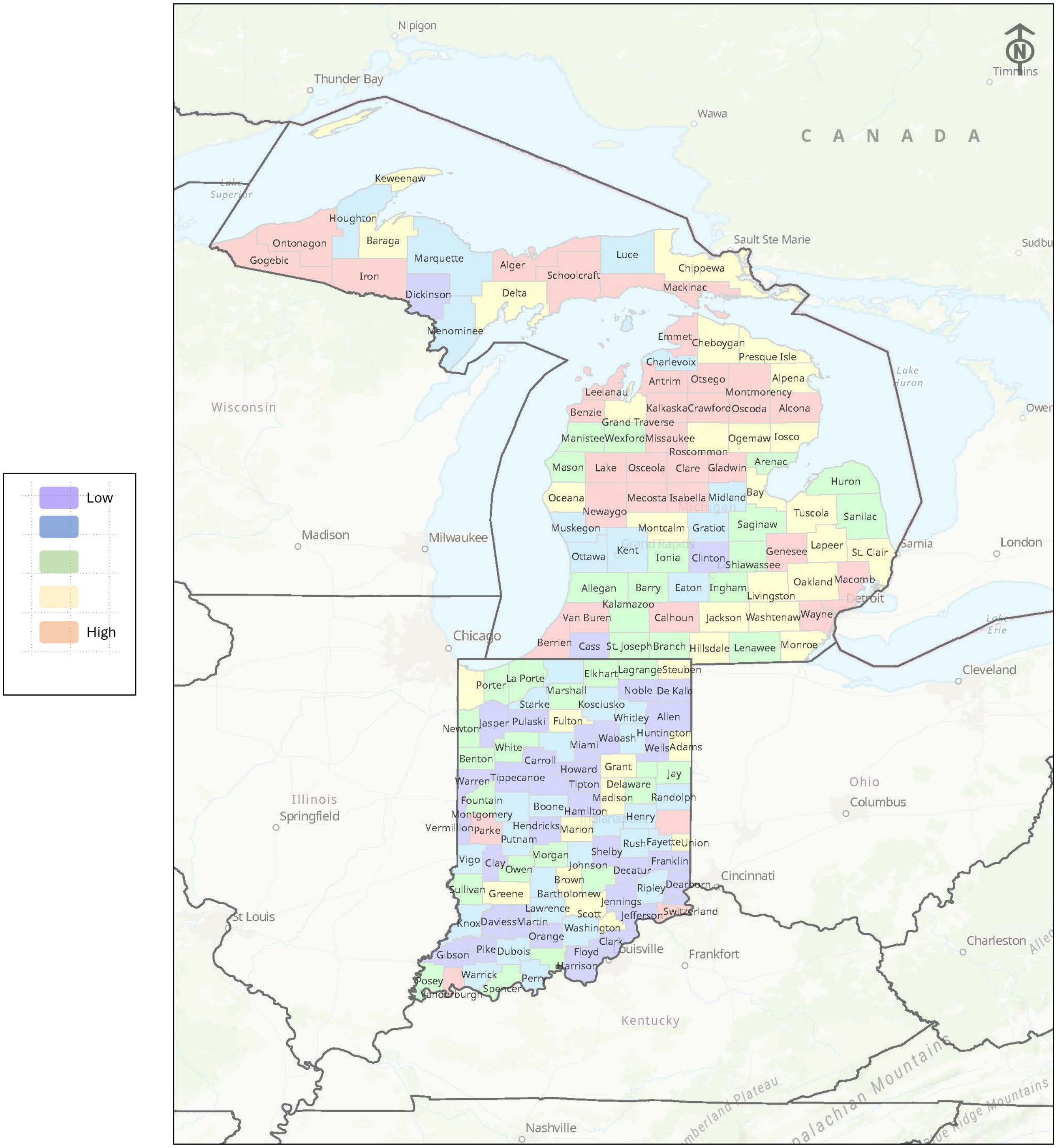
Source: HUD CHAS 2023

Map 8: Number of Low Income Owners Severely Burdened by Housing Costs



Source: HUD CHAS 2023 release

Map 9: Percent of Low Income Owners Severely Burdened by Housing Costs



Source: HUD CHAS 2023 release

Housing and Discrimination

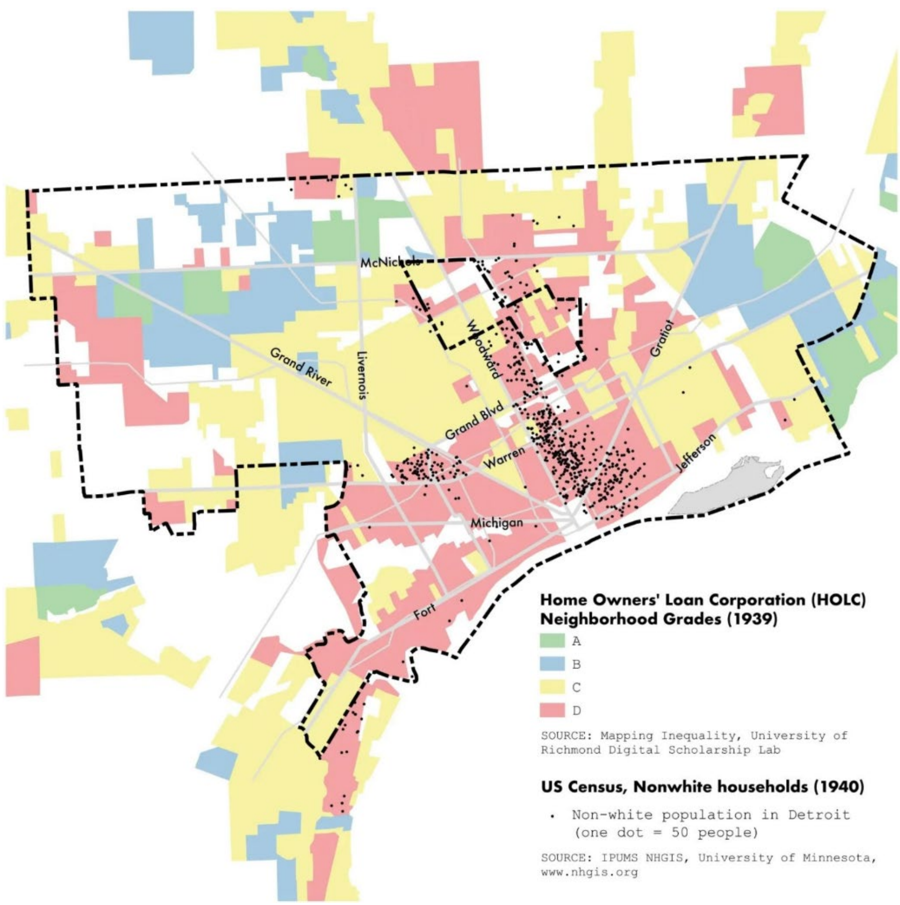
Systemic racism has shaped American cities and has played a major role in perpetuating financial and societal exclusion for communities of color. Discriminatory lending and renting practices; disinvestment in minoritized neighborhoods; and undervaluation of assets located in these neighborhoods, has created deep financial gaps along racial and ethnic lines.

Race, Ethnicity and Homeownership

Owning a home is an important source of financial stability. It alleviates housing insecurity by avoiding rent increases and problematic landlords. It is also the primary source of wealth for most Americans; the equity in the home's value can be used as collateral for personal and business loans and can support older adults make ends meet during retirement.

But the banking system's lending practice of "redlining" prior to the Fair Housing Act of 1968 kept homeownership out of reach for millions of working class and middle class families of color. Banks would not write mortgages outside of White, suburban communities, and those same communities would not allow minoritized groups in.[x]

Map 10: Redlining in Detroit circa 1940



Source: ArcGIS Storymaps[xi]

In suburban neighborhoods across the U.S., realtors, sellers, neighborhood associations, and local governments purposefully did not sell homes to non-White families. This excluded families of color from building intergenerational wealth, concentrated minoritized populations in areas with less green space and environmental hazards[xii], and fostered the ghettoization of urban neighborhoods.

This impacted all minoritized groups but had a deep effect on African American communities in the Midwest, many of whom served in World War II and had purported federal assistance to buy a home through the GI Bill, only to find there were few homes available to them.

The reverberations of racial discrimination in housing policy can still be felt and indeed have taken new forms.

Communities of color were targeted for predatory lending practices and suffered the most during the foreclosure crisis of 2007, with foreclosure rates 3.5 times higher in Black neighborhoods and 2.7 times higher in Latino neighborhoods.[xiii]

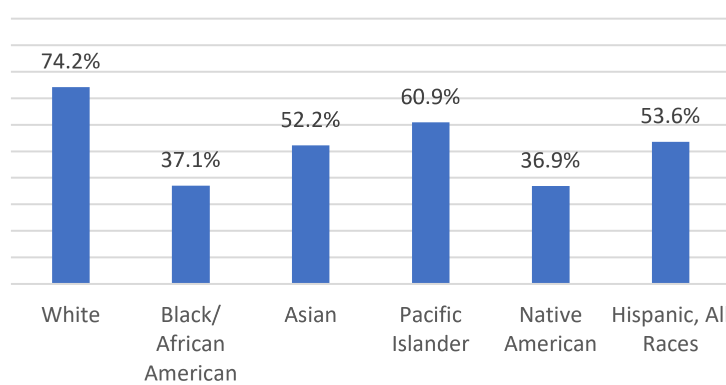
Funding for children's schooling is determined by property values, translating into fewer dollars per child in neighborhoods of African American, Latino, and Native school districts.[xiv]

Civic investments in parks, schools and infrastructure – also based on tax base – are disproportionately located in White areas.[xv]

And more recently, research has found that home appraisers are more likely to value a home lower if located in a neighborhood of color, regardless of the contract price.[xvi] Researchers with the University of Pittsburgh found that between 1980 and 2015, homes in White neighborhoods appreciated $200,000 more, on average, than comparable homes in neighborhoods of color.[xvii]

Today, homeownership rates among minoritized households are remarkably lower than White homeownership rates, even when factoring in income (see Table 19).

Chart 11: Homeownership Rates by Race/Ethnicity in the District



Source: HUD CHAS 2022 Release

Table 19: Homeownership Rates by Race/Ethnicity and Income in the District

	White	Black/ Black	Asian	Pacific Islander	Hispanic, All Races
<30% AMI	43.9%	15.8%	22.6%	39.4%	28.6%
30% - 50% AMI	55.7%	26.1%	39.4%	37.3%	37.9%
50% - 80% AMI	67.0%	36.8%	50.5%	62.1%	51.0%
80% - 100% AMI	75.1%	48.2%	54.3%	61.9%	60.7%
>100% AMI	87.7%	66.3%	66.9%	80.1%	75.4%
All	74.2%	37.1%	52.2%	60.9%	53.6%

Source: HUD CHAS 2022 Release

Risk of Displacement

Gentrification is defined as a process in which a poor area experiences an influx of middle-class or wealthy people who renovate and rebuild homes and businesses, and which often results in an increase in property values and the displacement of earlier, usually poorer residents.[xviii] In the U.S. gentrification disproportionately impacts communities of color.

The process in which people with higher incomes move into a disinvested area and rehabilitate properties is, by itself, not a bad thing. Existing residents often benefit from increased property values and improved neighborhood conditions. But it is problematic when that process displaces longstanding residents due to price increases.

Gentrification without inclusion of existing residents in communities of color is a growing concern among many of FHLB-I's stakeholders and the risks are clearly implied in the data.

In many of the District's historically affordable housing markets, prices have increased[xix] 30% to 40% in just five years. When prices increase this drastically, people priced out of their current neighborhoods move to more affordable ones. This creates a domino effect which, at its extreme, can displace a large portion of existing residents.

Cities more prone to widespread gentrification and displacement are those with high demand and low supply. Cities like Traverse City, Ann Arbor, Indianapolis, and Bloomington.

Evictions

In areas with rising prices, displacement impacts renters far more than homeowners.

The foreclosure problems of a decade ago are largely absent in today's market. In Michigan and Indiana, only 1 in 4,216 homes and 1 in 3,158 homes were in foreclosure in the second quarter of 2023, and banks had only 3% of their mortgage balances more than 30 days late.[xx]

Evictions, however, are on the rise. In the past year, 10% of renters in Indiana and received eviction notices[xxi], and in Michigan, approximately 40,000 renters are evicted every year.[xxii]

According to focus group participants, more landlords are manipulating code enforcement programs to evict tenants and then raise rents. They are purposefully making their units unlivable, forcing renters to vacate their homes. They are also unreasonably escalating rents to force renters to move. This activity is not captured in evictions data and cannot be quantified, but it calls for more protections for renters who lose their homes at no fault of their own.

Heirs' Rights

When an owner passes away without a formal will or without a clear title to the home, the rightful heirs face a litany of challenges to take ownership. This disproportionately impacts African American households, who are less likely to have an estate plan than White families and are less likely to have clean title on their home.[xxiii]

Before the Fair Housing Act, most of the homes purchased by African Americans were cash purchases without the involvement of a lender or title company. As a result, many deeds were not recorded. When the owner passes on, the process of legally transferring ownership without a deed is costly.

Heirs without a deed are often required to hire legal counsel to research and resolve title issues and file the necessary paperwork in probate court. Heirs with limited financial resources are hard-pressed to afford attorney fees that can be upwards of $5,000. In numerous circumstances, the heirs take physical possession of the home without legal possession. Although we do not have data on the full extent of the problem, it is estimated that two thirds of the homes transferred by the Detroit Land Bank Authority did not have a clear title.

Homeowners without a clean title are not eligible for a variety of federal assistance programs. They are barred from receiving CDBG home repair assistance and disaster relief after a major disaster. They do not qualify for the homestead exemption and pay more in property taxes. And they cannot take out a loan on the property to fund repairs or start a business.

Tribal Housing Needs

According to the National Low Income Housing Coalition, Native Americans in tribal areas have some of the worst housing needs in the United States.[xxiv] They face higher poverty rates and are more prone to living in overcrowded homes or homes that lack basic plumbing and heat. They are also more prone to live in manufactured homes without title to their own land.

Despite the growing need for safe, decent homes, federal investments in affordable housing on tribal lands were chronically underfunded for decades, particularly in more rural and remote areas. Recent changes to federal Native housing programs have led to an even greater reduction in resources for communities most in need. Several areas with significant tribal populations emerged with disproportionate housing needs.

Isabella County, Michigan - home to the Saginaw Chippewa Tribal Nation – has a significant affordable rental housing need. It ranked highest out of the 175 counties in the FHLB-I District for the percentage of renters paying more than 50% of their income on housing at 32%.

Workforce Housing and Economic Development

There are approximately 4.8 million workers in the FHLB-I District, with 60% classified as white collar jobs; 25% as blue collar jobs; and 15% in the service industry. Among all industries within the District, only Manufacturing has substantially more workers than national average (186%). [xxv]

Both Indiana and Michigan have economic strengths in manufacturing related to its steel, grain, and lumber production. Automobiles, furniture, mobile homes, machinery, medical equipment, and food processing are substantial segments of the District's economy. When comparing the detailed industries within the the two states, we see that Indiana has more broad manufacturing segments. In Table 20, we include industry sub-sectors that have at least two times the number of workers as the national average. This illustrates Indiana's varied manufacturing activities, whereas Michigan is dominated by the automobile industry and machinery.

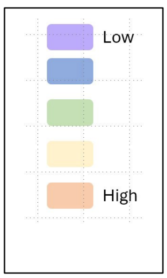
Table 20: Industry Subsectors with Location Quotients >2.0 in the District

Indiana		Michigan	
NAICS 331 Primary metal manufacturing	7.81	NAICS 336 Transportation equipment manufacturing	3.94
NAICS 336 Transportation equipment manufacturing	4.04	NAICS 491 Postal service	3
NAICS 337 Furniture and related product manufacturing	3.49	NAICS 333 Machinery manufacturing	2.36
NAICS 326 Plastics and rubber products manufacturing	2.69		
NAICS 339 Miscellaneous manufacturing	2.43		
NAICS 325 Chemical manufacturing	2.63		
NAICS 332 Fabricated metal product manufacturing	2.16		
NAICS 333 Machinery manufacturing	2.24		
NAICS 321 Wood product manufacturing	2.03		
NAICS 484 Truck transportation	2.04		
NAICS 324 Petroleum and coal products manufacturing	2.07		

Source: U.S. Bureau of Labor Statistics 2022 Annual Averages

Indiana's economy overall is faring better than Michigan's, with an unemployment rate of 3.6% in September of 2023, compared to 3.9%. In detail (see Map 11) we see a more evenly disbursed unemployment rate in Indiana than Michigan with strong job growth in the Indianapolis region and southern Indiana in general. In contrast, northern Michigan (except for the Traverse City region) struggles with higher unemployment rates.

Map 11: Unemployment in the District by County



Source: U.S. Bureau of Labor Statistics

As part of this study, we asked stakeholders working in economic development to describe employment needs particularly related to housing and communities.

Following is a summary of responses which align with other key findings of this report:

There is a need for more workforce housing in high-priced markets, where the lack of moderately priced rental housing is deterring potential employees from moving to areas and causing an extreme burden on local workers. Traverse City, Ann Arbor, Lafayette, and Bloomington were often cited as needing more rental housing options. Several stakeholders also noted the lack of homeownership opportunities in these areas due to a recent influx of higher income buyers.

Distressed neighborhoods that once had vibrant commercial districts need new businesses to become strong again. In today's market, older neighborhoods attract new residents when they take advantage of their walkability and density, offering retail services and amenities not found in more suburban areas. Most major retailers will not invest in these areas, particularly in business districts that were once in predominantly African American neighborhoods.[xxvi] Community development corporations and other advocates are looking towards small local businesses to bring the energy back into "Main Street." However, new business owners often lack technical knowledge or have access to resources and capital that established businesses have. They would also be operating in an area in transition with less predictable cash flow. **Small businesses in disinvested areas** have more barriers to success.

It is extremely challenging for low income families to increase their income and become self sufficient without access to childcare, and this issue is particularly acute for single mothers. During the Pandemic, many childcare centers within low and moderate income neighborhoods shuttered and have not returned. Entrepreneurs interested in meeting this need and opening a **childcare** center are finding the licensing and operating requirements expensive and complicated.

Building affordable housing and providing supportive services in supportive housing is becoming more difficult due to labor shortages that are expected to get worse. Fewer young people are entering the **construction trade**, and industry leaders are anticipating a continuous decline in carpenters, electricians, plumbers, and other skilled construction occupations. This is already creating project delays. Similarly, fewer young people are earning degrees in **social work and community health**, leading to shortages in case management support for persons experiencing homelessness, mental health or addiction disorders, or domestic violence survivors.

Homelessness & Those At Risk

Roughly 3% of Americans will become homeless at some point in their lives. Researchers have found two main causes of homelessness. The first is poverty. The second is substance abuse.[xxvii] The combination of substance use disorders and mental health disorders is the leading indicator for first-time homelessness.

Poverty in and of itself is a leading factor for homelessness. Households in the District who earn less than 30% of AMI and pay more than 50% of their income on housing are the most at risk of homelessness. In the District, there are 320,000 renter households and 182,000 owner households in this circumstance. Homeowners may have the ability to use equity in their homes to deter foreclosure, but renters have little recourse and are at the greatest risk.

Table 21: Households at Risk of Homelessness (earning less than 30% of AMI and paying more than 50% of income on housing costs)

	Indiana	Michigan	Total
Renters	124,984	195,432	320,416
Renters %	60.4%	61.1%	60.8%
Owners	61,938	120,909	182,847
Owners %	52.1%	55.4%	54.3%
All	186,922	316,341	503,263
All %	57.6%	58.9%	58.4%

Source: HUD CHAS released 2023

Developing an accurate estimate of the homeless population is nearly impossible. Many are transient and live out of public view, thereby most estimates of homeless populations are reflections of homeless individuals who are *seen as homeless* and counted as such. The homeless who are squatting in abandoned buildings, sleeping in parked cars, living in the woods or in hidden parts of a city are typically not accounted for. It also does not account for a much larger homeless population: households who are living in precarious situations like short-term motels, in the homes of friends or family, or living in recreational vehicles.

According to HUD's annual Point in Time (PIT) Survey for Indiana and Michigan in 2022 (which is a one-day survey of persons experiencing homelessness administered by HUD Continuum of Care providers and their partners), the District had close to 13,000 homeless individuals counted within shelters, transitional housing, and unsheltered. A disproportionate number were Black/African American and one in five were children.[xxviii]

Source: Indiana University Public Policy Institute

To provide a broader picture of homelessness, we include the Department of Education's count of school-age children without permanent addresses within Indiana and Michigan (Table 22). These figures are more than ten times higher than the PIT Surveys, illustrating the extent of undercounting homeless populations.

If we extrapolate the homeless population based on the ratio of adults to children found in the Point in Time Survey (5:1), and the count of children without permanent addresses in the District (45,058) we estimate roughly 213,000 individuals in the District experiencing some form of homelessness.

Table 22: Estimated Homeless Population

	Homeless Population Based on One-Day Survey	
	Indiana	Michigan
Total	5,723	7,150
Under 18	1,012	1679
% Children	17.7%	23.5%
	Homeless Students Registered in School	
	Indiana	Michigan
Total	16,334	28,724
	Estimated Homeless Population	
Total	92,371	122,321

Source: HUD Point in Time Surveys 2022 and Departments of Education for Indiana and Michigan 2021-2022 school year

Certain groups are identified as having greater risk of homelessness due to overwhelming life circumstances.

Children who age out of the foster care system are at an extremely high risk of homelessness. According to the National Association to End Homelessness, between 31% and 46% of youth will become homeless at one point before age of 26, and 1 in 4 will become homeless within the first year.[xxix] In 2022, there were 21,127 children in the foster system in the District.[xxx]

Source: Alternative Family Services

Formerly incarcerated individuals face greater risk of homelessness, with fewer job opportunities and housing options due to their felony records. Many cannot return to their immediate families to transition into self-sufficiency because family members live in subsidized housing that restricts residents with criminal records. There are no federally funded housing and case management programs for prisoner reentry within HUD and very few non-profits working in this field. Formerly incarcerated are nearly 10 times likely to be homeless than average,[xxxi] and housing insecurity is a leading cause of recidivism.[xxxii]

Domestic violence is a major contributing factor for homeless families with children. Roughly one in three homeless families were homeless because of domestic violence.[xxxiii] It is largely a problem for women and children, who oftentimes do not have the financial resources to secure alternative housing. 38% of victims of domestic violence will be homeless at some point in their lifetime.[xxxiv]

Persons with substance abuse disorders and mental health disorders are at increased risk of homelessness due to their inability to obtain and maintain employment and housing. A survey by the Substance Abuse and Mental Health Services Administration (SAMHSA) found that 68% of cities reported that substance abuse was the largest cause of homelessness among single adults.

Senior Housing Needs

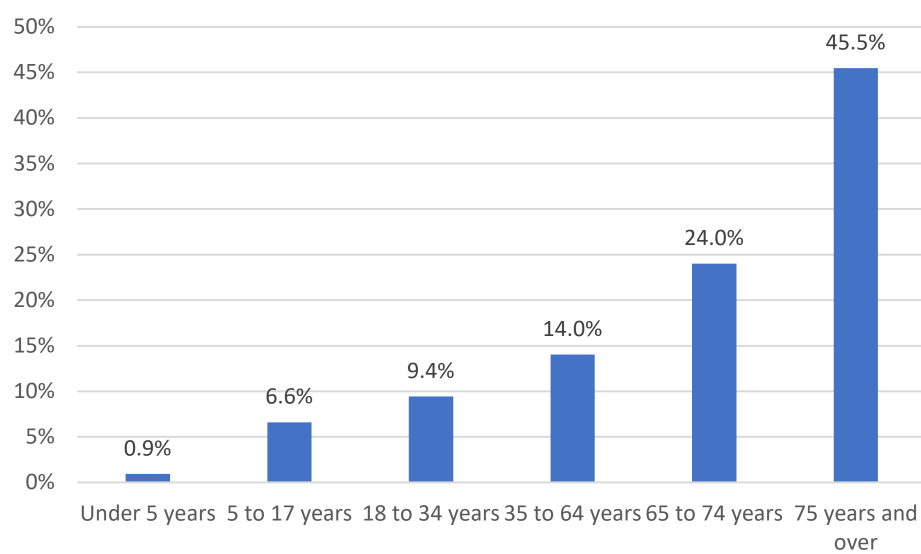
The population older than 75 years old is expected to increase by 178,729 over the next five years within the District. [xxxv] Among these households, an estimated 33,000 will be low income senior homeowners and 13,000 will be low income senior renters.

Older adults today have distinctly different life experiences and therefore have unique housing needs. Increasing life expectancies mean Americans will be living on fixed incomes for a larger percentage of their lifetime and may need to work well into their senior years to make ends meet. According to AARP, close to 12% of adults over 75 years old will be working by 2030.[xxxvi] Because of this, housing location will be an important factor for low income seniors, who will likely need access to jobs and a well-connected public transit system.

Older adults are also more likely to have a disability which may impact the type of home most suitable for them. A significant portion of senior homeowners will need to retrofit their homes to make them more accessible or will need to relocate to homes that can accommodate their needs. Low income seniors – particularly those in areas with lower property values – may not be able to afford this change.

A substantial percentage of older adults (20.6% of adults over 75 years old) will not be able to live independently and will need supportive housing or at-home assistance.[xxxvii] Low and moderate income seniors will find it increasingly difficult to find housing that provides this level of care in an environment of increasing housing costs and housing shortages.

Chart 12: Disability by Age for the District



Source: American Community Survey 2022

In the next five years, the District is expected to see an increase of 5,200 very low income senior homeowners and 3,700 very low income senior renters.[xxxviii] This is in addition to the roughly 205,000 seniors in the District who are experiencing severe cost burden and are in need of housing assistance.

Table 23: Low Income Senior Households with Severe Housing Cost Burden in the District

	Homeowners	Renters	Total
<30% AMI	82,555	60,840	143,395
30% - 50% AMI	37,471	23,909	61,380
50% - 80% AMI	18,106	6,840	24,946
Total	138,132	91,589	229,721

Source: HUD CHAS released 2023

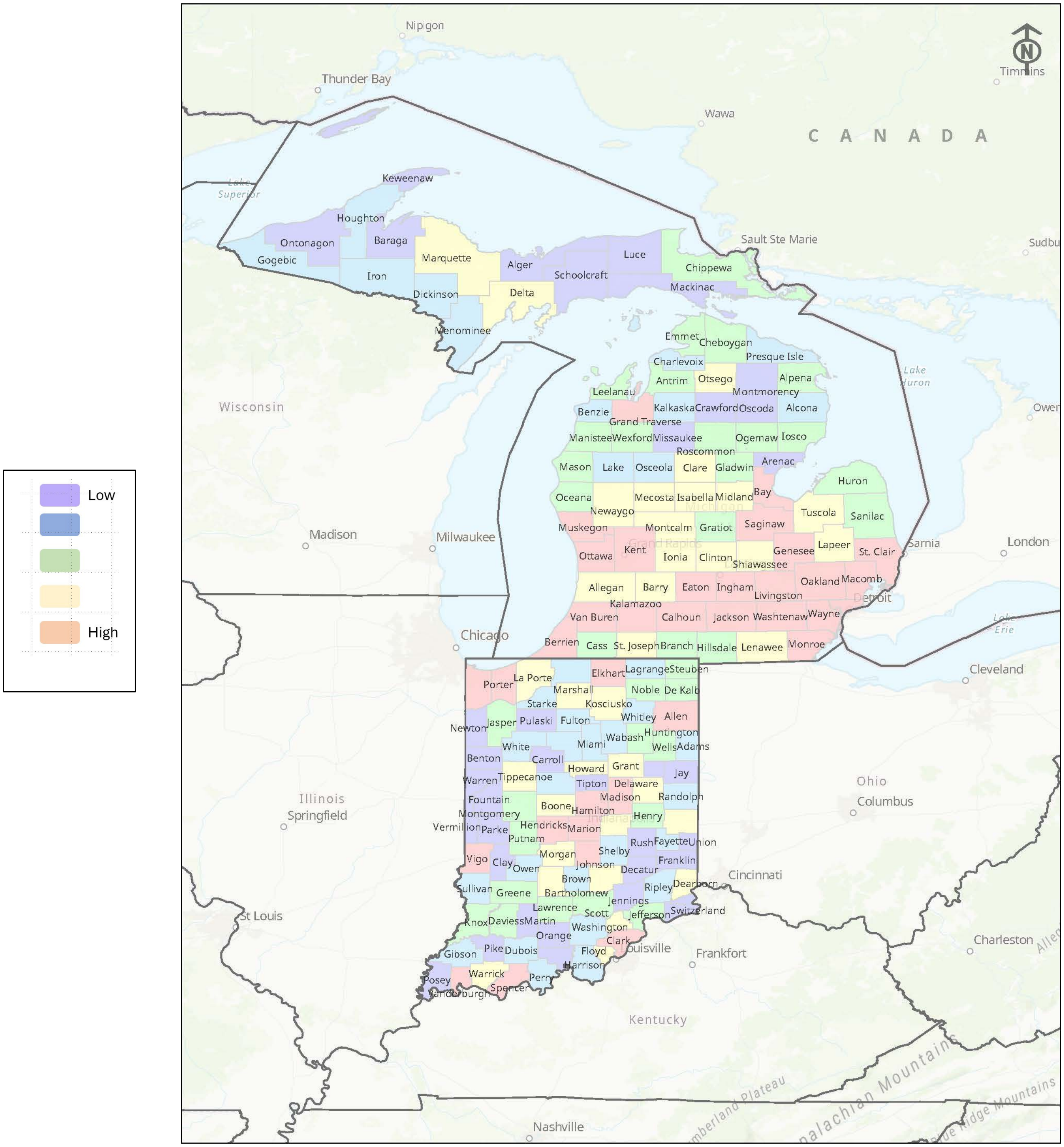
Senior housing needs are largely concentrated in the Detroit area, Indianapolis, rural northern Michigan and rural northern Indiana. Otswego County, in northern Michigan, has the highest percentage of low income seniors paying more than half their income on housing (34%).

Table 24: Top Ten Counties Where Low Income Seniors Experience Severe Cost Burden

County	Count	County	Percent
Wayne County, MI	30,630	Otsego County, MI	33.9%
Oakland County, MI	22,365	Oakland County, MI	31.7%
Marion County, IN	14,233	Genesee County, MI	30.2%
Macomb County, MI	13,991	Antrim County, MI	29.0%
Kent County, MI	7,743	Grand Traverse County, MI	28.3%
Genesee County, MI	7,338	Hamilton County, IN	28.2%
Lake County, IN	7,202	Leelanau County, MI	26.8%
Washtenaw County, MI	4,881	Boone County, IN	26.6%
Allen County, IN	4,041	Marion County, IN	25.7%
St. Joseph County, IN	3,554	Washtenaw County, MI	25.5%

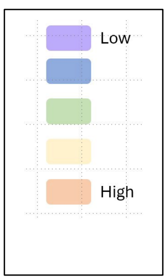
Source: HUD CHAS released 2023

Map 12: Count of Low Income Senior Households with Severe Cost Burden



Source: HUD CHAS released 2023

Map 12: Percent of Low Income Senior Households with Severe Cost Burden



Source: HUD CHAS released 2023

Recommendations

The findings of the study, using hard data and feedback from affordable housing industry leaders and advocates active in the region, indicate three overarching goals:

1. Stabilize housing prices for "naturally affordable" markets, particularly in low income communities that may face displacement pressure, and high-priced markets where the affordable housing shortage is severe. This may include targeted acquisition in areas which remain affordable through land trusts or non-profit led land banking and prioritizing community development initiatives that work to address this issue.
2. Find ways to minimize funding gaps between the cost of construction or rehabilitation, and the resources available. This may include increasing gap financing to account for rising interest rates and material costs, focusing on projects with lower development costs (like rehabilitation of existing units), and increasing the number of grants and loans per project.
3. Increase the homeownership rate among households and communities of color. This may include expanded community engagement in neighborhoods of color; streamlined and improved lending products for first-time buyers, and exploring alternative homeownership models including sweat equity programs, Section 8 homeownership programs, and multi-generational homeownership programs.

Following is a more descriptive list of recommendations based on current housing needs in the District.

Homeownership for low income and very low income households.

Recent rent hikes in markets that have historically been affordable are placing long-term renters at risk of displacement. Similarly, home prices have surged in areas that have long been affordable, reducing the ability of low income renters to transition into homeownership. Increasing the homeownership rate for households earning less than 80% of AMI (and including very low income households earning less than 50% of AMI) will provide more housing security for low income households. Neighborhoods in Indianapolis, Detroit, Gary, Flint, and other markets with a supply of still-affordable housing stock are prime targets for home rehabilitation and new homeowner programs.

Workforce Housing.

High-priced markets have a shortage of affordable rental housing for the local workforce and a limited supply of homes for sale that are affordable to moderate and middle income households. This dynamic may impact economic development, where attracting and retaining workers is a challenge due to housing costs. The areas most in need of workforce housing (defined as rental units priced below 80% of AMI and homeownership opportunities for households earning less than 120% of AMI) are in college towns (Ann Arbor and Bloomington in particular) and Traverse City.

Gap funding for deeply affordable rental units.

The greatest housing need is among very low income renters (earning less than 50% of AMI), but projects that address this need are less likely to be built because there is a greater funding gap compared to traditional tax credit projects. Gap funding for deeply affordable units and permanent supportive housing is needed both for construction and for ongoing supportive services.

Gap funding for rural housing development.

Affordable housing generates less revenue in rural areas compared to metropolitan areas yet construction costs are roughly the same. Rural rental housing projects require more gap funding to be feasible and should be tied to areas with rural job growth and a lack of affordable rental housing supply.

Mitigate gentrification.

Housing prices have sharply risen in many historically affordable neighborhoods of color. Existing renters are at risk of displacement or severe cost burden due to housing expenses, and would-be homeowners are finding homeownership now unobtainable based on market prices. Stabilization of housing prices in neighborhoods of color is important to mitigate the impacts of gentrification. Solutions may include landlord incentives, community land trusts, and investment in existing housing stock.

Rehabilitation of existing, vacant units.

The rising costs of materials and labor combined with higher interest rates are creating bigger funding gaps for affordable housing development. In most cases, it is more cost-effective to invest in existing homes than to construct new units in greenfield sites. However, financing projects that rehabilitate existing homes is challenging because of unforeseen costs, the need for acquisition and construction management of multiple sites, and difficulty in obtaining grant financing. These types of projects require flexible pre-development and construction financing and assistance with site assembly.

Technical assistance for neighborhood businesses and housing developers.

Neighborhood-level development relies on smaller developers and non-profits who work on a handful of units at a time and may not have the resources or expertise to "scale up." Similarly, vacant commercial corridors cannot attract large retailers and rely on small and oftentimes inexperienced businesses to open storefronts. Funding, grant writing, and technical assistance to neighborhood-level developers and businesses can stabilize established but disinvested neighborhoods and commercial corridors.

Financial literacy and wealth-building courses.

To increase homeownership rates in communities of color, a more robust engagement from neighborhood organizations and representatives is needed. This includes financial literacy and wealth building education, real-world success stories, and broader outreach.

Market Area Highlights

The combined Indiana and Michigan region (FHLB-I's District) has a vast range of communities with wildly varied housing needs. Its northern parts touch Canada and its southern parts border the Mason Dixon Line. Many of its cities are included in out-of-state metro areas, like Chicago on the western side and Cincinnati to the east. And the range of cities – Detroit, Indianapolis, Gary, Flint, Ann Arbor, Lansing, Grand Rapids, Evansville, Fort Wayne, Cheboygan, et al – include some of the most distressed Rust Belt cities **and** some of the highest growth markets in the U.S.

The complexities of over 20 metro areas in the District is beyond the reach of this analysis. However, there are commonalities and distinct features among several housing markets that warrant mention. These summaries are selective based on stakeholder feedback and the key findings of this report but are not comprehensive in nature.

For a deeper understanding of housing market conditions within metro areas within the District, refer to City and County 5-Year Consolidated Plans, Housing Plans, Comprehensive Housing Plans; and Regional Plans that may be available through Metropolitan Planning Organizations (MPOs).

Rural Housing Needs

Rural areas in Indiana and Michigan have declining populations and high vacancy rates, implying limited need for new housing. Yet many of the homes are older and becoming obsolete and will require substantial repairs or replacement to remain habitable. The issue is more prevalent in northern Michigan and southern Indiana.

Yet a large share of households in rural areas live in poverty and are seniors living on fixed incomes. This is particularly true in northern Michigan, where poverty among an aging population is widespread. Many cannot afford to make necessary repairs, let alone retrofit their homes to accommodate mobility challenges common among persons older than 75.

There are also rural job centers primarily dedicated to manufacturing that have a need for more affordable housing, particularly rental units. Manufacturing towns like Princeton, Indiana, with a population of 8,300 and a Subaru manufacturing facility employing 6,200, are found throughout the District, especially in southern Indiana.[xxxix]

Yet it is more difficult to build affordable rental units in rural areas than urban markets.

Skilled construction laborers are harder to come by. Funding gaps tend to be higher because rents are lower in rural areas yet construction costs remain the same. And rural projects are less likely to receive Low Income Housing Tax Credit funding because rural projects tend to be further from grocery stores and pharmacies, a key scoring feature in the application.

Providing for homeless households and those who need case management and supportive housing is exceptionally difficult in rural areas. For one, those who need emergency shelter are harder to find outside of urbanized areas. Secondly, providing wraparound services and case management to a rural population is impractical due to distance. Supportive services are spread out over large geographies and are usually not accessible with public transit. Third, according to rural housing advocates that participated in this study, small-town residents are less likely to acknowledge a homelessness problem and less inclined to support building a homeless shelter or transitional housing in their community compared to urban markets.

Map ___: Households Lacking Basic Kitchen, Plumbing, or Heating Systems in the District

Source: HUD CHAS 2023 release

Detroit & Surrounding Area

The City of Detroit and its surrounding suburbs may be the most complicated housing market in the U.S.

In its heyday, it was a beacon for the future, a grand city founded on the automobile, perhaps America's greatest invention. In 1950, it was the fourth most populous city in the U.S. with a population of 1.8 million. It was home to a multitude of ethnicities from Europe, the Middle East, Mexico, and Africa. It became one of the most prosperous communities for Black families migrating from the American South and fomented Detroit as a cultural hub, home to big band jazz and Motown.

But by the 1970s, the city began to decline. The loss of manufacturing jobs combined with suburbanization (which excluded many families of color due to discriminatory lending practices) formed a city with a shrunken tax base, high vacancy, and high unemployment.

The population declined more than 60% and as of 2022, the city's population is 621,000.

Cheaper housing stock lulled many first-generation immigrants in the 1990s onward, who created unique neighborhoods for Middle Eastern, Indian, Mexican and Southeast Asian populations.

Today, the city has experienced substantial reinvestment in its downtown and downtown-adjacent neighborhoods, but much of the city remains fraught with blighted homes and vacant lots. The poverty rate is 33%, more than twice its rate in 1970. The average home price is $64,000 and 108,000 housing units lay vacant (15% of all housing units).

In contrast, the lakeshore neighborhoods in the northern part of the city and metro area's surrounding suburbs do not experience the same degree of challenges. Vacancy rates are less than 6%. Poverty rates are less than 25%. Unemployment rates are less than 4.5%.

However, the continued investment, financially and civically, to revitalize the city remains strong.

Detroit is rich with non-profit leaders, housing and planning advocates, and urban pioneers who are committed to rebuilding the city in a sensitive and exclusive manner. The city has laid out its plan for future housing initiatives, exploiting the availability of land, quality-built single-family homes, cultural diversity, and the expectation that Detroit will fare global warming better than many current high-growth cities.

The current $203 million housing plan calls for the following investments:

- Land Bank for affordable homes.

- Provide rehabilitation funds for small-scale landlords with an emphasis on second story rental units in commercial districts, bringing higher quality affordable rental units and new businesses in existing neighborhoods.
- Increase deeply affordable rental units to support the city's low-wage and immigrant communities.
- Rehabilitate vacant small-scale apartment buildings (30 units or less) within established and historic neighborhoods.
- Support a Detroit to Work Program that will emphasize jobs that provide a living wage and financial security.

Indianapolis & Surrounding Area

The housing market in Indianapolis and its northern and western suburbs has experienced a boom in the past decade, resulting in extraordinary price increases and significant new construction. In the past five years, approximately 57,000 units were permitted in the region.[xl]

Due to strong job growth and economic diversification into technology, bio-sciences, and complex manufacturing, Indianapolis has attracted young professionals to move into the city's urban core and dense surrounding neighborhoods[xli], leading to the restoration of blighted homes complemented by new housing redevelopment. This helped to revitalize disinvested neighborhoods but has also resulted in rising prices within historically Black neighborhoods, particularly neighborhoods immediately north of downtown.[xlii]

Home prices in the Indianapolis region increased 66% between 2018 and 2023, depleting much of the housing stock priced below $200,000.

Demand for housing has also fueled new housing construction outside the city, particularly Hamilton County, where 5,800 units were permitted in 2022. The largest concentrations are in Westfield (1,792 units) and Fishers Town (1,650 units).

The recent surge in housing demand within the Indianapolis region has resulted in a 66% rise in home prices over a five-year period. According to Zonda Research, this had resulted in a substantial loss of entry level homes for sale. The housing market targeted to first time homebuyers, with homes priced less than $200,000, used to be prevalent in the Indianapolis housing market prior to the Pandemic but this supply has since been depleted, dropping from 30% to 14% of all listings.[xliii]

Growth is anticipated to continue despite higher interest rates and construction costs. The percentage of homes sales that are new construction has doubled in recent years (15% to 30%) and prices continue to rise in Indianapolis despite a national dip in prices.

While general market indicators suggest the Indianapolis market is still relatively affordable (when comparing incomes to home prices and rents) the rapid price escalation forewarns of more significant affordable housing challenges in the future.

Preservation of existing housing affordability (through Community Land Trusts and capacity building of non-profits, along with neighborhood-focused homeownership programs) and the diversification of housing stock to include smaller units can help mitigate a future affordable housing crisis.

University Towns

Housing prices increased rapidly within the District's university-driven housing markets in the past five years and are now unaffordable to many of its longstanding residents and workforce.

In the past five years, home prices increased 58% in Lafayette and Bloomington, and 35% in the already expensive Ann Arbor market, where a household would need to earn more than $100,000 per year to afford a typically priced home.[xliv] Rents have also spiked in university markets between 30% and 40% over the same period, putting severe housing affordability pressure on the local workforce.

This phenomenon is not unique to the District. Indeed, college towns across the U.S. are attracting retiring Baby Boomers and digital nomads due to their walkability and high concentration of restaurants and services. At the same time, investors are purchasing single family homes and renting them out to college students, earning more profit than renting to families.

Market Rate Apartments in Bloomington renting for $1,900 for a one-bedroom unit


New Townhomes in Ann Arbor priced at $550,000

As a result, college towns have a shortage of affordably priced rental units and very few homes for sale affordable to moderate income households.

The housing needs in university towns range from deeply affordable rental units to serve lower wage workers (like cashiers, retail clerks, and waitstaff who earn near minimum wage), to moderate and middle income homes for sale.

The affordability problem is more acute in Bloomington, Ann Arbor, and Lafayette, which are three of the four most expensive housing markets in the District relative to income.

Traverse City

The small northern town of Traverse City, with a population just over 15,000, is experiencing a severe housing shortage, causing a startling and swift spike in rents and home prices. As of September of 2023, the housing vacancy rate was 0.7%[xlv], an alarmingly low figure compared to a "healthy" market with vacancy between 4% and 8%.

The small size of the city has kept market activity off the radar for most housing analytic firms, but Zillow began including it in its data analysis beginning in 2023, illustrating it has the highest rent of any market in the District. The typical rental unit costs $2,084 per month.

Traverse City, a town of 15,000 in northern Michigan, has the most expensive housing market in the District.

Home prices are also too expensive for local residents, with a typical sale price of $384,000. This is double what a middle-income household in Traverse City can afford to pay. The home price to income ratio should be 4.0 or less to be considered affordable; in Traverse City it is 6.0.

During the COVID 19 Pandemic, the Traverse City population swelled with out-of-state coastal residents attracted to this tourist destination renowned for boating, hiking, and wineries. The resulting housing shortage has impacted the local economy, with employers rallying local and state government to address the issue. Teachers, medical care professionals, emergency services workers, and other necessary workers are not able to secure housing.

The overwhelming need in Traverse City is for more rental housing affordable and restricted to residents earning less than median income and more homeownership opportunities earmarked for local workers.

Disinvested Manufacturing Towns

When manufacturing jobs left Flint and Gary starting in the 1970s, these once beautiful and established cities experienced rapid decline. White flight, neighborhood blight, and the shuttering of business districts took hold in just 20 years. Today, these cities are still grappling with limited job opportunities and systemic poverty.

Gary Indiana was once the Midwest's hub for steel production. In 1960, the U.S. Steel plant in Gary employed over 32,000 workers; by 1980 that number had fallen to 7,000.[xlvi] Many families who could afford to move did so, the majority of whom were White. Today, 78% of the population is Black/African American and one in three households lives in poverty.[xlvii]

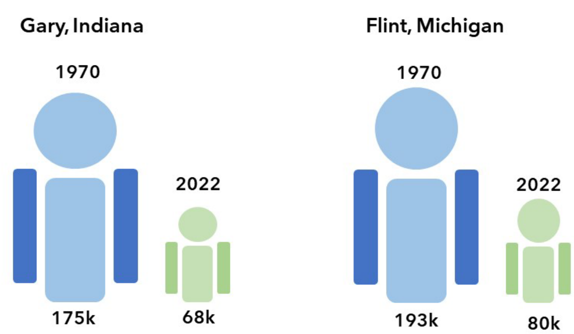
Photo: Gary, Indiana, Matthew Tully, Indy Star

Abandoned Home in Flint
Source: Getty Images

Similarly, Flint Michigan was once the headquarters for GM and the birthplace of the United Auto Workers Union, employing over half the city's population of 180,000. In the mid-1980s, GM laid off 30,000 workers, followed by another 50,000 in the following years.[xlviii] It remains the most caustic tale of economic decline in an American city to date and the subject of Michael Moore's award-winning documentary, *Roger and Me*. Today, the poverty rate is 33%.

Chart 13: Population Change in Gary and Flint

Source: American Community Survey



Home prices in Gary and Flint have increased by 81% and 69%, respectively, since 2018.

Since the COVID 19 Pandemic, home prices and rents have increased between 30% and 40% in the District.[xlix] This increase is more severe in Gary and Flint.

The typical sale price in Gary increased 81% from 2018 to 2023, from roughly $40,000 to $73,000, and the typical sale price in Flint increased 69% over the same time period, from $29,000 to $49,000. The current prices are still depressed, but in consideration that no significant changes in employment or population has occurred in these two cities, the change in price doesn't necessarily reflect improved housing conditions. Stakeholders working in home rehabilitations in the area noted an increase in investor purchases and growing difficulty finding homes that are affordable for their first time homebuyer programs.

The sharp increase is alarming and indicates market pressure that may potentially price out longstanding residents.

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