

## Legislators Building Hope

### Habitat for Humanity of Michigan's Network Advocacy Day, Follow up

At Habitat for Humanity, we believe that our communities become stronger and more vibrant as we unite to meet our neighbors' basic needs for a safe, healthy, affordable place to call home. Especially at this time when a stable home is crucial to our health and safety, we're asking Michigan legislators to support policies and programs that help strengthen household resiliency through quality, affordable home ownership. The proposals in this document help keep people in their homes, improve the quality of housing stock, and increase supply. Plus, all the benefits to the people living in the house (health, education, jobs, stability) and all the benefits for the communities (people invested in a community strengthen the community and help stabilize employers and schools). Habitat for Humanity affiliates are developers, and we partner with private developers and contractors. If funded, jobs and job training will result.

The American Rescue Plan Act of 2021 appropriated \$545 million to housing in Michigan. It is our understanding that the appropriation will be used for rental assistance and hardest hit mortgage assistance only. We have before us an opportunity to fund activities across the entire housing spectrum and address the current housing shortage, escalating cost of building materials, and escalating appraisals that will leave generations out of home ownership. Habitat for Humanity is advocating that the full spectrum of housing be included in all housing strategies. Owning homes, keeping people in their homes, and adding to supply must be recognized for their long-term benefits to jobs, communities, and lives. We must also change the narrative of homeownership among people who are black and brown when compared to people who are white. Sixty percent of Michigan's people who are black are ALICE qualified. Many of whom would make very good homeowners with support of a program like Habitat for Humanity. As Jeff Noel of Whirlpool and interim director of MEDC recently stated in a Whirlpool/Habitat for Humanity partnership video (paraphrase), 'There is something magical about passing love to a family when we join on a house build. It makes us all better! House + Home is central to society.'

Now is the time to be bold and innovative to achieve the impacts we've all talked about for decades with no real change. Let's be the change! Empower Habitat for Humanity and our vast, statewide network. Our ask is for a carve out of ARPA or general budget funds of \$20 million for a revolving loan fund and \$10 million in grant dollars. Habitat for Humanity of Michigan is an organization built to accept a large infusion of money and deliver the intended results. We have been waiting for this moment. History has shown it's been done with Habitat in other states (Minnesota Habitat, \$20 million TANF, revolving loan fund to fund construction and mortgages) and other states are being creative and supportive of Habitat for Humanity.

ARPA from Habitat for Humanity's perspective:

- The [U.S. Treasury fact sheet](#) contains context that supports Habitat uses of the funds
  - We are paying special attention to bullet point #3 on page 5: **Serving the hardest-hit communities and families** includes "Investments in housing and neighborhoods"
  - The purpose of these funds is to bring back jobs; consider Habitat's need to hire contractors instead of utilizing volunteers on build sites and make requests accordingly
- Examples specific to Habitat include land acquisition; site improvements; infrastructure; SDC waivers; hiring staff/contractors; off-setting current construction costs.
  - The main area Habitat can help is to focus on affordable housing development as developers and in partnership with contractors, private developers, and Land Banks

### Help stabilize Michigan households and communities during and after COVID-19

Habitat for Humanity of Michigan has capacity to add funding to our current lines of business which include:

- Lending – Down Payment Assistance, Revolving Loan Funds
- Counseling – Financial Education, Coaching, Pre and Post purchase counseling, foreclosure prevention
- Real Estate Development – Home Repair/Modification/Rehabilitation of existing housing stock. Land Bank Redevelopment TIF

We have built an organization of excellence and serve as a sound fiduciary and program delivery across the state. Habitat Michigan partners with our 50 local affiliates and may serve the broader community with direct client services and in partnership with private developers and organizations.

Let's be bold with the unique opportunity for ARPA. **We ask legislators to please consider direct funding to Habitat for Humanity of Michigan**, which is allowable and happening in other states, who will then pass funding through to affiliates, families, and in partnership with other developers, contractors, and partners.

1. Please support funding the House budget placeholder with **\$5 million for home repairs to address health, safety, and lower utility bills**

- *These dollars would help prevent walk-aways based on weatherization program dollars and energy company rebate dollars that may not be used for the health and safety measures needed first.*
- *The Health and Safety committee of the Energy Waste Reduction Workgroup is led by Habitat Michigan's Jessica Halstead, and includes members from utility companies, Community Action, and Habitat for Humanity.*
- *The \$5 Million would help serve 650 households that we would otherwise not be able to serve. There has never been a time more evident that housing is a determinant of health. Many who we serve are veterans, aging in place, and people with disabilities.*
- *The placeholder is in the Health and Human Services budget. Habitat for Humanity of Michigan would like to be an administrator alongside Community Action or get a direct allocation to Habitat. We have been operating the program for nearly a decade.*

## 2. Please fund \$20 million for a Habitat for Humanity Revolving Mortgage Loan Fund

A one-time infusion of capital will establish and sustain a Habitat for Humanity of Michigan Mortgage Loan. It was done in Minnesota and still thrives today. Let's learn from Habitat for Humanity of Minnesota:

**"The 21<sup>st</sup> Century Fund** was established in 2000 with a **\$21 million, 0% interest loan** from the Minnesota Housing Finance Agency. Because Habitat Minnesota holds this money interest free, we are able to loan 21<sup>st</sup> Century Funds to affiliates at **0% interest**. The 21<sup>st</sup> Century Fund loan pool totals approximately \$1.3 million per year and carries an **8% loan origination fee** to help cover program costs (*3% fee for the one year, short-term loan option*). Traditionally, the loan term matches the term of the mortgage pledged to Habitat Minnesota, on average 25 – 30 years. As of June 30, 2019, approximately \$41.2 million has been disbursed from the original loan of \$21.3 million plus recycled funds, funding 554 mortgages. In FY'20 Habitat Minnesota has approximately \$2.7 million available."

3. **Establish a Revolving Loan Fund of \$5M** with Habitat Michigan as the required 501c3 lender to unleash Land Bank Redevelopment, Tax Increment Financing (TIF) tools and financing in partnership with developers, both private and nonprofit. Habitat for Humanity affiliates are developers!

- *The defined problem is there is a shortage of healthy, safe, efficient, affordable housing units. This is causing the ALICE population, our workforce, to be left behind. Housing policy and strategy must include affordable homes for homeownership of all housing types. The only way to solve the problem is to increase supply with a focus on "missing middle" housing types and mixed income levels. The government may use ARPA to step in and provide the appraisal gap financing needed to stimulate supply.*

- *Developers and Land Banks are turning to Habitat for Humanity (IRS requires a 501c3 lender) to develop a revolving loan pool needed for Land Bank Redevelopment, TIF to help fill the gap. A one-time infusion of funding to establish a long-term loan of up to 30 years will unleash Land Bank tools in communities across the state and transform lives for those who purchase the homes.*
- *TIF pays the loan back for a term of up to 30 years.*

4. Please fund **\$5 million for a Revolving Loan Fund on 4% LIHTC** developments that include homeownership

- *Patient capital is needed for 7 years to make these deals work. More 4% LIHTC deals would be in the pipeline if the missing piece, capital, were available to be loaned during the 7-year affordability period. The developer must maintain ownership for the 7-year compliance period. Similar to the proposal of the Redevelopment TIF Revolving Loan Fund, a qualified nonprofit is required to serve as the lender. Habitat for Humanity of Michigan would partner with Habitat affiliates as developers as well as private developers serving people and households that include 80% and below of the Area Median Income.*

5. Please fund **\$10 million for Down Payment Assistance**

Urban Institute recently published a paper written by Mike Lofkin entitled, “Homeownership is Affordable Housing.” The paper articulates what Habitat for Humanity knows.

*“Faced with a shortage of affordable housing, policymakers are failing to take advantage of America’s biggest source of affordable housing: homeownership. Contrary to popular belief, owning one’s own home is frequently more affordable than renting. Nevertheless, many people cling to the idea that homeownership is reserved for people who achieve some arbitrary level of financial success and that it is not “appropriate” for people who are still on their path to financial security. This may help explain why most federal, state, and local efforts to create more affordable housing focus on the rental market. But the data prove this thinking incorrect. To read on, go to: <https://www.urban.org/research/publication/homeownership-affordable-housing>.*

- *More and increased levels of down payment assistance is needed to fill the appraisal gap and gap of cost to build versus an affordable mortgage. The gap is wider than ever and people who are black and brown are owning homes at the lowest rates ever. Homeownership opportunities for people Habitat for Humanity serves is a vital incentive that impacts all areas of a person’s life. There are also community impacts. Employers want their workers to own homes for employee retention. Schools want homeowners to pay property taxes. Communities are more stable when people are personally invested in their homes. An investment in our partner families is an investment in the community with positive long-term impacts on both.*

- According to the United Ways ALICE report, 60% of Michigan's people who are black qualify as ALICE. Homeownership among people who are black is decreasing in Michigan and stands at about 42% own homes v. 77% white homeownership. We can change this narrative by supporting homeownership. House + Home is central to society and makes us all better!
- The down payment assistance gap grants are secured with a repayable lien upon transfer of ownership. The lien may be forgiven after 5, 10, or 15 years depending on the amount of down payment assistance.
- \$10 million would result in the development of about 330 quality homes and partner families at the rate of \$30,000 per home purchase. Markets across the state vary. The average amount of down payment assistance needed for a family between 40-80% AMI to buy a basic Habitat home ranges from \$10,000 to \$100,000 (this is very rare but happening in today's market) depending on the market. One thought is to cap the DPA at 20% of the purchase price.

Example: Jackson County Habitat for Humanity

Affordable first mortgage: \$100,000

Cost to build: \$179,000

Appraised value: \$168,000

Gifted/shared equity: **\$68,000**

(subordinate lien w/o payment from buyer unless the property is sold in the first 20 years)

Cash loss on cost to build: **(-\$11,000)**

**6. Please fund \$10-\$50 million for the MI Housing and Community Development Fund, administered by the Michigan State Housing Development Authority**

- We understand this was cut, and we would still like to see it funded. It was funded in 2008 and 2009 with bi-partisan support. The effort was led by Senator Mark Jansen and Rep. Steve Tobocman. We are hoping it's not too late for a placeholder. Habitat for Humanity affiliates were beneficiaries of the fund in 2008. Habitat affiliates were not funded in 2009, which was disappointing, but the funding was very limited. We would want to make sure that home ownership gets a priority.
- By providing more options for Michigan residents, we can help individuals, families, and communities build wealth, ensure our workforce to have accessible, affordable housing, and help our communities to thrive.
- The American Rescue Plan Act money includes affordable housing development as an eligible activity.

**Would you like to learn more about these priorities and consider being a champion? If so, contact your local affiliate, or Sandy Pearson at [spearson@habitatmichigan.org](mailto:spearson@habitatmichigan.org), 517-526-3534. Thank you!**