



MULTI-FAMILY HOUSING STUDY CITY OF MUSKEGON, MICHIGAN 2019

**Prepared by the City of Muskegon Department of Economic Development
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EXECUTIVE SUMMARY

Over the last several years the City of Muskegon has enjoyed substantial economic growth, with notable investments in its industrial, commercial, and housing sectors. As this resurgence in development continues it is necessary that the community, elected officials, and staff have a thorough understanding of the existing conditions for multiple elements of the local economy. One of the most impactful economic indicators in West Michigan over the last decade has been housing, and most recently a substantial housing shortage is proving to be a hindrance to growth for some of the most affluent markets in our region.

However, as the City of Muskegon continues to set the pace in the county for growth and development it is important that this buildout is strategic and mission-driven. As the downtown and other commercial corridors continue to grow and offer more amenities for residents and visitors, a variety of housing options is needed in order to ensure that all stakeholders have proximal access to these attractive community features. Muskegon has a significant rental housing stock, with many multi-family housing complexes in operation in the city limits. As a new market rate has been established in the downtown corridor, discussions surrounding affordability, gentrification, and housing equity have been prominent in community forums, public meetings, and popular online community message boards. This study was requested by the City Manager's Office in order to examine the data surrounding existing multi-family housing options in the city limits, their proximity to newly forming amenities downtown, and affordability for Muskegon residents.

This study focuses solely on apartment complexes that are open to the public (ie. Not supportive, adult foster care, or mandated/remanded housing), exceed 12 units, and are within the administrative limits of the City of Muskegon. The study posed several questions to the data collected, which are highlighted in more detail in the sections to follow. Results and recommendations are distilled into an action plan proposal for the consideration of the City Commission.

The findings of the study and subsequent recommendations illustrate a healthy rental market with a wide ranging diversity of rental rates, housing types, and geographic options. However, there is a shortage of low to moderate working age housing, and an overall shortage of units across all sectors that will need to be addressed to continue the growth of the sector. Necessary steps will include prioritizing certain types of multi-family housing development, such as LIHTC for working families and "missing middle" developments in neighborhoods.

Data and other sources are represented in several tables and informational sections throughout the study. The collection of this data was conducted between October and December, 2019 through phone, electronic, and in-person reviews of information provided by multi-family housing complexes in the community. A special thanks is owed to managers and owners of the 26 subject properties in this study, as reliable data on many of the core issues examined here is not well aggregated in other sources

PREMISE AND QUESTIONS

This study operates with a dual analytical modality in the sense that there is a comparison of trends to markets outside the subject, which is the administrative limits of the City of Muskegon, but draws conclusions and makes recommendations based solely on local data that best reflects the needs of Muskegon residents. The premise is therefore **“the multi-family housing market within the city limits of Muskegon.”**

The questions originally posed for this study were **“Is the new development of premium market rate multi-family housing viable and is there growth potential?”** and **“Is there an issue with gentrification in the city due to the newly developed market rate environment?”** These questions are both addressed with data-driven approaches, but over the course of the study additional relevant points were raised in order to give proper context to the issue of multi-family housing, and so the more broadly based **“Does the current multi-family housing stock fit the needs of the community?”** was raised in order to better draw conclusions from the data available, and to make policy recommendations to elected officials who are responsible for guiding community development and land use through policy decisions.

- **Is the development of premium market rate multi-family housing viable and is there growth potential?**
 - This question is specifically examined using income data from American Communities Surveys, the Bureau of Labor Statistics, and the Michigan Statewide Housing Development Authority to determine if there is a viable regional market to sustain the rents being achieved by existing developments, as well as the proposed rates in pro formas for upcoming developments.

- **Is there an issue with gentrification in the city due to the newly developed market rate environment?**
 - Gentrification is loosely defined in city planning and economic development as “changing the character of a neighborhood or place through the influx of more affluent residents and businesses.” To examine this issue from the focus of this study, all multi-family complexes were surveyed to determine number of units, prices, and proximity from City Hall in order to gauge their access to key commercial corridors, including downtown. This allows for the analysis of price to proximity, and for the comparison of available “high end” units relative to the rest of the housing stock.

- **Does the current multi-family housing stock fit the needs of the community?**
 - This question is designed to determine what, if any, changes are needed in the multi-family housing market in the city limits. This includes the type of units available based on family size, income, accessibility, and proximity to amenities. To address this question, income data was cross referenced with rental data with

an assumption that it is best practice to not exceed 30% of gross monthly income on rent. Additionally, while not a part of the core study, 96 units of detached single family rental housing were also examined for price and proximity to amenities, to balance the understanding of the existing market for renters in the city.

It is important to bear in mind that these questions are inherently subjective in nature and depend not only on the relevant quantitative factors (i.e. income, costs of rent, unit availability) but also personal preferences and interests of the rental base in the city. The premise of this study and approach to answering the key questions are therefore attached to several assumptions. These assumptions are an attempt to pinpoint a living standard that is deemed the “norm” when looking at safe, sanitary, and stable housing expectations as defined by the Michigan Statewide Housing Development Authority. The assumptions are as follows:

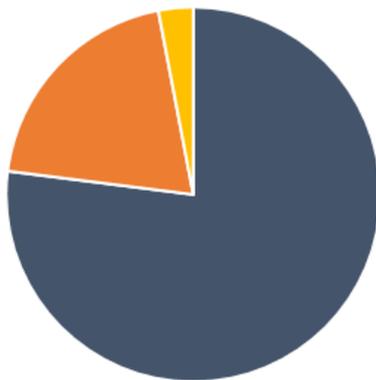
- **Stakeholders should be able to afford rents without the necessity of other incomes**
 - This assumption allows the study to directly compare income data by household to rental rate data compiled at the local level to make conclusions without examining impractical data points, such as the presence of non-dependent roommates or the existence of unreported income.
- **Housing units are up to code and quality standards set by state and local authorities**
 - Respondents to the housing complex surveys verified that existing occupancy permits were in place prior to being included in the study, but this assumption allows all units to be counted without the need to visually inspect and verify each individual domicile.
- **Senior housing is self-reported, not set by an age threshold in the study**
 - Different developments set a variety of age thresholds for senior housing complexes, and so this assumption allows them to self-report to the survey that they are senior living only without setting a cutoff age in the study.

When making policy recommendations pursuant to the findings of this study, the department is attempting to establish the reality on the ground at present so that the elected officials and staff of the City of Muskegon can make informed decisions on future development.

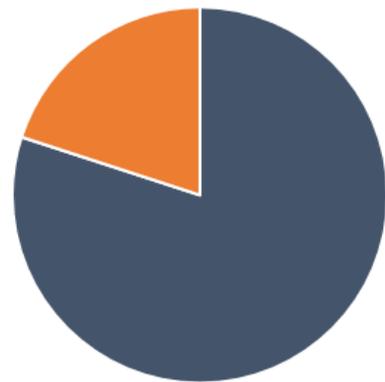
RELEVANT DATA

In order to establish a base line for a “typical” multi-family housing environment, data was compiled that reports and presents the frequency of apartment and attached townhome living units nationally, at the state level, and here locally in the city limits. As shown below, 2017 American Community Survey data reflects that 20% of households are apartments or other multi-family housing. The City of Muskegon is exactly on par with this statistic, as the 3,066 units catalogued in this study make up 19.8% of the total housing units in the community. Statewide, Michigan has a much lower incidence of multi-family dwellings at 14.5%, according to a 2015 MSHDA housing study. This is likely due to the population stratification in Michigan being heavily rural outside of southeast Michigan, and a prevalence of subdivided single family zoning in major population areas in and around Metro Detroit.

US Population Categorized by Dwelling Type
Blue Houses, Orange Apartments, Yellow Other



Muskegon Population Categorized by Dwelling Type
(Blue Houses, Orange Apartments, Yellow Other)



Nationwide, 77% of housing units are single family detached structures, 20% are multifamily units, and 3% are others such as boats or RVs. Muskegon’s numbers closely mirror the single family and multifamily numbers, with no statistically significant other domiciles.

For the purposes of this study, an extensive survey was conducted in order to understand the basic landscape of the multi-family housing market in the City. This survey and analysis measured proximity to City Hall, the number of units in a complex, the types of units available by bedroom count, identified exclusively senior complexes, identified which complexes were subsidized and by what type of subsidy, and finally established the rental rate range for each individual complex.

Through analysis of this data and by drawing comparisons to existing data sets on family size and income, principal approaches to answering our core questions were developed. Below is a table of relevant statistics from the multi-family survey, with totals and averages in bold at as the bottom figure.

Housing Study Data

Site Name	Address	Distance From City Hall (mi)	# Units	Unit Type	Senior (55-62+)	Subsidy and Type	Rental Rate (\$)
Amazon Apartments	550 W. Western Ave.	0.7	133	S,1,2,3	No	Market Rate	845-1375
ArtWorks Muskegon	600 W. Clay Ave.	0.8	26	2	No	HCV, LIHTC	25-866
Barclay Apartments	2081 Barclay St.	2.4	100	1,2,3	No	Market Rate	605-950
Barclay Village	1931 Barclay St.	2.4	47	1,2	Yes	LIHTC	535-866
Bayview Tower	864 Spring St.	0.4	201	1,2	Yes	Section 8, HCV	250-400
The Berkshire	929 N First St.	0.2	84	1,2	Yes	LIHTC	345-866
Carriage House Affordable	1890 Carriage Rd.	3.2	59	1,2	No	Sec 8, HCV	25-535
Carriage House Apartments	1890 Carriage Rd.	3.2	65	1,2,3	No	Market Rate	675-925
COGIC Village	756 Emerald St.	0.9	36	2,3	No	HCV, LIHTC	25-866
Glen Oaks Apartments	410 Glen Oaks Dr.	3.0	666	1,2	No	Market Rate	530-705
Glenside Estates	1421 Creek Dr.	3.1	26	2	No	Market Rate	670-730
Glenside Gardens Apartments	2511 Winchester Dr.	3.4	71	1,2	No	Market Rate	530-560
Hartford Terrace	1080 Terrace St.	0.4	160	1	Yes	Public Housing	25-345
Hickory Village	1890 Carriage Rd.	3.2	180	1	Yes	HCV, LIHTC	25-345
Highpoint Flats	285 W. Western	0.3	47	1,2	No	Market Rate	900-1700
Jefferson Towers	1077 Jefferson Ave.	0.1	161	S,1	Yes	Section 202	25-535
Lakeview Lofts	351 W. Western Ave.	0.5	20	2	No	Market Rate	1100-1500
The Leonard	320 W. Western Ave.	0.4	18	2	No	Market Rate	1100-1600
Muskegon Townhouses	919 Marquette Ave.	1.8	213	1,2,3	No	Market Rate	615-900
Nelson Place	350 Houston Ave.	0.5	101	1,2	Yes	LIHTC	676-866
Oak Hill Townhomes	1000 Marquette Ave.	2	203	1,2,3,4	No	Market Rate	650-900
Park Terrace Apartments	1290 W. Hackley Ave.	2.7	151	1,2,3	No	Market Rate	675-1060
The Regency Apartments	860 Marquette Ave.	1.7	18	1,2,3	No	Market Rate	635-895
Royale Glen	1085 Royale Glen Dr.	2.5	78	2,3	No	Market Rate	680-800
Terrace Place	316 Morris Ave.	0.5	20	1,2	No	Market Rate	965-2250
Trinity Village Apartments	2250 Valley St.	3.1	60	1,2,3	No	Sec. 8, HCV, LIHTC	345-775
Village at Park Terrace	1350 W. Hackley	2.8	122	1,2,3	Yes	LIHTC	450-926
26 Complexes		2.43	3066		Sen: 8 Non:18	PMR: 4MR:7 Sub: 8	Range: 25-2250

As with any study examining the affordability of a crucial community asset, a solid understanding of the financial capacity of the target population is essential. For the purposes of this document, the 2017 American Community Survey findings on household income, household size, community age distribution, and other key data points were used. Below is a table featuring some of the data points used from ACS and the Bureau of Labor Statistics 10 Year Trend Study that contributed to the findings of this study.

Population	Median Citizen Age	Median HH Income (\$)	Senior Citizens (%)	Median Senior Income (\$)	Family Size
38,189	35.1	29,388	19%	18,361	2.53

Finally, the study examined listings and interviewed landlords in order to have a tacit understanding of the single family detached rental housing market in the city in order to relate it to the needs of the multi-family market place. Below is a table of information that elaborates on the 96 single family detached rental units used as a baseline in this study.

Site Name	Address	Distance From City Hall (mi)	# Units	Unit Type	Senior (55-62+)	Subsidy and Type	Rental Rate (\$)
Single Family Residential Rentals	Various Addresses	1.36	96	1,2,3,4	No	Limited HCV	600-850 plus utilities

This data was collected and analyzed in order to answer our main questions of the study, and also to create general knowledge of the existing condition within the rental marketplace. The data points were used to mathematically establish ratios that are relevant to the questions posed by the study, and are elaborated on in the key findings portion of this document.



KEY FINDINGS

The findings of this analysis are structured to provide context and insight beyond the raw numbers in the data section. Through the findings, the department has established conclusions and recommendations for elected officials and staff to provide answers to the questions posed in this document. The most crucial findings related to the data are as follows.

- **Premium Housing is a new addition**

- While there is a growing rental rate with the development of downtown housing featuring lake views, high end amenities, and very close proximity to new shops and restaurants, these units make up a very small portion of the total market rate multi-family housing stock in Muskegon. Specifically, the “Premium Market Rate” or PMR units as documented in the data section (defined as being \$1,000 or higher per month) make up only 4% of the total units in the study. This is including the Leonard Building, which is approved for construction but not yet built. To put that in perspective, according to income data as referenced, 12.6% of households in the city could afford these rental rates without exceeding 30% of their gross incomes. This would indicate that this portion of the multi-family housing stock is actually underbuilt.

- **Apartments are important**

- The understanding of and engagement with the multi-family market in the city limits is extremely important, as 1 in 5 households in the city live in apartments or connected housing such as townhomes. This is in line with the national average, but significantly higher than the state average. Muskegon has a total of 3,066 units in major complexes, and likely more in smaller structures such as multiplexes and former single family homes that have been bifurcated as rental properties. There are more apartment complexes being proposed both downtown and in neighborhood districts in 2020 and beyond, so this will continue to be a crucial portion of our housing stock for years to come.

- **Senior units abound**

- While seniors make up 19% of the total population of the City of Muskegon, units reserved for them across the entire multi-family landscape make up 34% of the total. When drilling down into the data even further, subsidized units are heavily dominated by senior housing. Multi-family housing units reserved for seniors make up 85% of all subsidized units in the city limits.

- **Market rate units are priced by distance**
 - With the average citywide distance of a housing complex being 2.43 miles from City Hall, there do not seem to be significant stratifications of distance between market rate and subsidized developments. However, the market rate rents that are collected in the city are greatly impacted by their distance from downtown. Market rate rents are nearly 18% higher on average within a mile of city hall, and consistently drop the further away a complex is located. This seems to be true even if the market rate complex is adjacent to other commercial corridors or amenities. This statistic is likely skewed slightly by the views and convenience associated with downtown apartments, which tend to be built higher and in some cases are much newer.

- **Lack of spacious units**
 - There is a common perception in developer circles that there is a lack of 1 bedroom units in the regional marketplace, and there is considerable effort going into trying to make profitable pro formas featuring these units prominently, if not exclusively. However, the opposite seems to be an issue in the City of Muskegon, with only 10 complexes featuring 3 or more bedrooms. Of these 10, only 3 are subsidized housing serving low to moderate income households. Additionally, even the complexes that do feature 3 or more bedroom options have few total units, likely pushing stakeholders with larger families to the single family detached rental market.

- **There are more market rate than subsidized housing units**
 - Another common perception about apartment living in the community during this study seemed to be that most of the units in the community are reserved for low income tenants, making it difficult for others to find units. However, there is actually a 1.4:1 ratio in the City of market rate to subsidized housing units, which is a significant finding. That being said, there is a 1.2:1 ratio of eligible households to subsidized rental units in the City, which could indicate that there are not enough units of either type to accommodate demand in the market for multifamily housing.

- **Large range of rents in the market**
 - While there are anecdotal examples on both ends of the spectrum, with a few units in the city being rented for a federal minimum administrative fee of \$25 to housing insecure stakeholders and one premium lake view large apartment renting for \$2,250, even the middling ranges in the market are significant. Market rate units can vary by over \$200.00 per month.

CONCLUSIONS

Based on the relevant data, analysis, and key findings, several conclusions may be drawn that address the core questions of the study. The principle conclusions potentially require action by the city in order to incentivize particular types of housing development, and so they are referenced in the attached action plan. Conclusions will be formatted as answers to the core questions.

- **Is the development of premium market rate multi-family housing viable and is there growth potential?**

First and foremost, based on the data and findings it can be reasonably concluded that there is significant room in the market for nearly all types of multifamily housing. Market data indicates that the top of the rental range has a substantial additional ceiling with the potential tenant pool in the city limits alone, and newly finished premium market rate housing trends show that many of the tenants are incoming from other communities. Given the fact that these units only make up 4% of the existing rental stock in the market and they are nearly all full, it would suggest that there is significant viability to this market. Per reports from ownership and management of the existing developments, these units are currently substantially outperforming their anticipated rent capture from their respective pro formas, further suggesting market viability.

The city also has many potential developable sites to accommodate additional premium market rate housing developments in the downtown and other commercial corridors, which paves the way for growth of this housing sector. It is the best use for many of these sites to be developed as market rate mixed use housing complexes due to their proximity to small downtown businesses, which require a healthy micro-economy to thrive. People in these units tend to have disposable income that will recirculate into the city's economy, supporting a more diverse and successful corridor. Given the availability of land, renewed interest in Muskegon as an investment market, and the evident demand for this type of housing through higher than anticipated rent captures, it can be safely concluded that this new premium market rate housing sector is both viable and has growth potential.

- **Is there an issue with gentrification in the city due to the newly developed market rate environment?**

Gentrification is a difficult and controversial topic being faced by redeveloping communities across the country, and Muskegon is no different. However, one unique factor to Muskegon's recent addition of new market rate housing, particularly in the downtown, is that it is mostly going up in areas that were under-housed. This is due to the demolition and removal of the Muskegon Mall and other former commercial facilities which left large tracts of available land and vacant buildings. So as opposed to gentrification, the real issue in Muskegon, particularly in the downtown corridor, is creating and building a district that features housing diversity.

In neighborhoods outside of the downtown corridor and still in relatively close proximity to the center point of the study, the multi-family housing sector has been longstanding and stable, with rents far below competing markets. The market rate in the city limits, as previously stated, falls precipitously the farther one gets from downtown. Additionally, the majority of the rental units in the city are in these corridor neighborhoods, so they are strongly represented in the multi-family housing sector (though there is a shortage of overall units as evidenced by persistent waiting lists for nearly all complexes). Many Muskegon neighborhoods have far lower median incomes than the region, and so invariably adding any type of housing stock that will attract stakeholders of higher incomes will change the neighborhood. However, just as the city should strive for housing diversity in newly built markets it should also seek to create it in existing neighborhoods where possible. All indications in this study illustrate that while gentrification in the traditional sense is not a prevalent issue in Muskegon, the multi-family sector tracts with the rest of the housing stock in that it is fairly segregated geographically. This indicates a need to make strategic investments to create equity geographically, as well as in the types and number of multi-family units available.

- **Does the current multi-family housing stock fit the needs of the community?**

To that end, the data reveals a large gap in our multi-family housing stock that would potentially suit this equitable development goal. While there are a significant number of subsidized units in the city limits, 85% of all of them are reserved for senior citizens. The average age in the city is 35.1 years old, and the median household income is far below the state and national average. All of these statistics point to a significant number of low to moderate income residents who are unable to qualify for senior subsidized or very low income reserved housing like Section 8 Housing Choice Vouchers, but can also not afford the newly offered units that are being built. Existing market rate complexes that would be within the income range for these stakeholders are consistent with the rest of the multifamily sector at 95% occupancy or higher, making it extremely difficult to find suitable apartments and townhomes in the right price range. This lends to the high proportion of rental units in single family districts, which offer additional burdens to renters such as higher utility costs and maintenance.

All indications in this study suggest that in Muskegon there is a significant need for a large number of units to be built that feature units reserved for 50-100% of the Area Median Income (AMI). These can be and ideally would be interspersed in developments that also feature full market rate units. The biggest need for the multi-family market based on the data in this study is to fill this gap, as the working class citizens of Muskegon are under-represented in this sector. Focus on developments that have larger units for bigger families should also be a priority, according to available inventory and average household sizes of low to moderate income citizens. This would also regulate the single family market and open up houses that are currently rental units to potential reinvestment by owner occupiers, which would serve to increase housing diversity in those areas.

RECOMMENDED ACTION ITEMS

These high level recommendations are distilled from the data analysis and conclusions of this study. They are meant as a general guide to policy makers and staff with the intent to further develop and strengthen the multi-family housing market in the City of Muskegon. The city staff and elected officials are already on a positive track with many of these recommendations, which should continue to bear significant investments.

- **Continue to attract and develop higher market rate housing in key corridors**
 - o These developments serve to place stakeholders with disposable income close to commercial areas that need investment and patronage. There is clearly a strong and growing market for these types of units, and they will contribute to creating micro-economies that promote diverse business and service amenities in the community. These should be comingled and interspersed with other housing types, price points, and units, not separate.
- **Prioritize “missing middle” investments in neighborhoods outside of downtown**
 - o As highlighted in city planning documents, so called “missing middle” housing stock provides options between single family detached units and larger middle-high density apartment complexes. These types of units, such as four-plex, row-homes, and small scale multi-building complexes integrate well into neighborhoods and can provide a much needed housing option to moderate income earning working families, who are currently underrepresented in rental stock in the city.
- **Promote subsidized developments such as Low Income Housing Tax Credit builds for non-senior complexes**
 - o The study clearly indicates that this is the biggest piece missing to the multi-family housing market in Muskegon. There is a clear and present need for workforce oriented housing in the community. There are many viable lots downtown and in neighborhoods that could support various development styles and within price points that could be absorbed by this crucial demographic, which are currently relying on other forms of housing that is less sustainable.
- **Work to communicate with and educate the community on the housing environment**
 - o As the city grows and changes, there will be a need to ensure that stakeholders know what options are available to them, and that they are being considered in decision making surrounding development. The data is evident that the rental environment is healthy overall, but there are key needs that must be addressed to guarantee housing equity and a healthy local economy. Public input on the type, location, and availability of these developments will be crucial as growth from the downtown corridor spreads and impacts surrounding neighborhoods.

DEPARTMENT INFORMATION

The City of Muskegon Department of Economic Development is a skilled team of professionals who focus on a wide range of city initiatives. This includes the retention, expansion, and attraction of the community's business base, as well as tracking of key data such as housing prices, incomes, and employment levels. The department also collaborates with other city staff to plan, implement, and manage major public and private development projects in the community. The members of the department are:

- **LeighAnn Mikesell, Director of Development Services**
 - LeighAnn serves as the head of the Economic Development team in the city, as well as overseeing the Community and Neighborhood Services and Planning Departments. She is a professionally credentialed engineer by training, and has many years of experience in project management and development in state and local government. LeighAnn has a proven track record of leading staff and accomplishing valuable community projects.

- **Peter Wills, Director of Strategic Initiatives**
 - Peter comes to the team after 20 years working in administration for the Michigan State Legislature, most recently as the Chief of Staff for the district's previous State Senator. Peter's role involves intensive project management for major endeavors in the community, and he also serves as a crucial liaison between the City and various state agencies, to whom is he well acquainted.

- **Jake Eckholm, Director of Economic Development**
 - Jake's role is very diverse, as he is the key point of contact for all major employers, industrial and commercial entities, and prospective business investors in the community. He also represents the city in partnerships with regional, state, and national economic development organizations. As a previous city manager, Jake is well versed in public service and creating lasting relationships with all stakeholders.

- **Dave Alexander, Business Development Manager**
 - With decades of experience as a reporter and news editor for the Muskegon Chronicle, Dave brings unmatched knowledge and context of the city to his role. He is the primary liaison to the Muskegon Downtown Development Authority as well as the Brownfield Redevelopment Authority Board. Dave is responsible for assisting in the development and growth of the community's retail corridors, including our growing downtown district.