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Each January at their annual retreat the MAP Board identifies a policy priority - an issue or challenge facing our industry - and over the course of the year seeks to learn more about that topic, ultimately developing a policy to guide the work of MAP, and of our members.

To that end, the board “links” with experts throughout the year, inviting leaders from planning or other industries to join the board for conversations about the topic, deepening our understanding, and informing our policy direction. What we learn is incorporated into our policies, and ultimately shared with our members through educational programming, Michigan Planner features, and advocacy. Sometimes it results in new partnerships or grants.

These board linkage conversations are so rich with content that we believe our members will find useful that we developed this series of Board Linkage Summaries to highlight the key findings of these exchanges with others - typically non-planners - who join us in the space of community building.

The objective of this series of to allow you to also better understand who the board is meeting with, the objectives of those meetings, and the takeaways that will help us all understand the interconnectedness we share with other disciplines and professions, and how we can apply this knowledge to our work as planners.

## Board Linkage Briefs

# Why is There a Housing Shortage? *(part two)*

### **Short Term Rentals**

In some communities, short term rentals have further exacerbated the housing shortage by reducing supply. Commercialized short-term rentals (STR) artificially inflate rental costs, and remove housing units from the available inventory. They make it difficult for people to break into the housing market to either rent or purchase a home. As long-term residents get priced out of a neighborhood, who remains? Only those who already own a home (and don't rent it out as a STR). New families are not able to buy or rent those properties on a permanent basis. Aside from the changing neighborhood character, the supply of housing decreases. This leads to housing prices increasing, pricing out many.

### **Materials and Labor**

Costs are driven up by supply unable to keep pace with demand and by a historical increase in land, labor, and materials, which is particularly relevant in high growth areas.

A lumber shortage, which occurred largely from wildfires in the western United States, drove up the price of lumber, making it even tougher for affordable homes to enter the market. But shortages of steel and copper as well as other building materials continue to impact construction. There are also limited lots on which to build and a deficit of skilled labor.

The Bureau of Labor Statistics (BLS) reported that as of April 2021 there were 357,000 unfilled construction jobs. Some experts believe that could be a significant undercount because BLS bases its numbers on payroll data, and many contractors are self-employed, so they don't maintain a payroll roster. NAHB estimated that as of 2019, 2.4 million construction workers — roughly 22 percent of the labor force, a record low rate for the industry — were self-employed.

Construction's labor shortage problem threatens to worsen as homebuilding continues to boom and infrastructure projects increase over the next few years. To support this level of growth, trade associations and industry advocates will need to invest even more time and resources into recruiting the industry's future workforce.

### **The COVID factor**

In this latest housing shortage, the coronavirus pandemic played a

role. When the country first locked down in March 2020, people feared another housing crisis similar to what happened in 2008. During spring 2020, demand for housing was low.

By summer 2020, people began moving. Record low mortgage rates continue to make moving attractive. But at the same time, there was less building happening, even though there was increased demand. Building starts were slow for several reasons. It was harder to do business during lockdowns which led to construction taking longer, but there were also supply-chain issues (sinks, appliances, and other building components). There continue to be supply shortages as the pandemic endures worldwide.

### ***Zoning***

Overly restrictive zoning codes continue to restrict housing choice by prioritizing a single family development model, rather than a range of housing options. Implementing zoning reforms and easing restrictions can play a major role to increase housing supply that meets the needs of current and future residents. For example, Grand Rapids has allowed 50% more by right residential development which has had a huge impact on its housing supply. However, it is also a highly desirable community.

Denser housing types such as townhomes and apartments, stacked units, and tri-and quad plexes, can be more affordable, but even townhomes and apartments (particularly if they are market-rate) cannot completely compensate for a location that is highly desirable or not so desirable.

Articulating a community vision for a range of housing in the master plan, and then allowing housing by right that meets that vision, avoids lengthy and unpredictable development review processes and vociferous residents who oppose new development that isn't single family. Rather than have the difficult conversations at the site plan review meeting or rezoning public hearing, the time to have them is during the master plan process.

### ***Still more is needed***

Because of the factors outlined above, it is sometimes very difficult to make housing affordable for everyone. A local unit of government cannot set land value, or secure the cost of materials or provide construction workers, but there are ways a local unit of government can make housing more affordable. In the next tear sheet, we explore the partnerships and collaboration that are needed to increase housing affordability in Michigan.

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### ***It's Not Just Michigan***

According to the National Association of Realtors, in May 2020, there was a 4.8-month supply of homes which is a fairly normal inventory, but it's been steadily dropping ever since. In December 2020, there was only a 1.9-month supply of homes, the lowest ever recorded. This means that nationally there is a housing shortage. Freddie Mac estimates that nationally 2.5 million houses need to come on the market to combat the shortage.