Kent County launching $58M affordable housing loan program

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By Brian McVicar | bmcvicar@mlive.com

GRAND RAPIDS, MI — The Kent County Board of Commissioners approved a $58 million affordable housing loan fund Thursday, an investment designed to help address a housing shortage that's driving up costs, hurting low-income families and threatening to stifle growth.

"This won't put 35,000 units immediately online," Kent County board chairperson Stan Stek said in a reference to the county's estimated housing shortage. "But depending upon how it goes from here, it will have a significant impact, and we're hoping that it's sort of the catalyst to get us a long way towards that."

The housing loan fund will be managed by IFF, a community development financial institution with offices in Grand Rapids and Detroit as well as several other Midwest states. The county board voted in December to deposit $17.5 million in federal covid relief dollars into the fund. IFF will provide matching funds that will increase the investment to $58.3 million, the county says.

Loans could begin being doled out as soon as September.

An average loan amount that will be granted through the program wasn't available, officials said, but the dollars provided will likely represent just one financing piece a developer needs to launch a project. Representatives of several housing-focused organizations spoke in support of the fund, including Habitat for Humanity, ICCF Community Homes, Housing Next, and the Grand Rapids Chamber.

"You decision to make this particular investment can impact the lives of thousand of people in Kent County for the better," said Ryan Kilpatrick, senior advisor at Housing Next, which advocates for more housing at all price points in Kent and Ottawa counties. "It can create more stable housing, it can create more workforce housing, it can create more attainable housing."

One group, Together West Michigan, said it supports the fund but urged commissioners to require 50% of the housing units approved by the fund, within 15 years from now, be owner-occupied. A resolution approved by the county contains an "aspirational" goal that 10% of the funds go toward home-ownership units.

"Surely, Kent County in some fashion ought to keep before itself the guiding light goal of increasing homeownership steadily through the life of this unique and consequential fund," said Ted Hartzell, a Jenison resident and member of Together West Michigan, a grassroots group focused on housing, neighborhood safety, transportation and more.

Officials with Habitat for Humanity and ICCF also emphasized the importance of aiming for stronger homeownership goals.

Building more housing throughout Kent County and Grand Rapids has been a major focus of city and community leaders in recent years.

A study released this year by Bowen National Research shows Grand Rapids and Kent County need an estimated 34,699 units by 2027 to meet projected demand. Sixty-two percent of the demand is for home-ownership units.

Kent County Commissioner Stephen Wooden, who works at the nonprofit housing developer Dwelling Place, said he and other commissioners share Together West Michigan's goal of boosting the homeownership target.

But in the current market, due to cost and other factors, requiring 50% of the units to be owner-occupied is "unattainable," Wooden said. The commission chose 10% as the starting point based on existing market conditions, he said. Even reaching the 10% goal in a year will be a "stretch," he said.

"It's our hope that in year one we reach what we see as a stretch goal and we can build on it and take it year by year so that throughout the life of this fund homeownership is a larger and larger core component," he said.

Wooden added that he was hesitant to include the 50% goal, even as an aspirational goal, because he did not want to overpromise and underdeliver. In addition to cost — a newly single-family home can start at $350,000 — other barriers include a state incentive structure geared toward affordable rentals, not affordable homes, he said.

Now that the loan fund has been approved, IFF will evaluate projects that are seeking funds. The first loans could be granted within the next month or so, said Chris Uhl, an executive director at IFF who oversees the organization's work in Michigan and Ohio.

"As we've been contemplating this investment, we got out into the county and started meeting with developers — big, small, for-profit, non-profit developers — to understand what they really needed in these funds," he said. "That allowed us to create a pipeline of projects that are already being evaluated by our team and underwritten in hopes of investment."

The affordable housing loan fund will provide loans for a mix of projects.

Parameters approved by the county board require rental units funded by the loan program to be "priced appropriately for households at or below 80% of the county-wide area median income." For a family of four, 80% of the countywide area median is $71,600.

It also requires that homeownership projects be priced "appropriately for households earning at or below 120% of the county-wide area median income." That equates to $107.400, according to figures provided by Kent County.

Priced appropriately means a resident's monthly rent or mortgage payment does not exceed 30% of their monthly income, said Josh Spencer, strategic impact director at Kent County.

In addition, all projects must keep their affordability requirements in place for at least 20% of their housing units for at least 10-years or the length of their loan program, whichever is longer, according to a county resolution.

Wooden said that time-period was chosen because “flexibility is key at the local level to bring in a wide variety of projects.”

“This is not going to be the primary source of funding for any one project,” he said.

“It’s going to be part of it. It’s either going to be the front-end financing or their last dollars. I expect a lot of these projects will have other funds that will also come with longer and sometimes stricter affordability restrictions. But having the loan fund remain more flexible means multiple kinds of projects can utilize the fund.”

Another aspirational goal included in a resolution approved by the board is that 60% of the units created through the fund be leased or sold to households earning 80% or less of the county’s area median income. For a family of four, 80% of the countywide area median is $71,600.

The 60% figure wasn’t higher because it’s possible that mixed-income projects, containing market rate units, could be funded by the loans, Wooden said. The loans can also go toward home-ownership projects reserved for households with up to 120% of the countywide area median income.

“Its not the purpose of the fund to subsidize a bunch of market rate housing,” Wooden said.