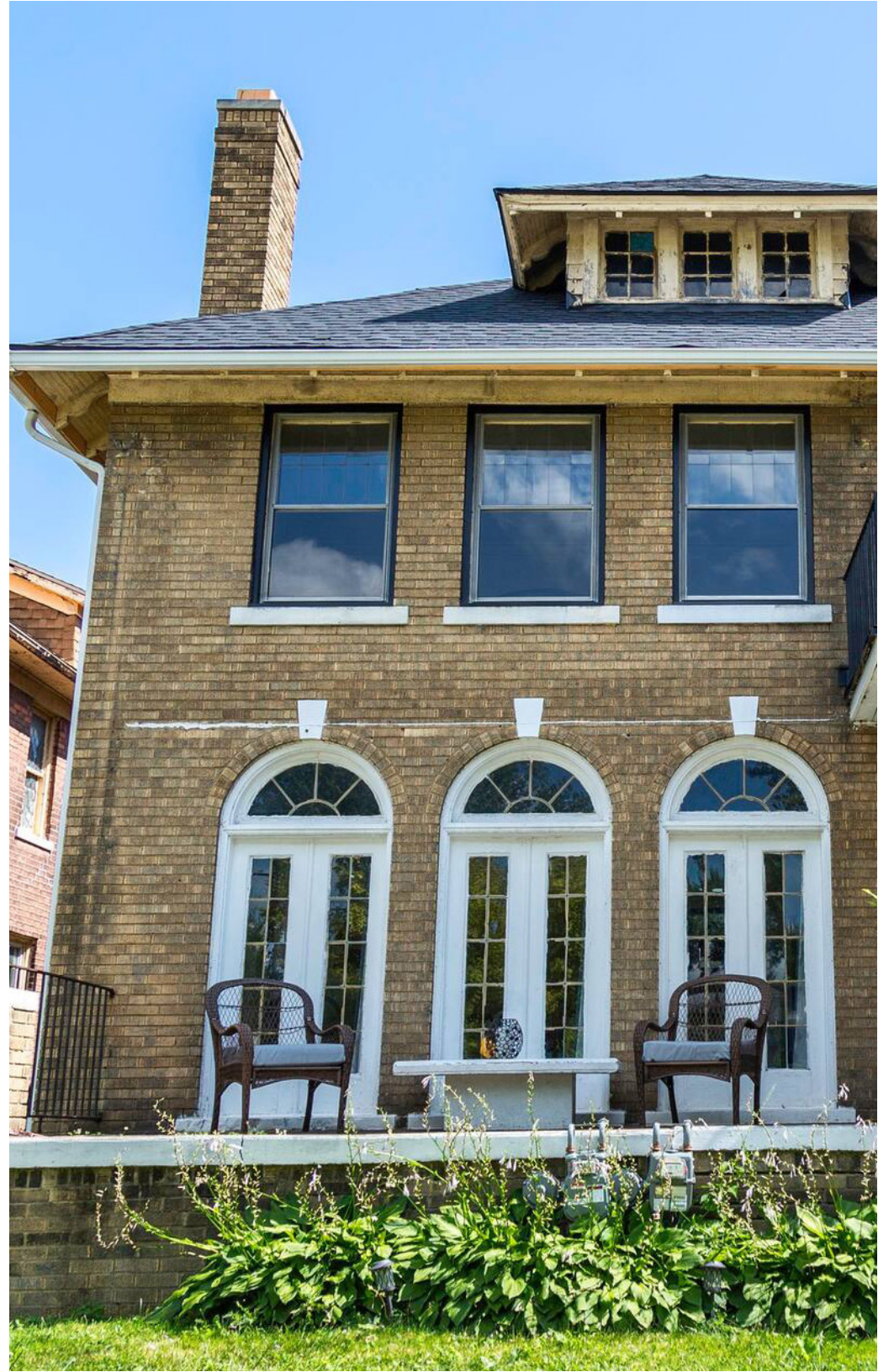


RENTING HOME:

Considerations For Developing
An Equitable Single-Family Rental
Housing Market In Detroit

April 2021

**DETROIT
FUTURE
CITY**



About This Brief

The purpose of this brief is to:

- 1 Assert that all people should have **secure, healthy, and affordable housing** and acknowledge that Detroit is currently far from this ideal.
- 2 Establish a **baseline understanding of the scope and underlying challenges regarding the single-family rental market** so that data-informed and effective responses can be developed.
- 3 Identify **recommended strategies for how to direct incremental change** toward achieving affordable, healthy, and safe single-family housing for all Detroiters.

Detroit Future City (DFC) is working to promote a more equitable and sustainable future for Detroit. Through research, community engagement and collaborative action, we advance innovative policies and strategies consistent with the long-term vision laid out in the Detroit Future City Strategic Framework. Current areas of focus include promoting the productive reuse of vacant land and buildings, encouraging the use of green stormwater infrastructure, improving housing conditions in neighborhoods, and increasing economic opportunity and equity for all Detroiters.

This brief is authored by DFC on behalf of The Detroit Neighborhood Housing Compact (DNHC). DNHC is a forum for regular collaboration and collective action by more than 80 public, private, and nonprofit stakeholders.

DNHC's mission statement is:

We believe that all Detroiters should have diverse housing options and that quality single-family homes, for renters, buyers, and homeowners, are fundamental for creating strong neighborhoods in Detroit. We support the development of neighborhoods that are racially and economically inclusive, where all residents have access to economic opportunity.

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MonaLisa Development, p.1
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Key Terms

AFFORDABILITY — The U.S. Department of Housing and Urban Development (HUD) states that for a unit to be considered affordable, the cost of housing (monthly rent and basic utilities) must not exceed 30% of the occupant’s monthly income before taxes are removed (monthly gross income).

COST BURDEN — HUD defines a renter or homeowner as cost-burdened when they spend more than 30% of their monthly gross income on rent and basic utilities. A household is considered severely cost-burdened when they spend more than 50% of their monthly gross income on rent and basic utilities.

DEVELOPER — The party responsible for the acquisition of a piece of land, preparation of that land for a commercial/residential structure, and often acts as the builder of the structure on that property. Once the property and structure are built, developers often serve as landlords.

DISPLACEMENT — When residents are forced to move out of their neighborhoods/residences. This can happen due to rent increases and/or building renovations, a lack of affordable housing options in developing neighborhoods, or when support services relied on by low- and moderate- income families leave the neighborhood.¹

ECONOMIC EQUITY — In an economically equitable Detroit, all Detroiters are meeting their unique needs, prospering and fully and fairly participating in all aspects of economic life within a thriving city and region..

HOUSING CONDITION — Housing condition is defined by the physical state of the structure. Considerations for housing conditions include the age of the home, structural safety, presence of pests, presence of environmental contaminants – such as lead-based paint – and operational plumbing, electrical and temperature-control systems.²

HOUSING COSTS — The cost of rental housing includes monthly rent, monthly utilities (electric, gas, internet, water and sewerage, and garbage removal), and oftentimes renter’s insurance.

HOUSING INSECURITY — In the single-family rental market, housing insecurity is indicated by eviction rates, informal evictions, land contract forfeitures, tax foreclosures, rent arrearages, overcrowding, etc.

LANDLORD — The party responsible for managing a rental property. Key responsibilities include collecting rent, maintaining the property and paying taxes.

RENTER (OR TENANT) — The party living within a single-family rental property. Renters pay monthly rent to landlords and are responsible for the property per the terms of their rental agreements.

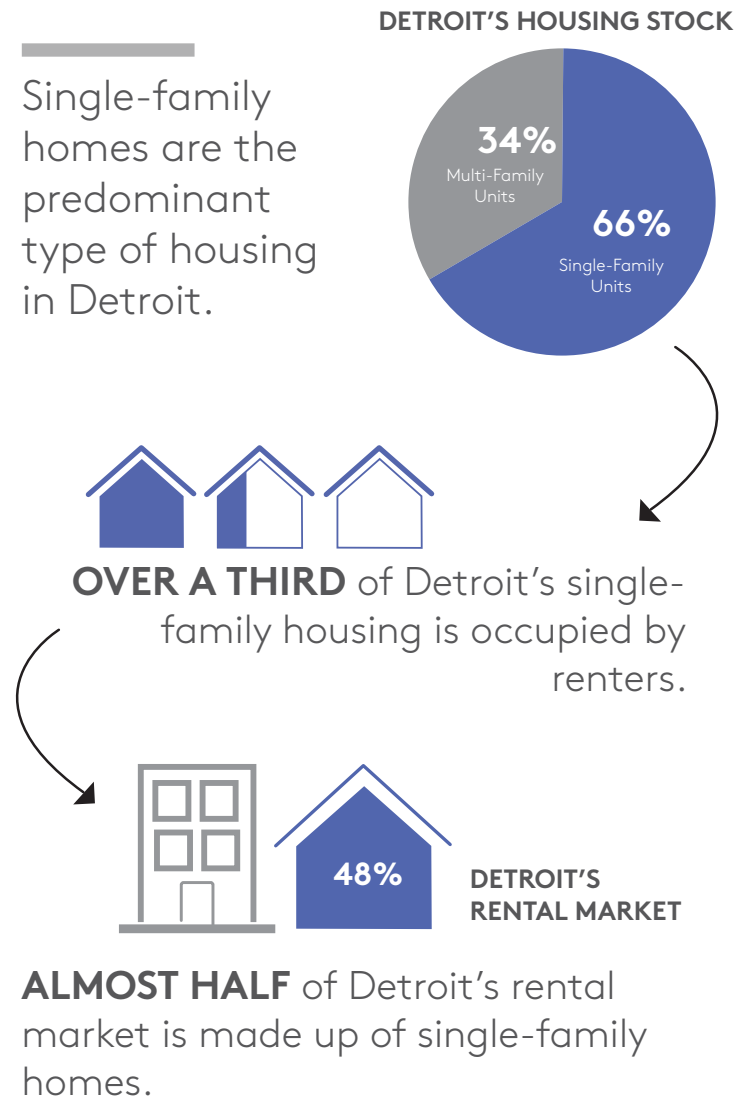
SINGLE-FAMILY RENTAL — Residential units that are designed to have only one tenant/household residing within that unit. In this brief, a home is considered single-family if it is a stand-alone structure with just one household living in it.

Single-Family Rentals Play A Critical Role In Affordable Housing

Access to secure, healthy and affordable housing is foundational to achieving economic equity for all Detroiters. Yet, for too many renters, housing stability is threatened by low incomes, unaffordable rents, unsafe homes and predatory landlord practices. Housing challenges are most acute for Detroit's large number of low-income households. A lack of housing stability can result in renters experiencing housing insecurity, displacement and homelessness. Neighborhoods also suffer from resident instability, increased vacancy and declining condition of the housing stock.

Single-family homes are the predominant type of housing in Detroit, accounting for 66% of all residential units, totaling 238,141 units in the city.³ These single-family homes are an important component of the rental housing supply in Detroit—more than a third of all these single-family homes (37%) are occupied by renters.⁴ Further, single-family units make up 48% of the whole rental market.⁵ **However, the demand for quality affordable rental units far exceeds the supply.**

A comprehensive strategy for increasing access to quality, safe, and affordable rental housing must involve strategies that address two of the largest challenges facing the single-family housing rental market—affordability and quality.



Detroit's Single-Family Rental Market Lacks Sufficient Affordable Housing Options

In the single-family rental market, affordability is one of the key issues facing Detroiters, and it is closely tied to income level and poverty.

A standard measure for housing affordability comes from the U.S. Department of Housing and Urban Development, which maintains that **for a unit to be considered affordable, the cost of housing (monthly rent and basic utilities) must not exceed 30% of the occupant's monthly gross income.**

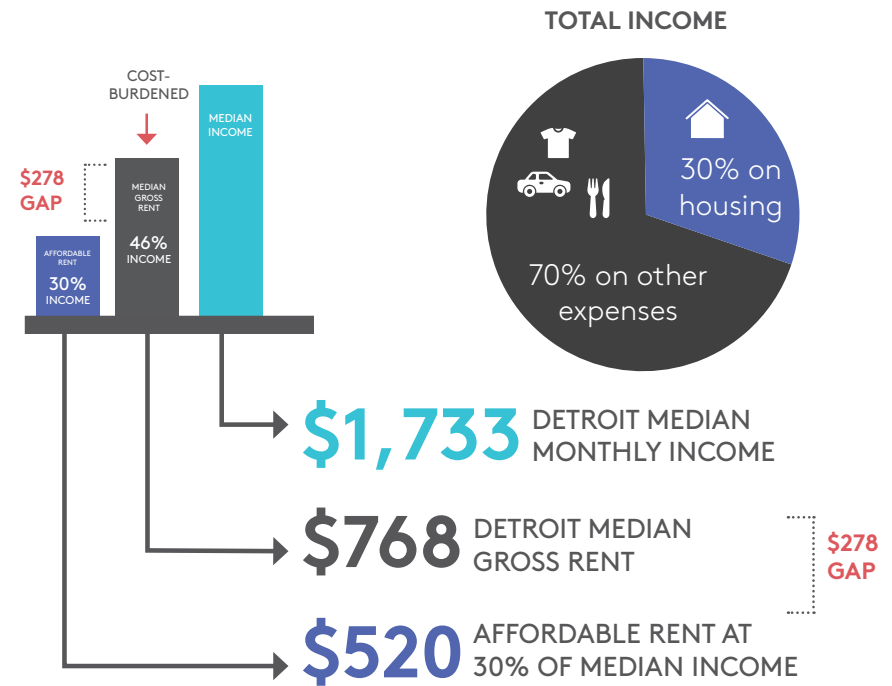
Though this standard is a generalization and does not account for differences in basic household expenses between households, it is a widely accepted definition in the housing industry.

It is important to understand what this affordability measure looks like in the context of Detroit renters' income. In 2018, the median household income of Detroit's renters was \$20,800. At this income level, a renter could afford rent at \$520 per month. However, the median monthly gross rent in Detroit was \$798, a gap of almost \$278 per month.⁶

UNDERSTANDING

affordability & cost burden

For the average Detroit, **rental affordability is difficult to achieve.**



Cost Burden for Detroit's Renters Highlights Affordability Issues

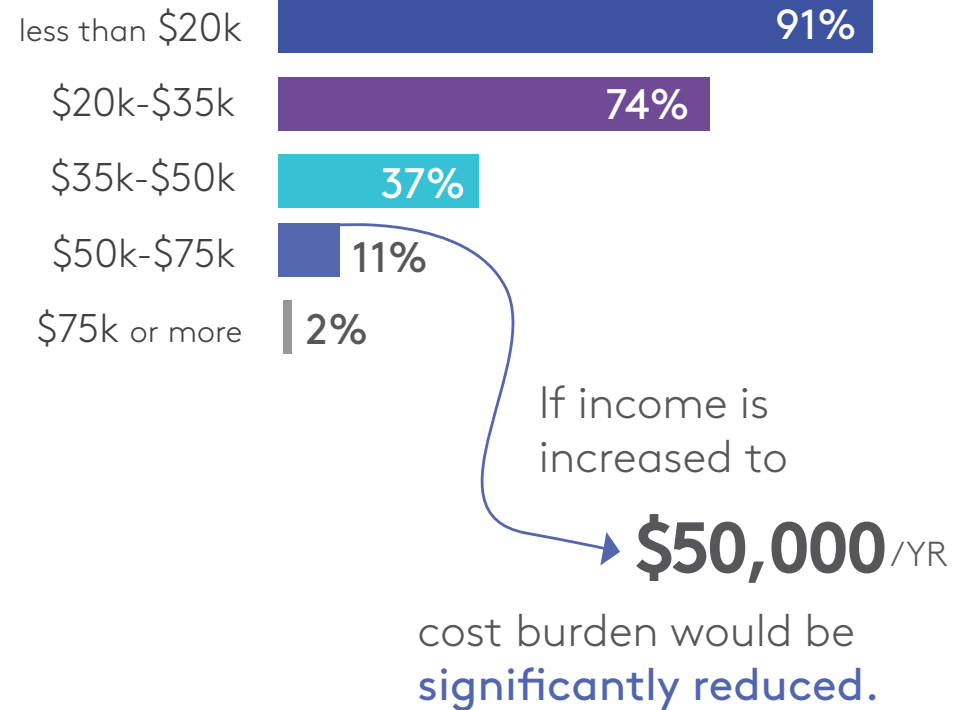
One metric that can help shed light on how many renters are experiencing challenges with housing affordability in Detroit is cost burden.

A household is considered “cost-burdened” if they pay more than 30% of their gross income toward housing costs and “severely cost-burdened” if they pay more than 50% of their income toward housing costs.

According to the most recent data available from the American Community Survey (prior to the COVID-19 pandemic), 56% of all renters in Detroit are considered cost-burdened and 31% are considered severely cost-burdened.⁷

In Detroit, cost-burden is largely driven by low incomes. Cost-burdens are especially high for low-income Detroiters. The chart on the right is not limited to single-family homes but shows the distribution of cost-burdened renters in each income bracket. If household income were increased to \$50,000, it would be significantly reduced.

Percent of Renters Cost-Burdened by Income Level⁸



American Community Survey, 2019 (table: B25074)

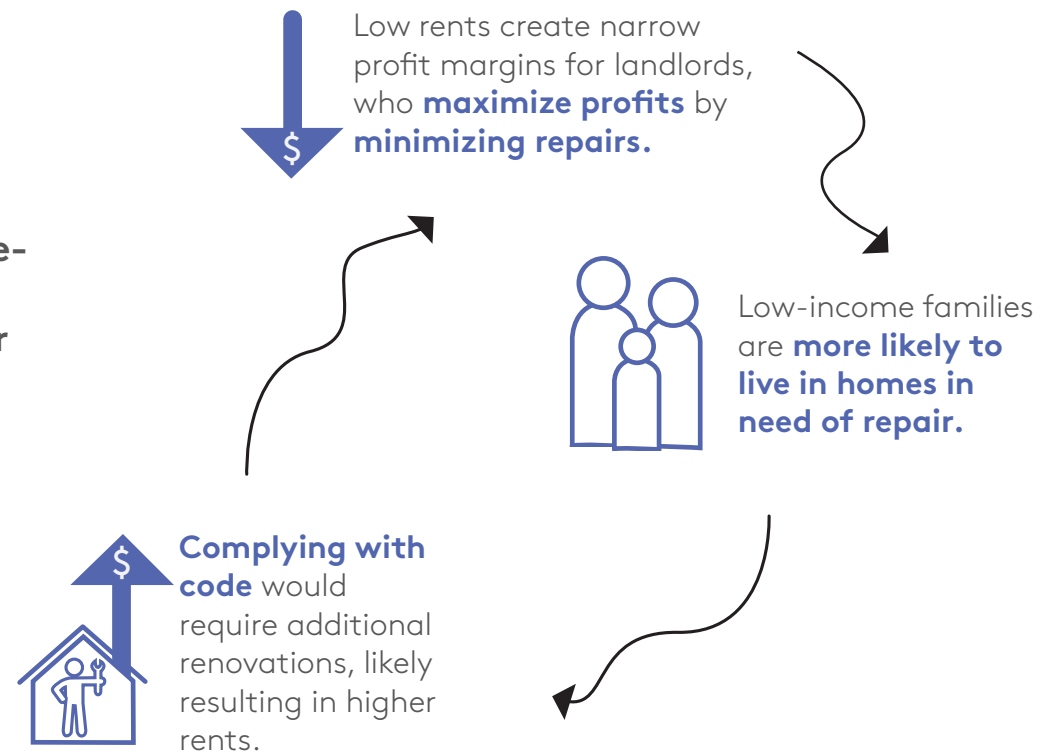
Detroit's Single-Family Renters Face A Shortage Of Available Healthy Homes

Housing quality is another critical issue in the single-family housing market that is closely linked to challenges with low incomes and low rents in Detroit.

Because Detroit's renters face high rates of poverty, rents have to be kept low for a landlord to be able to attract tenants. In turn, landlords put off regular maintenance and major repairs to keep rents affordable. This drives a cycle of disinvestment that leads to further deterioration of single-family housing.

According to one recent estimate, **116,000 single-family structures that are rented or owned by households earning less than \$60,000/year need some form of repair and roughly 60% of those homes require a critical repair costing \$30,000 or more.**⁹

Cycles of disinvestment lead to ongoing deterioration in Detroit's single-family rental market.



Inspections And Compliance Challenges Highlight Quality Issues In Single-Family Housing Stock

The City of Detroit regulates rental housing quality through its property maintenance codes. All rental housing providers are required by ordinance to register their rental units with the City and to obtain a Certificate of Compliance (COC), verifying that they comply with rental property codes. This ordinance is meant to ensure that rental properties are safe and healthy to live in and free of environmental hazards such as lead-based paint.

Though all property owners are required to register and obtain a COC for their rental properties, the City has rolled-out enforcement efforts on a ZIP code basis. According to the City of Detroit's Housing & Revitalization Department, in ZIP codes where ordinance enforcement has been concentrated, 18% of properties have been registered, and only 4% have received a COC.¹⁰

The lack of a COC does not necessarily mean that a rental unit is substandard, but compliance with local ordinances is the best way to ensure that all units meet minimum standards of quality and safety. The extremely low level of code compliance is an indication that most private landlords are unwilling or unable to provide housing that is both affordable and meets code requirements.

The City's experience with rental code enforcement suggests that enforcement measures alone will not result in the quality affordable housing that Detroiters need. Without additional public support in the form of financial resources, transparent data and deeper partnerships with government and court systems, the private sector will not solve the dual challenge of healthy and affordable housing for lower-income Detroit households.

In zip codes where the City of Detroit enforces property registration and Certificates of Compliance, only



HR&A Advisors, 2020. Consulting deliverable produced for City of Detroit Housing & Revitalization Dept. (unpublished)

COVID-19 Had a Deep Impact on Detroit's Renters

Though the full implications of the COVID-19 pandemic are still unfolding, it is already clear that the virus has left many more vulnerable. An increase in unemployment and business closures since the onset of the pandemic will impact household incomes and exacerbate affordability issues.¹¹ Many of the Detroiters who are most at risk of facing housing instability are those working low-wage jobs.¹² In a city where low-income renters are already burdened by the cost of housing, the COVID-19 pandemic could have a dire impact on the city's most at-risk residents.

Without extraordinary measures such as federal stimulus payments, expanded unemployment benefits, eviction moratoria (the Centers for Disease Control & Prevention moratoriums are set to expire June 30, 2021) and rental assistance programs, the situation could be even more dire for households that have experienced job and income loss and ultimately result in a wave of evictions.

However, the basic underlying problems of housing quality and affordability for lower-income Detroit households existed prior to the COVID-19 pandemic and will require long-term, structural changes to solve. The COVID-19 pandemic and the increase in unemployment and lost income, will further exacerbate the affordability and quality challenges faced by renters of single-family homes in Detroit.



The question becomes, how do you stabilize the housing market when, even in relatively good times, there is significant income instability within the community?"

— "COVID-19: Future Resilience Demands Greater Equity Today," Detroit Future City

Recommendations For Improving The Single-Family Rental Market In Detroit

Achieving the goal of providing secure, healthy and affordable housing for all Detroiters will require long-term, systemic change aimed at increasing household incomes, increasing the availability of rental assistance for low-income households, enforcing housing quality ordinances, tying incentives for rental developers and landlords to affordability and code compliance requirements, and developing more permanently affordable housing. The following pages contain suggestions for specific actions in four key areas:

- 1 **Improve Opportunities for Landlord Accountability**
- 2 **Increase Economic Equity Systems**
- 3 **Collective Policy and Advocacy**
- 4 **Increase Tenant Protections**

It is important to note these changes must take place alongside systems level programs aimed at increasing incomes for Detroiters. Systems work is intersectional, requires cross-sector collaboration and is essential to improve outcomes in the single-family rental system.



IMPROVE OPPORTUNITIES FOR LANDLORD ACCOUNTABILITY

STRATEGY

DESCRIPTION

PARTNERS



FINANCING

Provide low-cost financing and subsidies to small landlords for unit repair. Tie to code compliance and affordability requirements.

CDFIs
Philanthropy
City, State, and Federal Governments
Financial Institutions



EDUCATION

Educate landlords regarding city rental ordinances and low-cost approaches to code compliance. Improve communication between BSEED and landlords.

City Government
Community Development System



DEVELOPMENT MODELING

Consider creative models for single-family rental in order to increase affordability and quality. For example, some developers are renting single-family houses by the room.

Community Development System
Private Developers

INCREASE ECONOMIC EQUITY SYSTEMS

STRATEGY

DESCRIPTION

PARTNERS



TRANSPARENCY

Make inventory data more transparent
– Democratizing data would support smaller buyers rather than large, speculative entities.

DLBA
City and County Governments
Data Brokers



LONG-TERM AFFORDABILITY

Increase advocacy for long term affordability preservation mechanisms such as deed restrictions, land contracts, and community land trusts.

City
Community Development System
State Government



INVESTMENT TOOLS

Opportunity Zones: Opportunity Zones create tax incentives in qualifying census tracts and could be more creatively used to create affordable housing.

City
Community Development System
CDFIs
Financial Institutions

COLLECTIVE POLICY AND ADVOCACY

STRATEGY

DESCRIPTION

PARTNERS



INCREASE FEDERAL SUPPORT

Advocate for increased federal support for safe, affordable housing that closes the economic gap through increased rental subsidies.

Community Development System
City and State Governments



TRACK BAD ACTORS

Publicly track the worst offending landlords and stop funneling houses to them through the tax foreclosure auction process.

City
Community Development System
City and State Governments
Data Brokers





MARSHALL RESOURCES

Marshall available resources (including tax breaks) to subsidize single-family housing repair (especially lead abatement) and tie to code compliance and affordability requirements.

CDFIs
City
Community Development System
Philanthropy

INCREASE TENANT PROTECTIONS

STRATEGY	DESCRIPTION	PARTNERS
 EXPAND LEGAL PROTECTIONS	Expand legal representation and defend tenant’s interests in the face of exploitative landlords (and land contract sellers).	City Federal Government Regional Judicial System State Government Community Development System
 CLOSE LOOPHOLES	Close the loopholes that allow rental conversion to land contract sales for the purpose of avoiding code compliance.	City Federal Government Regional Judicial System State Government

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