

Strategies to Address Housing Quality and Sustainable Neighborhoods

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Introduction

Quality housing stock and vibrant neighborhoods are an integral part of a thriving community. The City of Grand Rapids Master Plan states, "Preserving the stability of strong neighborhoods and revitalizing neighborhoods that are experiencing the stresses of age and disinvestment are high priorities in Grand Rapids." Current economic challenges and an unprecedented foreclosure crisis necessitate that action be taken to maintain the strength of the city. Exposure to sub-standard rental units related to the lack of consistent inspection and certification, coupled with more families entering the rental market, requires the City of Grand Rapids to update their housing policies to reflect the current needs of the community. Additionally, the recent wave of foreclosures in Grand Rapids has also led to a large increase in the number of vacant properties. These uninhabited parcels lower property values, lead to an increase in crime, and create instability in the community. Although vacant properties have always existed, City of Grand Rapids policy has not kept pace with the number vacancies at the scale that exists today. The following policy recommendations, along with need for accurate housing data, are recommended with the goal of creating more quality housing units and a vibrant community in Grand Rapids.

Background

The need to examine the City of Grand Rapids housing policy began during February 2009 with the Healthy Homes Coalition of West Michigan's community meeting, at which there were high levels of consensus around the need for consistent housing code enforcement. In March 2009, with the Foreclosure Response project beginning to gather community input for their *Comprehensive Response Plan: Addressing the Foreclosure Crisis*, along with the announcement of the Countrywide settlement money, an infrastructure was set in place to support policy changes that sought to limit the negative effects of the foreclosure crisis and promote additional affordable, quality housing. Further discussions began in May 2009, when the City of Grand Rapids invited community feedback regarding a proposal to adopt the International Property Maintenance Code (IPMC), along with other possible changes to policies and procedures regarding housing. Over several months policy recommendations to support quality housing and sustainable neighborhoods were drafted and released that incorporated stakeholders' ideas for needed improvements. During the spring of 2010, conversations took place with numerous organizations to gain input and feedback on policy recommendations. These recent efforts have led to the creation of the subsequent policy objectives.

Core Objectives

The following four objectives are recommended to ensure quality housing in Grand Rapids:

- **Blue Ribbon Commission on Housing:** offer guidance in implementing the requested policy objectives; provide oversight, monitoring, and reporting on code compliance activities; and create an open forum for discussion of housing related issues.
- **Ensure a Minimum Standard of Quality Among All Rental Units:** add single family rental units to the inspection and certification program to ensure that all rental housing stock is required to adhere to the same standards of quality and safety.
- **Limit the Detrimental Effects of Vacant and Blighted Properties on Community Vibrancy:** recommend that the City of Grand Rapids redesign the vacant property program to mitigate the negative effects that the foreclosure crisis has had on property values, crime, and neighborhood stability.
- **Create a Comprehensive, Accessible, and Accurate Database of Parcel Information:** continue with the positive direction that the City has taken to deliver accurate parcel information and improve transparency by creating a comprehensive, accurate, and accessible database.

Blue Ribbon Commission on Housing

Recognizing the intrinsic value of Grand Rapids' housing stock, this commission will be tasked with providing oversight and monitoring of code compliance activities, along with the creation of an open forum for discussion of housing related issues. Members of this commission will represent all aspects of the housing sector including: neighborhood associations, housing developers, home builders, housing advocates, rental property owners, tenants, homeowners, realtors, and other key stakeholders.

Requested Action

It is recommended that the Mayor and City Commission of Grand Rapids establish a credentialed oversight committee tasked to add needed transparency, engage community stakeholders, and address critical housing related issues to accomplish the following:

- Respond to housing related priorities identified by the Mayor and City Commission, address the community's needs regarding housing, and create an open forum to discuss issues related to housing
- Provide oversight, monitoring, and reporting on the policies and procedures of the Code Compliance Division to ensure effectiveness in their work
- Aid in developing the plan to implement the Single Family Rental Inspection and Certification program and review its progress
- Work with City staff to encourage the financial sustainability of the recommended policy changes and long term operations of the Code Compliance Division with the goal of budget neutrality in mind
- Examine new opportunities to work with the court system with the goal of greater efficiency and effectiveness for the adjudication of housing, neighborhood, and tenant/landlord issues, along with exploring the benefits of establishing a housing court
- Support the quest for adequate new resources that assist landlords in raising the quality of housing in Grand Rapids
- Recommend other new housing related procedures and code enhancements as necessary to better serve the residents of Grand Rapids
- Report to the City Commission to address unresolved challenges, as well as highlight the Blue Ribbon Commission's work and accomplishments

Ensure a Minimum Standard of Quality Among All Rental Units

The City of Grand Rapids Community Development Consolidated Plan states that approximately 40% of the City's population lives in rental units. As one in eight residential properties in Grand Rapids have been foreclosed¹ since 2004, many previous homeowners are now renting single family units. Under the current City housing code, single-family rental units are not protected by routine inspections and code enforcement through the Code Compliance Division, denying many families assurance of a quality home. Therefore, all rental units in the City of Grand Rapids should be inspected and certified in order to ensure a minimum standard of housing quality in Grand Rapids.

Data shows that current policies and procedures leave a significant portion of the renting population at risk. According to the 2000 Census, single-family rental units comprise 23% of all rentals in the City, housing one third (33%) of the total tenant population². Households residing in single-family rental units are more likely to include young children,³ as the private yards, larger unit size, and other amenities provide benefits to

¹ Reported by the Community Research Institute in the *Residential Foreclosures in Grand Rapids' Neighborhoods* dataset published on February 3, 2010

² 2000 Census dataset SF 4, table HCT17

³ Average family size for single-family rental housing in Grand Rapids is 3.4 persons. For multi-family housing, the average family size is 1.8 persons. Source: 2000 Census.

families. Further, as more than 7,300⁴ homes in Grand Rapids have gone into foreclosure since 2004, with many of them converted into investment properties, the number of families residing in single-family rental units has increased.

The current inspection system is neither proactive nor consistent. Because City policy is complaint-driven, there are problems festering on blocks that are being overlooked entirely. Blocks with high rental rates are often located in the General Target Area (GTA) and regularly house low to moderate income families. With 72% of the housing in the GTA more than fifty years old, the housing stock is fragile, can easily become distressed, contains hazards, and is in need of more routine inspection. The *Get the Lead Out* program through the U.S. Department of Housing and Urban Development estimates that Grand Rapids contains 6,600 housing units with lead hazards, which can be particularly harmful to young children. An inspection and certification system would ensure that all rental housing in Grand Rapids meets basic standards of quality by remediating unsafe conditions. Finally, due to the larger family size of those living in single-family rental units versus multi-family units, more people will be served under a single-family rental inspection and certification program, all while inspecting proportionately fewer units⁵.

Requested Action

Institute a single-family rental inspection and certification program to ensure all rental units in the City of Grand Rapids meet a minimum standard of quality.

An effective, proactive code enforcement of single-family rental units will ensure:

- All rental units in the City of Grand Rapids will be inspected
- All residents are being consistently served and in a timely manner
- Families have access to quality rental housing
- The community is not affected by lower property values associated with substandard rental units
- Fairness and consistency for all investment property owners

Financial Overview

Recognizing that the City of Grand Rapids is currently experiencing financial hardship, adding additional requirements to the current staffing level is unrealistic. Additional staffing will be required to inspect and certify all rental units and address resident complaints. While these recommendations do not delve into financial particularities, it should be noted that communities surrounding Grand Rapids such as Kalamazoo, Holland, Sparta, Kentwood, Wyoming, and Cedar Springs all have implemented similar changes.

Currently, the average rental inspection and certification allows for the collection of a \$120 fee if all inspections are done on time with no penalties. If the current fee schedule stays intact and an inspector can inspect roughly 500 units per year, each Code Compliance Officer should generate \$60,000 in program revenue, nearly covering the cost of their position. If the fees were increased to \$175 for single-family properties, staffing costs and overhead would be more than adequately covered. Although this translates into a minor, if any, increase in rental rates (\$7.30 a month maximum); landlords could be eligible for multi year certification, which would reduce certification costs. This small increase in costs will have an overall beneficial effect on the community as it will raise the quality of housing in Grand Rapids. It is recommended that the Blue Ribbon Commission on Housing work with City staff to develop the finer

⁴ As reported by the Community Research Institute in the *Residential Foreclosures in Grand Rapids' Neighborhoods* dataset published on February 3, 2010

⁵ This is due to the higher population density within single-family units. The average family size for single-family rental housing in Grand Rapids is 3.4 persons and 1.8 persons for a multi-family unit. Source: 2000 Census.

details of the inspection program, assist in implementation, and support the efforts to sustain housing inspections in a budget neutral fashion.

Limit the Detrimental Effects of Vacant and Blighted Properties on Community Vibrancy

The 2,889 vacant units in Grand Rapids, comprising 7.4%⁶ of the total housing stock, are a proven detriment to the community at large. Such properties invite crime, reduce property values, and create instability on neighborhood blocks. The City of Grand Rapids defines vacant properties as “not occupied by a human or used for any purpose by a person.” Blighted homes are defined as structures that necessitate inspections as they are deemed public nuisances, hazardous structures, containing existing housing code violations, and/or have the utilities disconnected. Both vacant and blighted properties are detrimental to the community and need to be mitigated.

Grand Valley State University’s Community Research Institute data shows that with the recent foreclosure crisis, a sizable increase in vacancies has occurred over the last two years⁷. Those vacant homes are remaining unoccupied for an average of 500 days⁸. As the numbers of vacancies rise and the amount of time until they are reoccupied lengthens, the detrimental effects they have on the community are increasing.

A local preliminary study conducted by Dr. Paul Isely at Grand Valley State University highlights the negative effects that bank-owned vacant homes have on property values. These findings indicate, for example, that a \$100,000 home that has eight unoccupied, bank-owned properties within 500 yards in any direction, sells for approximately \$8,000 less than it would otherwise⁹.

| Number of Homes Within 500 Yards | Effect on Property Values |
|----------------------------------|---------------------------|
| < 4 | ≈3% |
| 4 | 4% |
| 8 | 8% |
| 16 | 12% |

The above table depicts the percentage decrease in property value in Grand Rapids related to the number of bank-owned homes within 500 yards of any property⁹.

The City of Grand Rapids only monitors blighted properties with documented problems and then assesses a fee for their service¹⁰. Due to current staff limitations, not all blighted properties have been inspected to the level necessary and no new cases are being opened¹¹. These properties have a long term detrimental effect on community property values and quality of life.

Requested Action

It is recommended that the City of Grand Rapids create a program to limit the detrimental effect that vacant and blighted properties have on the City’s prosperity. The City should explore the successes of other

⁶ Compiled by the Community Research Institute from the United States Postal Service and HUD Vacancy list from 4th Quarter 2009. Units were reported vacant after 90 days before being added to the USPS Vacancy List.

⁷ In 2008 2nd Quarter the residential vacancy rate was 6.6% and in 2009 4th Quarter the vacancy was 7.4% as reported by the Community Research Institute

⁸ Compiled by the Community Research Institute from the United States Postal Service and HUD Vacancy list from 4th Quarter 2009

⁹ The study examined 400 homes in ten neighborhoods (nine in Grand Rapids and one in East Grand Rapids) during the first quarter of 2010, which were all sold for at least \$50,000. Only bank-owned vacant properties were included in this study, therefore the reduction in property values could be greater if all types of vacant homes were incorporated.

¹⁰ Grand Rapids Housing Code Section 8.716.

¹¹ As outlined in the Neighborhood Improvement Division report submitted to the City Commission on the Commission retreat held 2/2/2010.

municipalities and adopt best practices to limit the number of vacant properties. Also, stakeholder and public comment input should be utilized to create a well-rounded policy.

Aspects of a future vacant property policy could include:

- monitoring houses
- means of discouraging long-term holding of vacant/blighted properties
- using and providing accurate data to target high-risk neighborhoods and locate parcel owners
- utilizing the forthcoming Kent County Land Bank
- providing incentives to reinvest in neighborhoods
- incorporating the assistance of the court system
- ensuring the sustainability of housing in Grand Rapids

Create a Comprehensive, Accessible, and Accurate Database of Parcel Information

It is vital that all residents have access to accurate and comprehensive property information for the City of Grand Rapids. The current process of gathering parcel information is not coordinated and difficult to obtain, as finding property-related details requires the examination of up to six different nonintegrated databases. The Code Compliance Division's current efforts to make parcel-level information more readily available are a great step in improving the system. This database could be used by the staff of the Code Compliance Division, concerned residents, and relevant nonprofit organizations to make their efforts more coordinated and efficient.

Requested Action

As these new technologies become more available, the implementation of a single, comprehensive, accessible, and accurate database will make parcel data more readily available.

The database could include:

- Property type/property use/residential exemptions/foreclosure status
- Owner information
- Assessed value
- Past due taxes/liens
- Vacant/blight status
- Open and previous housing violations
- Previous sale prices, assessed values
- If the property is for sale, and by whom

Conclusion

A quality housing stock and vibrant neighborhoods are elements that strengthen Grand Rapids' efforts in becoming a dynamic city. Ensuring a minimum standard of quality among all rental units is an essential role of government and is a needed component in creating a vibrant, healthy community. The recent foreclosure crisis has caused one in eight families to lose their home, along with the subsequent increase in the number of vacant properties. Therefore, a comprehensive and strong policy response is needed to mitigate negative effects of these vacant properties. Finally, efforts currently underway by the City of Grand Rapids to provide accessible and accurate parcel information should be continued to create a single, comprehensive database. These policy recommendations are respectfully submitted with the goal of ensuring a consistent standard of housing quality and increasing the vibrancy of Grand Rapids' neighborhoods.