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Pathways to Developing Affordable Housing in Detroit: Perspectives from the Community Development Investment Roundtable

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Last summer, the Federal Reserve Bank of Chicago hosted the Community Development Investment Roundtable in Detroit, Michigan. Almost 50 community investment leaders from government (at the city, county, and state levels), philanthropy, banking, and business, as well as community development financial intermediaries, gathered at this event to share insights and develop strategies to deliver greater investment in Detroit’s economically marginalized communities. Informed by presentations on the housing market and community development conditions in Detroit, participants worked together to come up with or improve on solutions that advance housing development in communities of people with low and moderate incomes (LMI communities) across the city. As efforts emerging from the event continue to evolve, we summarize the discussion and key points raised by the roundtable participants.

The roundtable built on ongoing efforts to strengthen Detroit’s community development sector. The Community Development Advocates of Detroit (CDAD)—the local trade association for community development organizations (CDOs)—provided the background on this work. Through a six-year ecosystem-building and planning process, staff from CDOs, neighborhood block associations, nonprofit intermediaries, public sector agencies, banks, and philanthropic organizations together identified seven elements of sound community development infrastructure that leads to, as CDAD has stated, “strong, thriving neighborhoods for all.” One of those elements is “system capitalization,” which CDAD defines as how community development partners are resourced to improve economic and housing opportunities. This element, particularly as it relates to developing such opportunities for Detroit’s LMI communities, was a major focus of the roundtable.

The roundtable’s conversation was grounded in data. So, our recap of the event begins with a summary of the data on Detroit’s changing housing needs that members of the city’s Housing and Revitalization Department (HRD) presented. After that, the roundtable participants identified the barriers to addressing those needs, which we cover in the next section of this article. And finally, the roundtable speakers explored the existing resources and emerging solutions for improving access to housing in Detroit, which we go over before presenting some final thoughts from the event.

Data on Detroit’s housing market

Data presented by the City of Detroit’s Housing and Revitalization Department provided an overview of the Detroit housing market.¹ As of 2022, the median value of owner-occupied housing units was \$66,700, median gross rent was \$990 per month, and the vacancy rate was 22%. Detroit’s housing stock is aging; over 90% of it was built before 1980. Most multifamily units built in recent years are located in the greater downtown area, where the per square foot rental rates are approximately 20% higher than the citywide average, making those developments more financially feasible for developers. For example, in 2016, roughly 750 units were developed, all in downtown neighborhoods; in 2017, about 850 of the 875 units developed were built downtown. In 2023, 550 of about 600 units developed were located downtown. Over the period 2016–21, the city lost about 32,000 rental units priced under \$1,000 per month and gained over 18,000 units with monthly rents of \$1,000 or more (after being adjusted to 2021 dollars).

According to HRD presenters, the population of the city (its socioeconomic makeup and number) and its housing needs have changed significantly since 2010. Between 2010 and 2021, the number of households making below 30% of area median income decreased by almost 35,000. Over the same period, households with incomes of \$75,000 or more increased by about 25,000, of which 15,000 were Black households, which advocates noted is important to track to ensure that Detroit's majority Black residents are included in economic growth. Housing costs have changed as well. The average home sales price increased from just over \$20,000 in 2010 to just over \$100,000 in 2023 (with the peak at just over \$120,000 in 2021). Rents have also increased, especially more recently. Between 2010 and 2019, Detroit city rents (in nominal terms) increased by 1.1%; however, between 2019 and 2021, these rents (after being adjusted to 2021 dollars) rose by 4.5%.

Beyond the shifting population and housing needs in Detroit, the HRD presenters highlighted some other local conditions that present challenges for the housing market: namely, the remediation costs associated with converting formerly industrial spaces to residential use and the often burdensome processing of permitting and entitlement programs that can cause expensive delays in building new homes. Moreover, given that Detroit's residential real estate development sector is still recovering its capacity after years of disinvestment, the real estate process can be slowed down by growing pains. The HRD presenters also discussed how some national trends are making it harder to develop more residential properties in Detroit. Two of them were the rising—and persistently elevated—costs for housing materials and construction labor.

What are the barriers for community development? And how can they be addressed?

At the roundtable, the authors of "[Analysis+advocacy+action: A path to overcoming barriers to equitable real estate development in Detroit](#)" gave a presentation based on their recent report. With the support of the Ford Foundation, the authors, a Detroit team of real estate practitioners and researchers, conducted a study on emerging real estate developers and nonprofits. The authors of the report found that while there have been significant investments in multifamily housing, primarily in the downtown area, there has been less of a focus on the housing and commercial development needs of neighborhoods where the majority of Detroiters reside. The authors noted that the many nonprofit organizations and private Detroit-based developers that serve these communities face various challenges accessing the necessary resources and support to meet local housing needs.

The authors of the study said that they identified three primary sets of barriers to increased housing development in Detroit. The first set of barriers is in the predevelopment phase. The costs related to feasibility studies, legal and regulatory work, and site control and design can be prohibitive, yet those steps need to be taken for a real estate project to move forward. Despite having technical expertise and experience, many developers do not have the capital to complete this beginning phase. The second set of barriers encompasses the various factors that can drive up the cost of construction. These include price increases in materials (e.g., between the time of contracting and the time of purchase) and the lack of skilled contractors and tradespeople in Detroit. Regarding the latter factor, longstanding depopulation and disinvestment in training have led to a shortage of construction labor, the authors reported. For those construction tradespeople who do work in Detroit, the challenges include administrative and regulatory burdens, such as sizable amounts of complex paperwork to comply with city processes; difficult building and site conditions; high insurance rates; and unclear building requirements—all of which can cause delays and raise project costs. A final set of barriers is the costs of keeping housing developments affordable over the long term. Deep and sustainable subsidies are often needed to cover increases in taxes, utilities, and maintenance costs.

The authors of the report recommended addressing these three sets of barriers through funding tools, policy changes, and improved public processes, as well as technical assistance. First, community developers need more access to unrestricted grant funding and revolving low-interest loan pools to help finance the mandatory steps in the predevelopment stage. Second, city, county, and state governments could better support developers by clarifying and simplifying the processes related to land disposition, regulatory analyses, and other associated requirements. Moreover, local and state governments could better support small community developers by connecting them with larger ones that have greater technical expertise. The authors of the report also noted that if meaningful affordable housing is the goal, public entities should support those developers most likely to produce projects in the neighborhoods where they are most needed. Finally, intermediaries, including community development financial institutions (CDFIs) or other nonprofit organizations, could assist community developers by creating a network of trusted technical assistance providers and a repository of best practices and data that save time and resources (including shared market data analyses); such expertise and information would help raise capacity among smaller developers, enabling them to build real estate projects of larger scale.

Identifying existing resources

With these barriers and potential mitigation strategies in mind, the roundtable participants shifted the conversation to identifying existing resources in Detroit. They identified the following resources for funding and technical assistance:

- the [CDO Fund](#), which pools philanthropic dollars to provide operating support for almost 30 CDOs in the city;

- the [Equitable Path Forward](#) program, which provides unsecured, unrestricted credit to developers of color;
- the [KIP:D+](#) program, a citywide grantmaking program that supports neighborhood projects; and
- the [Strategic Neighborhood Fund](#), which utilizes public, philanthropic, and private funds to advance targeted neighborhood development.

The roundtable participants pointed out other potential sources of funding and financing for real estate developers (and nonprofit intermediaries)—such as CDFI loans and grants for very small developers and foundation grants and program-related investments ([PRIs](#)), usually in the form of low-interest loans. The participants noted other loan resources for developers, including the [Ebiara partnership](#), and they mentioned the [Michigan CDFI Fund](#), whose tools can help mitigate the cost of capital.

The roundtable participants identified the following local, county, and state government agency resources for housing development in Detroit:

- Detroit’s [Neighborhood Opportunity Fund](#),
- the [Detroit Housing for the Future Fund](#),
- Michigan’s [MI Neighborhood fund](#),
- Michigan’s [Low Income Housing Tax Credits Program](#) and [New Market Tax Credit Program](#);
- Wayne County’s grant and loans for community development; and
- [MI Funding Hub](#) (a joint venture of the Michigan Municipal League and the Michigan Department of Labor and Economic Opportunity), which lists all local, state, and federal funding in one place.

While there are several sources of development funding in Michigan, participants noted that additional resources are needed to build more affordable housing. Developers were advised to do their due diligence to understand funding opportunities and eligibility requirements, although the roundtable participants acknowledged that many of the application processes for funding from the government and other sources can be difficult to navigate.

New solutions

At the event, the participants agreed that solutions are needed to address specific barriers and that policies and processes likely need to change to deliver more technical assistance and funding tools.

Technical information and resources could be made more accessible by, for instance, creating opportunities for small developers to meet with city officials to understand what is needed to complete the predevelopment phase. Creating local ecosystems that better connect neighborhood-based organizations and developers, philanthropic organizations, and city, county, and state governments can facilitate more communication and collaboration between them. While improving the flow of information between these private and public sector parties is important, the participants stressed that this flow within and across different levels of government must also be improved to better align resources to support affordable housing production.

Throughout the event, participants underscored the need for additional technical assistance, information, and training for small developers. Some participants called for a central database of professionals, development talent, and contractors. Others suggested a “one-stop shop” to help developers—as well as lenders and philanthropic organizations—navigate funding and development opportunities and the city approval process. Where resources already exist, the group suggested building on those rather than starting over. Where resources would need to be created, participants stressed that funding and ongoing support were necessary.

The suggestions to address barriers to accessing capital were wide ranging, indicating opportunities for innovation. Some of the recommendations were as follows: rethinking how lenders conduct loan due diligence so that they can better understand the capital restraints of nonprofit and small developers; changing a scarcity mindset surrounding CDOs; and shifting the perception of a higher risk associated with building affordable housing to one of opportunity.

Funding should be designed to fit the unique parameters of each stage of the housing development process. Participants discussed the need to find a way to support the predevelopment phase, perhaps through a dedicated pooled fund of grant and loan capital. Further, many nonprofit organizations and small developers do not have enough equity to qualify for bank loans, and their representatives at the roundtable discussed a need for providing some sort of guarantee fund that could be used as backing for developers’ balance sheets. Loan guarantees or alternative forms of equity could be also considered, participants suggested. The [Community Investment Guarantee Pool](#), a national financing tool for intermediaries, was mentioned as an example. Flexible financing, a broad category that includes tools such as recoverable grants or forgivable loans, would enable developers to move quickly on opportunities. Many nonprofits and small developers are at a disadvantage during the land acquisition process as they compete with developers in a better cash position. Allowing for longer amortization schedules—which can reduce monthly payment amounts and smooth the uncertainties of the development process—is another form of flexibility mentioned by participants.

Conclusion

Last year the Chicago Fed hosted a roundtable made up of housing developers, multisector funders and investors, government officials (at the city, county, and state levels), bankers, CDFI staff, and other financial partners. As exemplified by the discussions held at that community development event, conversations grounded in data and research are particularly useful as they can help participants identify best practices based on evidence of what has worked in the recent past. The roundtable participants concurred that more discussions like these would help address the needs of LMI communities in Detroit. Meeting the housing needs of Detroit’s residents will require developers, government, and other parties to use a multifaceted and collaborative approach. In addition, significant resources must be secured and adapted for the various stages of the housing development process.

Note

¹ The data presented by the City of Detroit’s Housing and Revitalization Department was sourced not only from original City of Detroit data sets, but also from a variety of other data sets, including those from the U.S. Census Bureau’s *American Community Survey* and *Public Use Microdata Sample* (PUMS), CoStar, Multiple Listing Service (MLS), Freddie Mac, the State of Michigan, and Zillow.

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