

# WELCOME TO THE



**Michigan  
Municipal  
Executives**

2025 Winter Institute

# Muskegon Infill Housing How it Started, How it's Going

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# Housing Challenges in Disinvested Communities



- Suburbanization STILL Reigns Supreme
  - 75% of new housing built in suburb and exurban areas
  - Most growth in areas under 250 people/sq. mi.
  - From 2014-2024: Exurbs 15%, Suburbs 14%, Principal Cities 10% inventory growth
- Disinvested Communities
  - Older, with smaller lots
  - More diverse economically and ethnically
  - Higher Density (Muskegon 2,707 people/sq. mi.)
  - Real Estate Economics Hate Risk
  - Fewer than 20 new construction houses in the city between 2008 and 2015 (14,500 total housing units at that time)



# Muskegon Takes the Risk



## midtown SQUARE

URBAN HOUSING DEVELOPMENT

### WELCOME TO MIDTOWN SQUARE! *Only 2 LEFT!*

New Construction in the heart of the city, near downtown amenities, theaters, shopping, dining, museums, parks, marinas and festivals. These Allen Edwin built homes incorporate traditional design features with today's lifestyle.

ENJOY carefree living in an old fashioned neighborhood with new home amenities.

<b>PENDING</b>  <b>1</b> 294 MONROE 1890 Kensington ..... \$169,900 3BD / 2.5BA / 1,870 Sq. Ft	 <b>2</b> 300 MONROE 1870 Elements ..... \$169,900 4BD / 2.5BA / 1,870 Sq. Ft	 <b>3</b> 308 MONROE 1840 Maple ..... \$179,900 3BD / 2.5BA / 2,756 Sq. Ft		
<b>SOLD</b>  <b>4</b> 314 MONROE 2070 Elements ..... SOLD 4BD / 2.5BA / 2,075 Sq. Ft	<b>SOLD</b>  <b>5</b> 320 MONROE 2100 Kensington ..... SOLD 5BD / 2.5BA / 2,045 Sq. Ft	<b>SOLD</b>  <b>6</b> 348 HOUSTON 1890 Kensington ..... Pending 3BD / 2.5BA / 2,432 Sq. Ft	<b>SOLD</b>  <b>7</b> 308 HOUSTON 2100 Kensington ..... SOLD 5BD / 2.5BA / 2,100 Sq. Ft	<b>SOLD</b>  <b>8</b> 333 HOUSTON 2070 Elements ..... SOLD 5BD / 2.5BA / 2,075 Sq. Ft



## 9 Homes, Now What?

- Proof of concept
  - People do indeed want to live in our community
  - Positive responses from buyers on their experience
  - Support from the Neighborhood Association
- How to recoup losses?
  - Sales at/near construction value
  - Closing and holding costs a concern
- How to scale?
  - Do these units make the most sense?
  - Let's do it again!

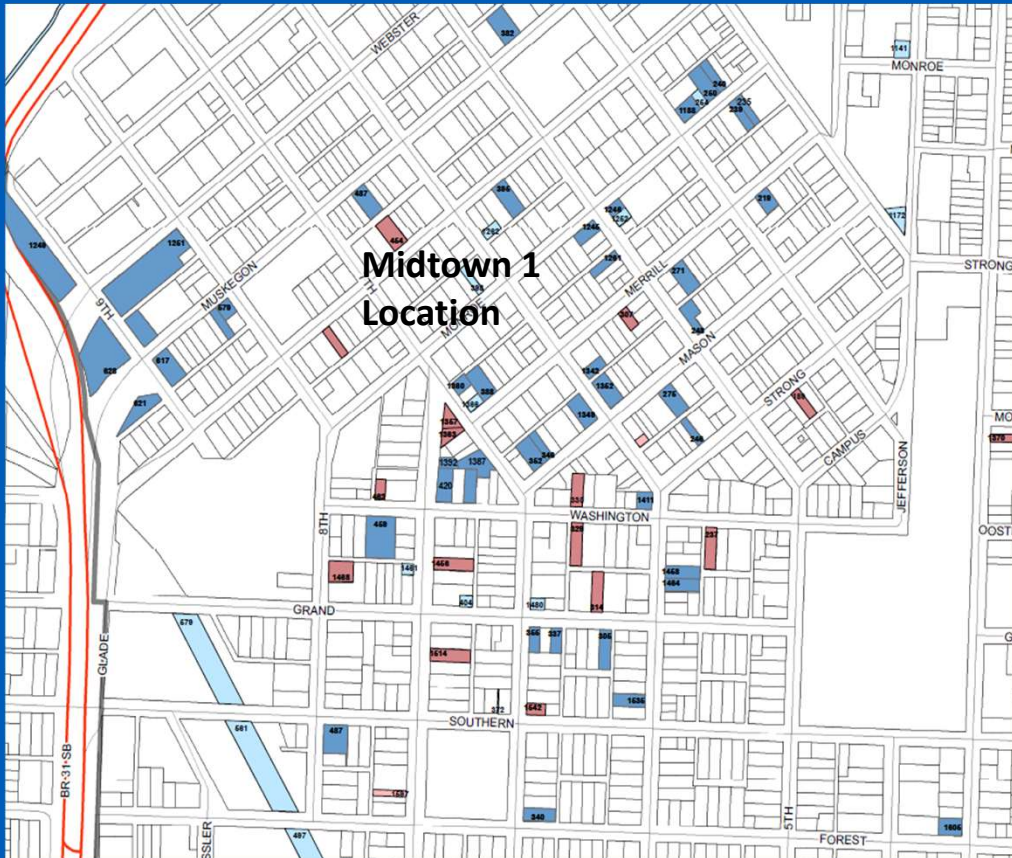


# Enter Local Brownfield

- Provisions in Act 381 applying to local authorities allow cost recovery for workplan implementation
  - Design, site prep, utility connection costs, realty fees
  - Effectively allows recouping losses against sale vs. construction
- City Staff create a Brownfield Plan Amendment
  - Inclusive of all city-owned vacant lots in the community
  - TIF Table assumes a net loss per project
  - Creates eligible activities for reimbursement when approved by local BRA in 2018



# 2018: Time for MidTown Square II



Nelson Neighborhood Vacant Lot Map: December 2018

- Nelson Neighborhood Focus
  - Close to redeveloping downtown
  - One of the highest concentrations of vacant city owned lots
  - Apply Lessons Learned on Home Designs
    - Feedback was MTS 1 was too suburban

# 2018: Time for MidTown Square II



- 16 Units, 10 townhomes and 6 single family homes
  - Capital Improvement Bond
  - First infill housing under new Brownfield Plan Amendment
  - Sold as soon as they were completed, at or near construction cost
  - 2 tax capture years to reimburse the city





# Enter COVID, Now What?

- In late 2019, we knew we had a rent price problem
  - This is temporarily delayed with COVID economics then roars back
  - The tighter the inventory, the quicker and higher the rent rates and sale prices jumped during and post-pandemic
- The City Commission, on recommendation from staff, chooses to spend 5 million in ARP funds on infill housing.
  - Half of units for buyers under 120% AMI
  - 42 homes between 2 contractors



# ARP Infill Program



- Undergoing our largest public buildout yet, we learned a lot:
- Our zoning sucked
- Our residents were the most exposed to rate and building cost increases
- The Brownfield could break if we bent it too far.



# Realizing the Power of Brownfield

- In the first phase of ARP Infill, we noticed:
  - Costs to construct “bread and butter” went from 215k to 255-265k
  - Our targeted AMI metrics started slipping almost immediately
  - We were establishing new markets in new neighborhoods
    - Consequences like comps, potential for displacement and gentrification
  - The Brownfield TIF reimbursement numbers on these units did not perform



# ARP Infill Program





# ARP Infill Program





# ARP Infill Program



- Right-sizing homes
- Leaning into private sector lot sales
- Studying the Issue with experts
- Zoning Reforms to allow density and smaller footprints



# Realizing the Power of Brownfield



- Right-sizing homes: **Pricing in the 130-160 range**
- Leaning into private sector lot sales: **Over 100 additional private builds in 2023 and 2024**
- Studying the Issue with experts: **5-Year HNA helps set targets**
- Zoning Reforms to allow density and smaller footprints: **Increased the total potential unit density by 70-80%**





# Outcomes (so far)

- Well over 200 new neighborhood homes constructed between 2018 and 2024, with another 100+ in development
- Private builds subsidize city builds in the brownfield, causing it to overperform expectations
- Hit or exceeded all metrics set by ARP Infill Housing program
- All homes sold except this one:

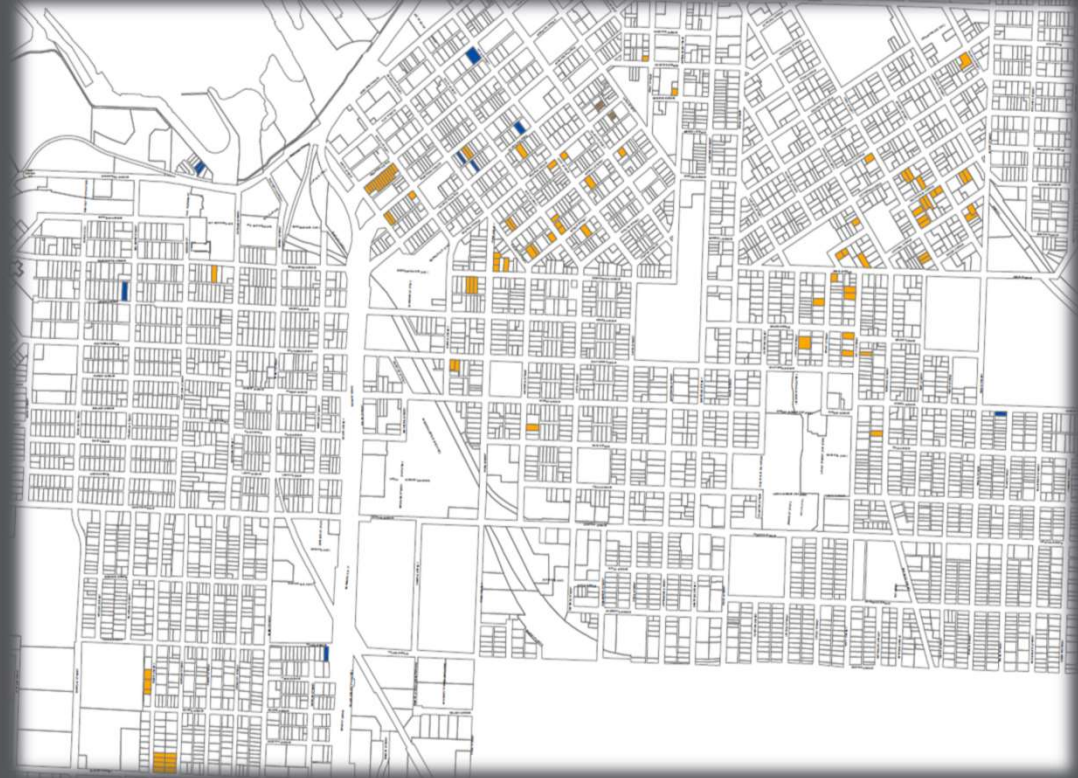
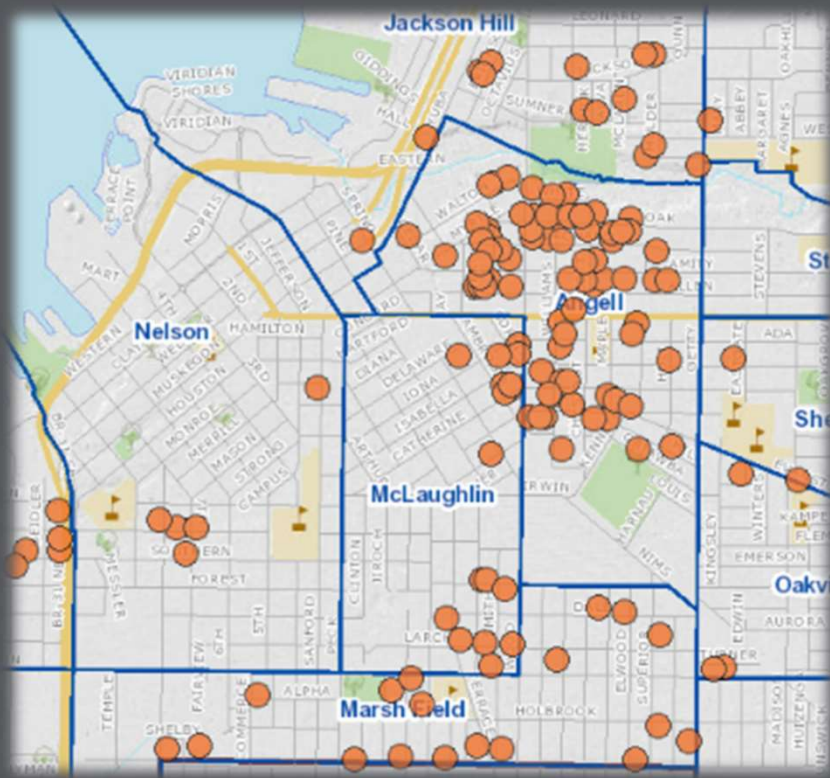




# Where We are Headed:

- Further Zoning Reforms to allow:
  - Cottage Court
  - Single Room Occupancy
  - Removing “family” and “household” definitions
- Studying outcomes of ARP:
  - Ratio of new residents to citizen buyers
  - Further demographic and economic analysis
- Asking Commission to consider another round of infill housing:
  - Capital Improvement Bond for 30-50 more units
- Focus on vacant property acquisition and neighborhood expansions
- Bring Citizen Housing Dashboard online
- Continue success in LIHTC

# Where We are Headed:







# THANK YOU! QUESTIONS?

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