



Town Crier

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Study of Island Housing Market Presented to Committee

By Jacob A. Ball

Excessive prices caused by vacation homes, a lack of available land or utilities, and a strain on available housing stock caused by seasonal workers are factors in a critical year-around housing shortage on Mackinac Island, according to a market study presented at the Tuesday, June 20, meeting of the city's housing committee.

Preserving the integrity of the Island community requires a robust housing market that provides options for families and individuals of all income levels, said the study by Kelly Murdoch of Community Research Services and Mark McDaniel of Cinnaire.

The study yielded two primary findings, discussed the results of a survey performed by the Mackinac Island Community Foundation, and presented a potential outline for a new housing development.

Several Island residents attended the meeting to lobby for the preservation of Harrisonville as a neighborhood for permanent residents. The lack of available housing for seasonal workers has led to many households in the village being acquired by Island businesses as accommodations for their employees.

The residents protested the impact of seasonal housing on their community. Primarily, though, residents attended the meeting to understand the ongoing process first-hand.

Craig Bunker said he wanted to draw his own conclusions, rather than rely on hearsay and second-hand accounts. In response, the committee made clear its intent was not to assist in the development of housing for employees of Island businesses, but rather to develop affordable housing for permanent residents who are members of the year-around community on Mackinac Island.

The study and analysis led to two primary findings.

The first is that, given the size of Mackinac Island, any increase in available housing could significantly alleviate the shortage. With a projected population of only 505 people and 250

households by 2021, the addition of even a few housing units might have a considerable impact on the housing market.

Additionally, the market study concludes, “affordability is perhaps not as great a concern regarding housing needs as availability.” It goes on to explain that the basic lack of any choices for moderate-income residents is the most acute problem facing the community.

According to the study, this occurs owing to supply and demand. The lack of affordable land for the development of permanent housing is caused by the exorbitant property values in many neighborhoods on Mackinac Island, and the increase in market price of homes in Harrisonville caused by the demand for seasonal housing.

Mr. Murdock examined two primary markets for the analysis: affordable rental housing and workforce rental housing. His focus on rental properties is based on the assertion that a healthy housing market must provide options for individuals and families at every socioeconomic level. The difference between the two housing markets is based on household income, with “affordable housing” designated for those with incomes below \$35,000, and “workforce housing” for those above that level.

The analysis determined that most of the demand for added housing comes from the workforce segment of the market. In fact, only two respondents to the community survey would be eligible for affordable housing. Demographic trends also will play a role in the future of Mackinac Island’s year-around community.

Mackinac Island has an aging population. Most of the projected population growth will come from retirees and other older adults. The analysis projects that, by 2021, most Island residents will be age 55 and over.

The forecast indicates a slight increase in the school-age population as well, something Mr. Murdock said was unusual for communities in northern Michigan. The impact of an aging population will be to reduce the supply of permanent housing for young families and professionals who wish to live on Mackinac Island.

The Community Foundation survey revealed the demographics of those interested in affordable permanent housing. Among 21 respondents, the average household income was \$38,958, average family size two, and average age 35. None had a family larger than four.

Mr. Murdock said the responses indicate a classic pent-up demand scenario “in which the market potential does not materialize due to a lack of product, rather than insufficient demand.”

The analysis extrapolated four outcomes from the surveys:

First, Island residents make a very “specific and reasoned” decision to live on the Island, regardless of the challenges that accompany such a lifestyle;

Second, the best way to immediately address the community’s housing needs is with a “rental housing alternative.” The analysis explains that a rental unit could be constructed more affordably, allowing the cost of a residence to be more reasonable for Island residents;

Third, rental properties could be constructed in a wider range of locations, which would do more to alleviate the housing shortage;

Additionally, the survey said there’s a need for cooperation in local employer development and leasing process to improve the viability of the proposal. This would allow for an understanding that rental units should be reserved for use by year-around residents, instead of the many rental units currently occupied by seasonal workers.

A previous study of the Island’s housing market, completed in 2014, utilized a questionable methodology that did not reflect the unique characteristics of Mackinac Island, according to Mr. Murdock. This analysis projected a demand for 38 new housing units, but did so using a process that is incompatible with a community as small as Mackinac Island, he said. The only positive outcome of the previous study was to identify the “place-making” assets that make Mackinac Island a desirable locale.

The analysis concluded with an outline for a proposed rental development of 10-12 units with additional phases possible. Originally the developers were hoping to build 20-24 units. The units would be townhomes with a minimum of 1,000 square feet, and would target low to moderate income households with a preliminary pricing of \$675 to \$800 per month before utilities.

The amenities of the proposed development would include laundry hook-ups, a full kitchen with modern appliances, full bath, cable television and Internet readiness, and sufficient closet space.

While socioeconomic levels of most of those interested in new housing options would not qualify them for assistance from federal or state programs, a portion of the development would be designated for lower-income individuals and families.

The recommendations are still preliminary for now, and will require additional planning, marketing, and financing. The recommendations assume the development will be built in a desirable location with access from across the Island.

Committee suggestions included promotion of the construction of single-family homes in the Edgewood development of Harrisonville. Committee member Lorna Straus said that this area should be utilized to help alleviate the housing shortage, as there is already space there to

build more homes.

Edgewood is zoned for single family dwellings, although two additional duplexes are approved for construction, as well. Residents in attendance made clear their feelings that Edgewood should remain an area for families, and their opposition to the construction of any apartment complexes in the neighborhood.

The committee asked Mr. McDaniel to investigate how to finance the proposed housing development based on alternative numbers of units ranging, from 12 to 24. He said he would like to highlight the benefits to building more units at once. This will include land, construction, and operational cost estimates to help the committee understand the current gaps in funding.

There will also be descriptions of tax-based financing options available to the city. Mackinac Island Community Foundation director Stephanie McGreevy said that she has been in contact with representatives from Cinnaire. The community developer is helping the city with the project, including changes in tenant agreements and ways to solve financing issues for new developments.

The committee tentatively decided to meet again Wednesday, July 12, at 11 a.m. to discuss financing for the single-family housing and the possible locations for rental units on Mackinac Island.

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