Appendix B:

Summary of Focus Groups

FHLBI AHAC Focus Group | January 21, 2026

Key Takeaways

- Housing affordability pressures are affecting a wider range of households, while the most vulnerable residents face increasingly limited rental options and support services.
- Homelessness is a growing concern in several communities, with participants linking the problem to high rents, behavioral health needs, the loss or uncertainty of rental assistance, and shortages of supportive housing.
- Rural communities face a distinct feasibility problem: limited housing programs, weak developer interest, infrastructure and utility constraints, and construction costs that are difficult to support with local rents or home values.
- Homeownership is increasingly difficult for first-time and moderate-income buyers because of high acquisition costs, limited entry-level inventory, investor competition, and financing barriers.
- Housing production is constrained by higher land, labor, utility, financing, and construction costs, as well as zoning and permitting barriers and uncertainty surrounding public subsidies and tax incentives.
- Aging households need more accessible housing, rehabilitation assistance, and service-enriched options that allow seniors to remain safely housed.

1. Homelessness and Housing Instability

Participants described homelessness as a significant and, in some places, rapidly worsening housing challenge. Fort Wayne was specifically identified as experiencing a sharp increase in homelessness. The discussion also highlighted shortages of rental assistance for extremely low-income households, including households at roughly 30–40 percent of area median income, and noted that some public housing authorities do not have sufficient rental assistance to serve all eligible households.

The planning session emphasized that homelessness cannot be addressed through housing supply alone. Behavioral health needs—including access to clinicians and psychiatrists—were identified as important service gaps. Participants also raised concern about supportive housing losing rental assistance and about uncertainty in federal funding and policy. Short-term rentals and recreational-market pressures were cited as contributing to housing instability in some communities.

Primary challenges: insufficient deeply affordable units; limited rental assistance; inadequate supportive housing and behavioral health capacity; rising rents; uncertainty in federal resources; and weak coordination between housing and service systems.

2. Rural Housing

Rural housing needs were described as both a supply problem and a financing problem. Participants noted missing middle and workforce housing gaps, a lack of programs for mobile and manufactured homes, and limited tools to support housing production in smaller communities. Rural grant programs were discussed as useful, but available resources do not appear sufficient to overcome the economics of many projects.

Development feasibility is further constrained by utility connections, infrastructure costs, zoning limitations, permit fees, and shortages of labor and contractors. Participants noted that manufactured housing is becoming a more common tool for producing housing quickly and affordably, but costs remain high. Technical

assistance was also identified as important for rural and Native American communities that may lack local staff capacity to assemble financing, update zoning, or advance projects.

Primary challenges: small-market project economics; lack of developer capacity; infrastructure and utility costs; limited rural and manufactured-housing programs; aging housing stock; and insufficient local technical capacity.

3. Homeownership

The focus group identified growing barriers to homeownership, particularly for first-time buyers and moderate-income households. Participants cited the difficulty of acquiring property and completing rehabilitation, along with competition from investors and short-term rental purchasers. In Detroit, rising housing costs and the loss of vacant homes available for rehabilitation were noted as signs of a changing market.

Participants also pointed to land contracts, heirs' property issues, property taxes, and access to financing as important barriers. These challenges can prevent lower-income owners from maintaining properties or transferring clear title, while higher acquisition and rehabilitation costs make traditional entry-level homeownership programs harder to deliver.

Primary challenges: high purchase and rehabilitation costs; limited starter-home inventory; investor competition; title and heirs' property complications; rising property taxes; and gaps in financing and buyer assistance.

4. Real Estate Development Trends

Participants consistently described a more difficult development environment. Land costs, construction costs, interest rates, utility costs, and labor expenses have all increased, while the availability and predictability of public subsidies remain concerns. The discussion referenced expiring commercial tax abatements in Detroit, sunset provisions for state tax credits, and uncertainty surrounding federal housing and community development funding.

Local regulatory conditions also affect production. Zoning restrictions, permit fees, and the time required to secure approvals can make projects infeasible, particularly in lower-rent markets. At the same time, participants noted that some cities are becoming more creative in allowing a broader mix of housing types. Strategies raised during the session included embedded planning support, zoning reform, state and local tax credits, gap financing, community capital programs, neighborhood funds, land banks, and partnerships supporting tiny homes and manufactured housing.

Primary challenges: higher capital and operating costs; financing gaps; uncertain subsidies and tax incentives; zoning and entitlement barriers; infrastructure costs; and difficulty making projects financially feasible in weaker markets.

5. Seniors and an Aging Population

The planning session identified the aging population as an important cross-cutting housing issue. Participants noted the need for programs that address aging housing stock and help older residents remain safely housed. For seniors on fixed incomes, increasing property taxes, utility costs, maintenance expenses, and rents can create substantial housing instability.

The discussion also suggests a need for a broader continuum of senior housing options, including accessible rental housing, rehabilitation and home modification assistance, and housing connected to supportive

services. In rural areas, these needs may be compounded by limited transportation, health care, and service availability.

Primary challenges: fixed incomes; aging and inaccessible housing stock; maintenance and utility costs; limited affordable senior options; and insufficient service connections, particularly in rural communities.

Cross-Cutting Implementation Challenges

- Cost escalation: land, construction, labor, utilities, financing, insurance, and property-related expenses are making both development and preservation more difficult.
- Funding uncertainty: participants expressed concern about changes or reductions in federal and state housing resources and the unpredictability of future assistance.
- Local capacity: smaller communities often need technical assistance to update zoning, structure financing, identify sites, and move projects from concept to construction.
- Service coordination: housing challenges increasingly intersect with behavioral health, child care, employment, transportation, and other community needs.
- Preservation: absentee ownership, expiring incentives, aging housing stock, and deferred maintenance threaten the continued availability of existing affordable housing.

Implications for Housing Strategy

The planning session points toward a housing strategy that combines production with preservation, services, and local capacity building. Participants identified several promising approaches, including predevelopment financing, gap funding, community capital programs, strategic neighborhood investment, zoning reform, land-bank partnerships, manufactured and small-format housing, and technical assistance for rural communities.

FHLB Indianapolis Development Focus Group - 4/14/26

Issues/Challenges

Available buildable land - significant need. Vacant buildable property being purchased by investors before community development organizations can obtain. Cost prohibitive to build new if demo is needed. (Indy). Lot prices more than doubled in recent years.

Available land often has large infrastructure costs that local government doesn't want to pay for, requiring HOAs where cost transferred to low income buyers, already stretching their budget, or developers to incur cost, increasing funding gap. Costs between $50k-$75k to prep lot for development.

(Hamilton County) Rezoning is needed - which opens door to opposition - Hot real estate market overall. Community understands need for affordable housing but doesn't want it next door. Expectation for more home ownership. Renters are perceived as transitory Perception of renters as democrats; republican areas not interested in attracting "blue" voters

Gap in development costs and what target families can afford. Fast-growing community and lack of available lots - build ready land ($60-$70k and up) increasing home prices, but family incomes haven't risen to the same degree.

Development costs skyrocketed.

Limited funding available for operating costs.

Most scattered site lots available for redevelopment are not in areas families want to live in, with safety issues and lack of amenities and services.

In the Elkhart area, we also see competition from the RV industry and tech centers for available land.

Build America Buy America Rule – projects receiving more than $250k fed money - everything needs to be made in USA or apply for HUD waivers (which is a lengthy 6 month approval process).

Grants are costly to administer. As example, had to hire two additional staff to manage a $2 million Michigan grant. Estimate compliance costs add 20% - 25% of development costs.

Davis Bacon requirements (state of MI) for all projects with federal grant money precludes projects where small contractors donate their time.

Need more funding for alternative developments like modular housing, quality increasing and viable model.

Difficult for non-profits to scale to larger developments because of staffing costs

The amount of funds available fluctuates from year to year, and there is increasing competition among non-profits for a smaller pot of funds.

Affordable housing should not be the cutting edge of anything but seem to be testing ground for innovation because of using federal funds. Yet cutting edge development tends to be more expensive and higher risk. Green / Sustainable requirements. Electrification of buildings (no gas) has been challenging. Accessibility/visibility requirements are not always feasible.

Cost of insurance (up 16% this year). snow removal costs etc. Very little control over these costs. Rents cannot be raised to cover these increases.

Sequencing of grants very difficult. Different pro formas, requirements, and funding cycles. Of project requires a series of grants/funds, and one doesn't pan out a given year, then applications usually must start over.

Need more funding for mobile home repair, big issue and government grants can't be used for this.

Best Practices/Case Studies/Recommendations

Because vacant land is hard to come by, will need to begin looking at rehab for resell opportunities.

Work with city to utilize CDBG money for infrastructure costs required for affordable development.

Affordable housing development shouldn't be focused on innovation; it should only be doing things that are tried, tested and true

Habitat is doing more neighborhood scale approach with mixed incomes and housing types; more organizations are starting to do this in smaller communities. Projects can create partnerships with different organizations who have different income targets to

create a mixed income community. This also helps counteract NIMBYism by emphasizing housing for moderate income working families.

Creation of a Community Land Trust - homeownership focus has more buy in, especially in suburban areas. Ex. Grounded Solutions Network - CLTs in the rental space - extension of affordability period

20 year deed restriction for affordability for affordable home sales(West Indy Development) provides a measure of time for affordability while still allowing to build equity.

TIF for affordable housing projects (MI) Infrastructure costs will be rebated over the next 20 years

For FHLB –

Communicate more with applicants rather than straight rejection of application in instances of administrative issues.

Potential to receive funds earlier rather than reimbursement.

Align grant cycles with other funding cycles; align requirements with other requirements.

For point system strategy, potential for two categories; homeownership and rental housing rather than same competitive funding pool.

Bank's scoring should consider how difficult it is to develop housing for the lowest incomes and/or that require supportive services. Bigger funding gap that needs to be filled, takes longer to put pieces together because there are more sources. Incentivize units at lower income brackets.

Allow applicants more flexibility with deferred developer fees. Developer may increase deferred developer fee more than they are comfortable with to make sure project closes but there is no flexibility to adjust this. Closing with more deferred developer fees than what we are comfortable with.

Finding way to allow projects that didn't get funded one year to not have to start the process over; sometimes it takes a couple years to be awarded LIHTC and to have to start from scratch every year is costly.

State of MI grants (downpayment assistance) My Neighborhood Grant

Summary - Lenders Focus Group

4/17/26

Challenges

Downpayment assistance programs are crucial but underwriting can get complicated

when layering assistance programs; two or more sets of rules

Important to set expectations up front for borrowers; applications can get denied for a variety of reasons

Example; applicant may earn overtime one pay cycle, and even though it is an anomaly, Fanny/Freddie income review determines this as projected income based on recent pay stubs

Gifted funds for home purchase can alter down payment assistance amount but are often needed in expensive housing market

FHA mortgages - coalition of collateral is difficult

Limited number of FHA appraisers in Kent County MI

A $15,000 home repair grant doesn't cover larger items (roof/furnace) - need to stack additional grants

Housing stock that is affordable to low income households is old and in need of significant repairs, especially in Flint, making it cost prohibitive

Difficult to ensure all documentation is in for all sources, sometimes need to underwrite one deal multiple times and can cause delays, and missing a single item can make it that people don't "get the house" particularly in competitive housing market

Rents are low in Upper Peninsula and there is a lack of new apartments/investment

There aren't enough homebuyer assistance programs for "missing middle" or applicants earning between 80% and 120% AMI, although this group is also priced out

Plenty of applicants, lack of housing stock and inventory (Michigan City, IN)

Kent County (Grand Rapids) Average home price $370k; nothing exists for lower AMI in this market

Recommendations/Best Practices

Partnering with non profits for homeowner repair programs; contractor connections

MCHDA Key to Own - former section 8 program

Portfolio Lending - works for FHLB and MCHDA

Offered to nonprofits that bank with Mercantile Bank

Habitat Kent / Mel Trotter Ministries, ICCF, Grand Rapids Urban League

Grand Rapids Homebuyer Assistance Fun

Financial Plus - purchasing commercial / multi family and renovations

Adaptive Reuse of abandoned buildings into apartments - Sault St. Marie

Commercial Revitalization - Utilizing NMTC for rental housing

Training fellow loan officers is critical

Case study example: youth transitioning from foster care - Arfstrom Faunt Teen Home

Community Multiplier program deemed wonderful and effective; “fabulous”

Summary Focus Group Rural FHLB-I April 15, 2026

Challenges, Issues, & Needs

Infrastructure costs where there is available land is cost prohibitive

Shortage of housing in Grand Rapids is straining surrounding housing stock

The “affordable” housing isn’t affordable to many residents, it’s priced at 60% AMI, but many people earn less than $20 an hour and can’t even afford that rent

In some places, like Marquette MI, apartments at 60% of AMI are not leasing up because people who supposedly can afford it actually cannot, since all the other costs of living have gone up so much

There is a lack of housing affordable to the 80% to 120% AMI range but there are no programs to support this income bracket and for-market developers are building $350k homes. What we need are more $150k homes. But builders don't want to build workforce housing - Not lucrative

The homes that are available for $250k or less rarely get approved for FHA loans because they are in poor condition.

Appraisal gaps are a big problem; homes appraising at very low value

It is a challenge to provide affordable housing with access to work and school, particularly in rural areas, and there is no public transit. Also a lack of services in general.

Really hard for moderate income first time buyers in competitive markets, credit is a challenge, and people are waiving inspections and not doing their due diligence. Because there is such a rush to close, first time buyers are not accessing the programs and assistance that could really help them.

It is hard to provide assistance in rural communities, trust takes time to build.

There is limited knowledge of the financial ecosystem (financial literacy, credit, path to homeownership)

Natural disasters are becoming more of an issue and most people do not have the insurance to cover it. Flooding creating mold issues in homes and other damage.

Small developers and rural banking institutions do not have capacity to access many of the programs. Layered financing is time-consuming and complicated. Larger developers have more experience and are more competitive in grant applications.

There is a lot of staff turnover in planning & zoning, takes longer to get a project approved and institutional knowledge is lost

Age and quality of housing stock in rural areas is poor, most homes built before 1970, and are expensive to rehab. Also don't qualify for weatherization due to lead-based paint.

When a low-mod buyer purchases an older home, they are already at the max affordability and can't afford any major repairs that may be needed

In Grand Rapids, such a shortage of housing that people are moving into rural areas, and now home builders are building for the commuters vs. local population

Demand for housing increasing prices at a far greater rate than wage growth

Rural NIMBYism also a challenge for affordable housing; desire to stay agricultural/rural character. Some communities fighting affordable housing by adding requirements like attached garages and charging ports, increasing development costs to the point they can't be developed

Can't build higher density in rural areas because of infrastructure limitations; septic systems limit use

Many rural areas are food and child care deserts. Declining population impacting schools

Manufactured housing doesn't qualify for repair loans or traditional purchase loans yet are widespread and affordable

Recommendations/Case Studies/Best Practices

Community Multiplier Program - increase outreach to institutions

Need to align funding cycles for various housing programs

Build UP - $15m Housing Fund for new development in the Upper Peninsula

Rezoning for ADUs or higher density on properties - some municipalities doing this, but not all

Advocacy (MI) CDFI coalition - pick battles for policy changes - be strategic

Collaboration with Habitat

CLT has had success (Indiana) with Modular - no land cost (Summit Hill CDC - Bloomington) BHA non profit arm

Developer Training Collaborative (Indiana)

Office of Rural Prosperity - Capacity Grants

Prosperity Indiana - Advocacy and Engagement with nonprofits

FHLB grant dries up <60 days – possibility to lower grant per household, expand the timeline for release since funds dry up so quickly, or have a two cycle approach

CEDM - Real Estate Boot Camp

Building Awareness of existing programs

FHLB Indianapolis Special Needs Focus Group 4/15/26

Needs/Challenges/Issues

Affordability and inventory – need more 3 and 4 bedroom units for families, especially single parents (Indy)

Need funding for various income groups, including households who need accessibility and have moderate incomes but don't qualify for traditional affordable housing programs.

Need a broad array of services - health care, educational, job training, affordable childcare. A lot of women in divorce or who left domestic violence have career gaps, lack job skills, and no access to affordable childcare. Also maternal healthcare needs.

Abandonment of Permanent Supportive Housing as model by HUD - pushing for mandatory services

Need more accessible units for persons with mobility issues, aging in place measures, hearing and vision disability. It is a very small requirement (~5%) for affordable rental housing development and not a requirement at all for market rate units, demand far exceeds supply. Developers can also get waivers.

The goal of producing as many affordable units as possible has lessened the emphasis on accessibility.

Standard construction is not inherently accessible and more people are requiring aging in place modifications; need more funding for retrofitting.

Difficult to build housing targeting lowest incomes and special needs, more costly and time consuming, harder to get finances together, not always priority in funding rounds

With rent increases, Section 8 administrators can subsidize far fewer renters, and Section 8 wait lists are longer (3+ years in some cases), and no project based vouchers available for new development. Ends up being a loss of deeply affordable rental stock.

More seniors are experiencing a need for subsidized rental housing; once could afford market rate rents that were "affordable" but are no longer affordable. They have a harder time finding units that meet their needs for accessibility.

HUD's revision to Continuum of Care funding policy has jeopardized current and future permanent supportive housing units, the mainstay of housing homeless individuals and families under the "Housing First" model considered best practice for the past 20+ years.

Now shift to temporary/transitional vs. permanent with work and service requirements mandated.

Indiana Medicaid is changing - 100,000 residents estimated to lose health coverage.

Behavioral Health and Substance Abuse - service providers are laying off staff and decreasing services

Many people with disabilities are extremely low income and cannot afford 40% AMI

House Bill 285 - creates barriers to addressing homelessness

Recommendations/Best Practices/Case Studies

Need grants that fund affordable housing to better incentivize accessibility and services, especially for non-federal funders

Enterprise Foundation THOME Grant Program

Need more elected officials to advocate for programs

Need more supportive services/staff specific for seniors

FHLB Indianapolis recommendations:

Align funding and schedules with other major funders in the area (HOME, LIHTC etc)

FHLB scoring should factor in supportive services but moved away from this due to management/reporting. But without priority, these projects won't get funded

Rental Bridge - Economic Program - up to $4,800 rental assistance

FHLB - Community Multiplier Grant - Wonderful and Impactful (services)