



THE STATE OF HOUSING

**And What the Implementation of the 2021 Michigan Residential
Code Will Add to the Cost of Housing?**



■ | The HBA of Michigan works positively to promote the building industry and impact legislative, regulatory and legal issues affecting housing affordability (attainability).

■ | Quick Facts:

- 16 local HBAs
- 4500 members comprised of builder and associate members
 - Our members are licensed AND insured
- Celebrated our 75th Anniversary in 2024

Michigan is in a Housing Crisis



■ Quick Stats:

We need 119,000
total units today

Single family permits:

2005 ~ 54,000 SFP pulled

2007 ~ 15,000 SFP pulled

2009 ~ 6,900 SFP pulled

2024 - 15,137 SFP pulled (Preliminary Number)

2025 - 15,728 SFP (HBAM Forecast)

April 2025 - 1,553 SFP pulled (4,542 YTD)

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The median cost of a new home in MI in 2025 is

\$430,566

In 2024

\$448,520

The income needed to qualify in 2025 is

\$137,934

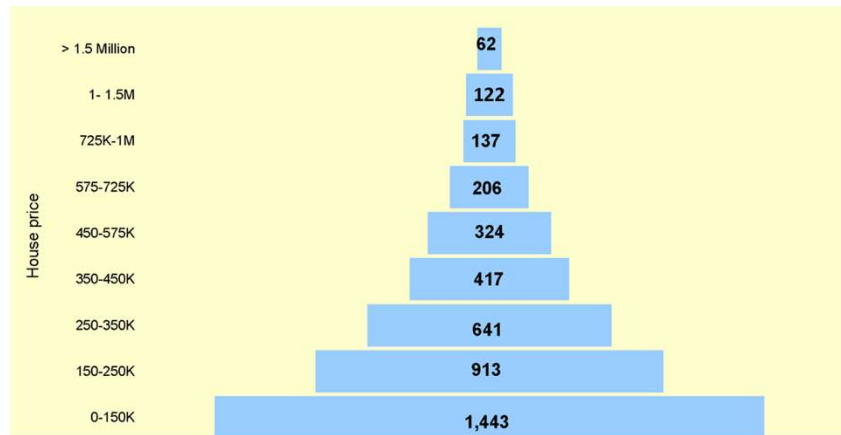
In 2024

\$143,593

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Michigan Households (in Thousands) by Highest Priced Home They Can Afford Based on Income: 2025



Calculations by the National Association of Home Builders Housing Policy Department based on income data from the 2023 American Community Survey, U.S. Census Bureau

3,393 households are priced out of the market for every \$1,000.00 increase. We ask as you consider policy changes – either by legislation or rules – through the lens of the impact it will have on housing. Will it be a barrier, or will it work to solve the housing crisis we are currently in?

In 2024: 3,222 households



4 Issues Impacting the Cost of Residential Construction – Supply v Demand

- **Materials**
- **Labor**
- **Regulations – Local, State and Federal**
- **Codes**

Total Licensed Michigan Builders in 2025



AGE RANGE	NUMBER OF BUILDERS IN RANGE
18-25	469
26-34	1,920
35-45	6,841
46-55	9,390
56-65	12,394
66+	11,192

Average Age: **56.42**

Median Age: **58**

Michigan License Holders: **58,011**

Skilled to Build Michigan Foundation



MISSION: To Cultivate, Educate and Recruit into the residential housing workforce

- We are a recognized certification in the Career and Technical Education division of MDE.
- We have credentialed a total of 420 students in the last three years.
- We have grown our program from 9 construction trade programs participating to 26 construction trade programs participating in the certification program.

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REGULATORY COSTS \$93,870 PER HOME

(11% increase from 2016 to 2021)

**23.8% OF
HOME PRICE**

During development:
\$41,330

OSHA/other labor
requirements during
development \$1,179

Pure cost of delay
during development
\$1,442

Pure cost of delay
during construction
\$941

During
construction:
\$52,540

Cost of applying for zoning approval \$6,473

Hard costs of compliance (fees, required studies, etc.) \$11,791

Land dedicated to the govt. or otherwise left unbuilt \$10,854

Standards (setbacks, etc.) that go beyond the ordinary \$8,992

Fees paid by the builder after purchasing the lot \$12,184

Changes to building codes over the past 10 years \$24,144

Architectural design standards beyond the ordinary \$10,794

OSHA/other labor requirements during construction \$4,477

Source: NAHB/Wells Fargo Housing Market Index (HMI)

Michigan Residential Code



■ Discussion Items:

- The Process – International Codes Council
- Stille-DeRossett-Hale Single State Construction Code Act
- Code Promulgation – How it used to be, and how it is now
- 2021 MRC V 2024 MRC
- What Would We Like to See?

Michigan Residential Code



The Process – International Codes

- The HBAM has been at the table for over 20 years. It has fully participated in over 20 ICC code hearings and is recognized as a leader in construction codes.
- The ICC creates the model codes for states to modify for their needs.

Stille-DeRossett-Hale Single State Construction Code Act



- AN ACT to create a construction code commission and prescribe its functions; to authorize the director to promulgate rules with recommendations from each affected board relating to the construction, alteration, demolition, occupancy, and use of buildings and structures; to prescribe energy conservation standards for the construction of certain buildings; to provide for statewide approval of premanufactured units; to provide for the testing of new devices, materials, and techniques for the construction of buildings and structures; to define the classes of buildings and structures affected by the act; to provide for administration and enforcement of the act; to create a state construction code fund; to prohibit certain conduct; to establish penalties, remedies, and sanctions for violations of the act; to repeal acts and parts of acts; and to provide an appropriation. The Bureau of Construction Codes is responsible for oversight of the State Construction Code Act.

Code Promulgation: Then



- Advisory committees met and modified the codes to be Michigan specific.
- Codes that were promulgated under this process with stakeholder involvement were:
 - International Residential Code
 - International Building Code
 - International Mechanical Code
 - International Plumbing Code
 - International Existing Building Code
 - International Energy Conservation Code (published by the International Code Council)
 - National Electric Code (published by the National Fire Prevention Assn)

Code Promulgation: Then



- These codes may have amendments, additions and deletions as the director deems appropriate.
- The director shall adopt the Michigan Resident Code not less than once every three years, and no more than six years under PA 504 of 2012.

2000 MRC – 556 pgs

2015 MRC – 847 pgs

2021 MRC – 1,115 pgs

2024 MRC – about the same as 2021

- Currently builders are using the 2015 MRC

Code Promulgation: TODAY



- LARA announced their new legislative rule-making process within the Bureau of Construction Codes. This process went through a Lean Process Improvement (LPI), which was spearheaded by the Office of Process Reengineering and Optimization (PRO).
- Their new process was to streamline rules adoption within the Bureau, reducing the former process timeframes by approximately 50%. The process was to allow for a much quicker adoption of the most current and up-to-date licensing rules, and construction codes and standards, while maintaining valued input from the industry and stakeholders.
- The new process eliminated the formerly used “committee” and utilizes the board/commission chairperson or designee during the review and drafting phase. Then the full board/commission will have a special meeting open to the public to review the draft rules prior to submission to the office of policy and legislative affairs.

Code Promulgation: TODAY



- The Joint Committee on Administrative Rules met on Earth Day to make the following motions – send the 2021 code back to LARA and have them bring the 2024 code before JCAR for adoption.
- Object Part 10 Michigan Uniformed Energy Code based on the following statutory grounds:
 - The agency lacks statutory authority for the rule
 - The conflicts with state law
 - The rule is arbitrary and capricious
 - The rule is unduly burdensome to the public or to a licensee licensed under the rule
- Senate Democrats failed to show up for committee, which means there wasn't a quorum.

2021 MRC v. 2024 MRC



- 2021 – Requires 2x6 framing instead of 2x4 framing
- Requires R-60 insulation in the ceiling – which will require additional ceiling support
- Requires insulated interior Duct work – which is already inside an insulated house envelope
- Requires inch thick insulated sheathing on exterior of the house
- Has solar energy readiness requirements – the 2021 model code had this as a voluntary set of guidelines and LARA made it mandatory
- Would require Arc Fault Circuit Interrupters in every room – even though they were taken out of the current code because there was no evidence of fire protection
- There is unclear guidance language on sprinklers

2021 MRC v. 2024 MRC



- The 2024 model code uses a point system to allow innovation and better designs to determine which products are utilized. As long as a builder meets the necessary point totals, a variety of products and innovative designs may be used.
- Instead of using R-60 insulation in the ceiling or some of the other mandatory items noted above, the builder could utilize heat pumps, high performance windows and/or a host of other technologies to provide a more energy efficient home.
- Studies show the 2024 will save 6-8% more energy than the 2021 code. The 2024 model also included objectionable provisions related to sprinklers and arc faults which we would seek to have that language modified during the state's promulgation process.

Where Does That Leave Us Today?



- Since JCAR didn't have a quorum, the 2021 MRC and Part 10 Michigan Uniform Energy Code were sent to the Office of the Great Seal on May 1.
- On May 1, the HBAM filed our notice of intent to sue LARA

What Would We Like to See?



- The Home Builders Association of Michigan would like to see Governor Whitmer rescind Executive Order 2017-3 and restore the code promulgation process for the Michigan Residential Code by bringing back the advisory committees to assist in the code promulgation process.
- If the governor is unwilling to reverse EO 2017-3, then we would like to see legislation passed to put into law the process to bring the process back. We have draft language that narrows that process to only focus on the MRC as we are the only code that can legally skip a code cycle if there are no major changes to the code that would impact health, safety and welfare.

QUESTIONS?



- At this time, I would be happy to entertain any questions the members of the committee may have.