

Current State of Affordable Housing in the Madison Region



Today's agenda

- WHAT are we talking about?
 - “Affordable housing” or “Housing affordability” or “Workforce housing”
- TRENDS and CHALLENGES in the Dane County housing market (and Wisconsin)
- WHO experiences the “housing gap” in our communities?
- NOW WHAT? Policies and strategies to expand housing options and improve affordability

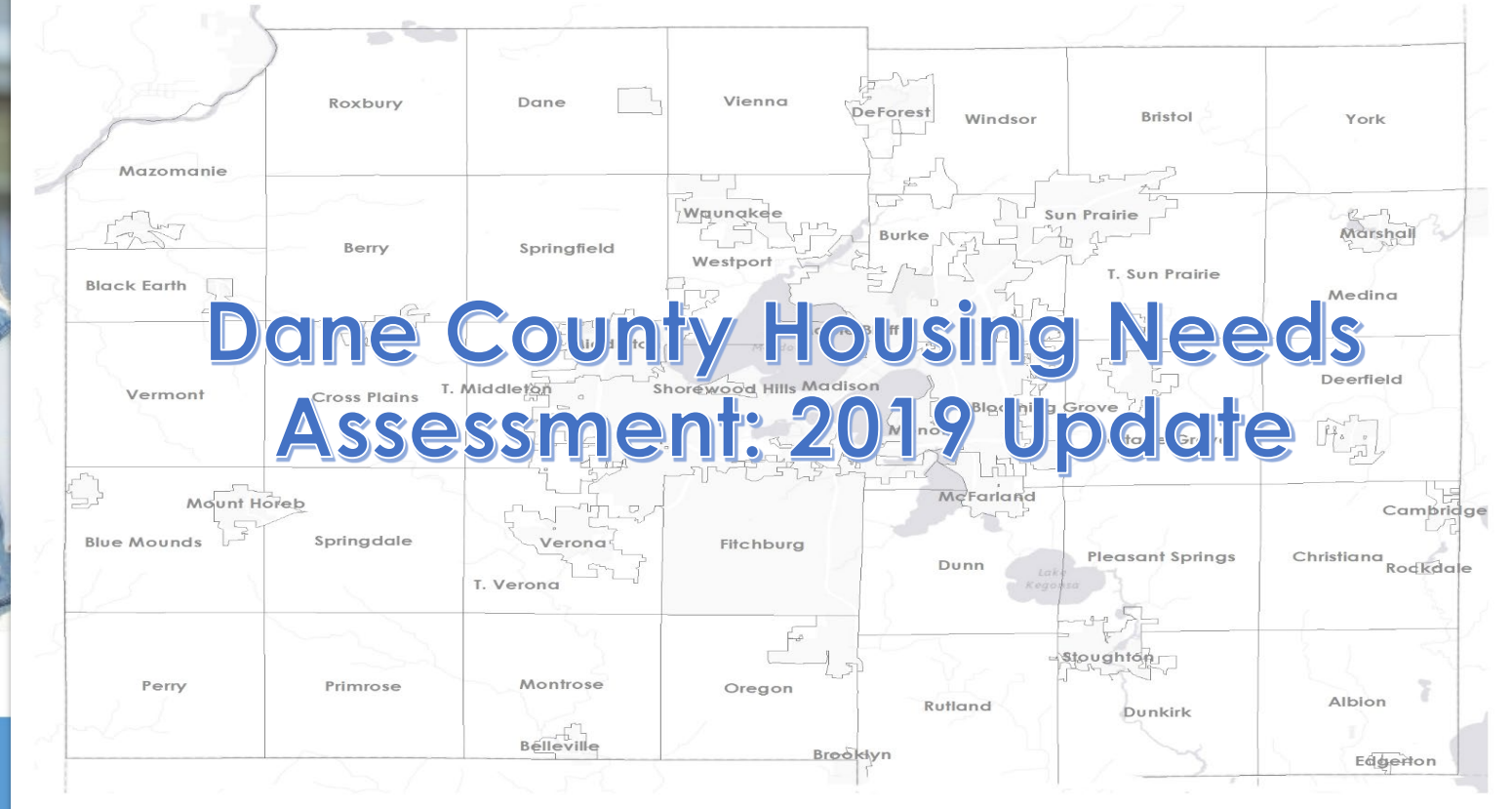


SPECIAL REPORT
**FALLING
BEHIND**

Addressing Wisconsin's workforce housing shortage to strengthen families, communities and our economy.

ALL ACROSS WISCONSIN
communities and employers are recognizing the critical need to address Wisconsin's housing shortage.

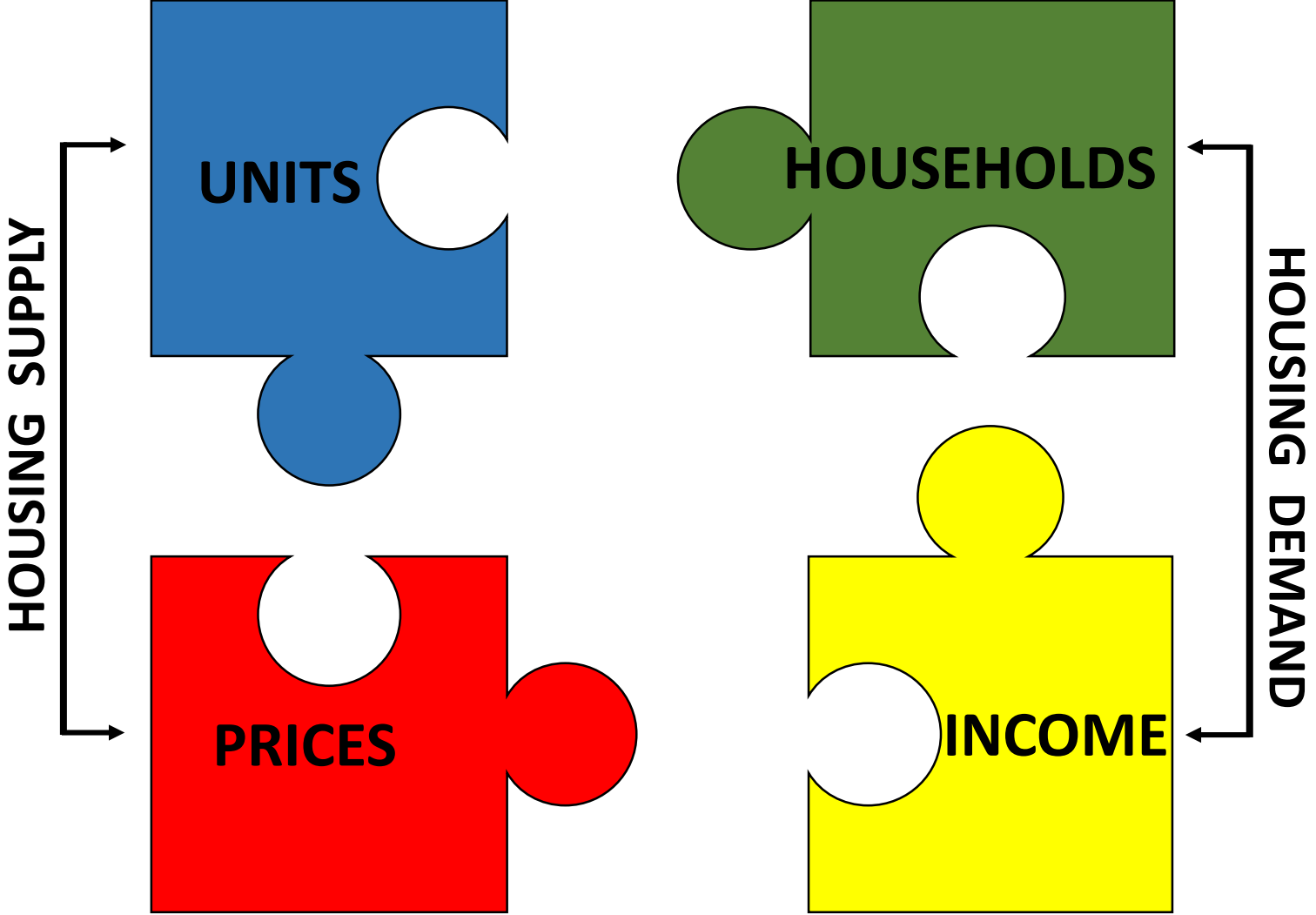
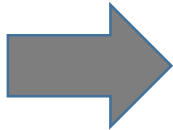
Two sources for today's presentation



Google: "Wisconsin workforce housing shortage" and "Dane County housing initiative" to find these reports.

All statements in these report and this presentation are mine alone and do not necessarily reflect the views of the Wisconsin Realtors Association, or any state, county, or city agency or the University of Wisconsin.

Unlocking the Housing Affordability Puzzle



Definition: Housing Affordability

- Housing affordability is an overall measure of an area's housing stock relative to incomes, usually measured at the “median” or 50th percentile.
- Looks at overall trends in prices, rents, housing supply
- *Housing Econ 101:*
 - In the long term, housing prices and rents should reflect economic fundamentals (demographics + incomes + construction costs + interest rates + transportation, etc.)
 - When housing prices do NOT reflect economic fundamentals, most likely explanation is restrictions on supply
 - This current housing crisis is mostly a supply crisis (locally and nationally)
 - When demand for housing in an area increases (people, jobs, income):
 - New supply to accommodate demand, or
 - Restricted supply → Price/rent increases

We will never solve our housing crisis without more supply ...

... But supply alone will not solve our housing crisis.

Definition: Affordable Housing

- Affordable housing refers to housing units that are “affordable” (no more than 30 percent of income) for moderate-to-lower-income households.
- Sources of affordable housing may be:
 - government programs (such as Housing Tax Credits, Bonds, Vouchers, Project-based rental assistance, USDA, Public housing, etc.)
 - Non-profit housing providers
 - “Naturally occurring affordable housing (NOAH)”
- For a community, the “affordable housing gap” is the difference between the number of affordable units available and the number of households by income category.

Definition: Workforce housing

- Workforce housing is the supply of housing in a community (variety of types, sizes, locations, prices) that meets the need of the workforce in a community.

Dane County FY 2019 Income Limits

	Persons in Family			
	1	2	3	4
100 percent of AMI (Median Income)	\$70,280	\$80,320	\$90,360	\$100,400
Low Income Limits (80% of AMI)	\$52,850	\$60,400	\$67,950	\$75,500
Multifamily tax subsidy limits (60% of AMI)	\$42,180	\$48,240	\$54,240	\$60,240
Very Low Income Limits (50% of AMI)	\$35,150	\$40,200	\$45,200	\$50,200
40% of AMI Income Limits	\$28,120	\$32,160	\$36,160	\$40,160
Extremely Low Income Limits (30% of AMI)	\$21,100	\$24,100	\$27,100	\$30,100

Source: HUD, Office of Policy Development and Research, Income Limits Briefing Materials, <http://www.huduser.org/portal/datasets/il.html> and WHEDA.

Additional data are released for family sizes larger than 4, but are not reported here for space considerations.

WHEDA-method estimated Dane County Rent Limits, FY 2019

	Efficiency	1-BR	2-BR	3-BR
Low Income (80% of AMI)	\$1,321	\$1,416	\$1,699	\$1,962
Multifamily tax subsidy (60% of AMI)	\$1,054	\$1,130	\$1,356	\$1,566
Very Low Income (50% of AMI)	\$878	\$941	\$1,130	\$1,305
40% of AMI Income Limits	\$703	\$753	\$904	\$1,044
Extremely Low Income (30% of AMI)	\$527	\$565	\$678	\$783

Note: WHEDA estimates these rent limits (rent+utilities) for their funded projects. Efficiency rent limits correspond to the "affordable" housing budget for 1-person households and 2-bedroom rent limits correspond to the "affordable" housing budget for 3-person households.

Dane County FY 2019 Income Limits

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HUD-method* affordable ownership price levels, Dane Co. FY 2019

	Persons in Family				
	1	2	3	4	5
120% of AMI	\$283,369	\$323,850	\$364,332	\$404,813	\$437,198
Median income limits (100% of AMI)	\$236,141	\$269,875	\$303,610	\$337,344	\$364,332
Low Income Limits (80% of AMI)	\$177,576	\$202,944	\$228,312	\$253,680	\$273,974
Multifamily tax subsidy limits (60% of AMI)	\$141,725	\$162,086	\$182,246	\$202,406	\$218,599
Very Low Income Limits (50% of AMI)	\$118,104	\$135,072	\$151,872	\$168,672	\$182,166
40% of AMI Income Limits	\$94,483	\$108,058	\$121,498	\$134,938	\$145,733
Extremely Low Income Limits (30% of AMI)	\$70,896	\$80,976	\$91,056	\$101,136	\$109,227

Note: HUD's estimation method for determining the affordable ownership price level in their CHAS (Comprehensive Housing Affordability Strategy) data is to multiply size-adjusted household-income by 3.36.

Trends and challenges

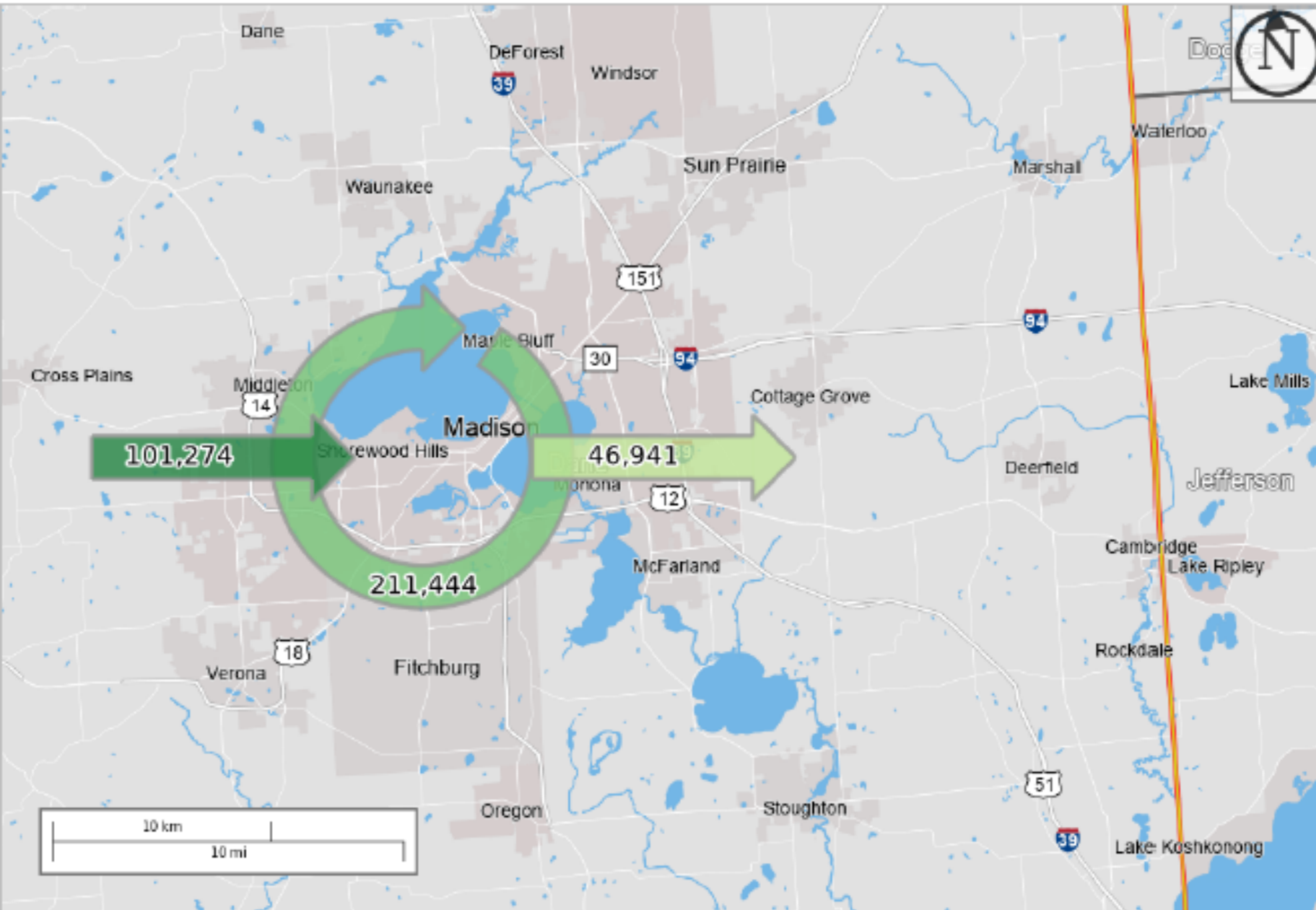
Dane County: Demographic and Housing Changes (2010-2018)

	2010	2018	Change	% Change	Ann.% Change
Population	489,309	542,364	53,055	10.8%	1.3%
Households	203,073	226,350	23,277	11.5%	1.4%
Housing units	216,230	236,932	20,702	9.6%	1.1%
Jobs	295,075	336,407	41,332	14.0%	1.7%
<i>Inflation-adjusted to 2018\$:</i>					
Median household income (in 2018\$)	\$67,532	\$71,582	\$4,050	6.0%	0.7%
Median owner household income (in 2018\$)	\$93,170	\$100,144	\$6,974	7.5%	0.9%
Median renter household income (in 2018\$)	\$36,873	\$45,614	\$8,741	23.7%	2.7%
Median value of owner-occupied homes (in 2018\$)	\$266,163	\$275,200	\$9,037	3.4%	0.4%
Median gross rent (in 2018\$)	\$968	\$1,097	\$129	13.3%	1.6%

Sources: US Census; Bureau of Labor Statistics (QCEW). Inflation adjustment: CPI-U from BLS.

Inflow/Outflow Counts of Primary Jobs for Selection Area in 2017

All Workers



101,274 workers live outside of Dane County and commute into Dane County to work.

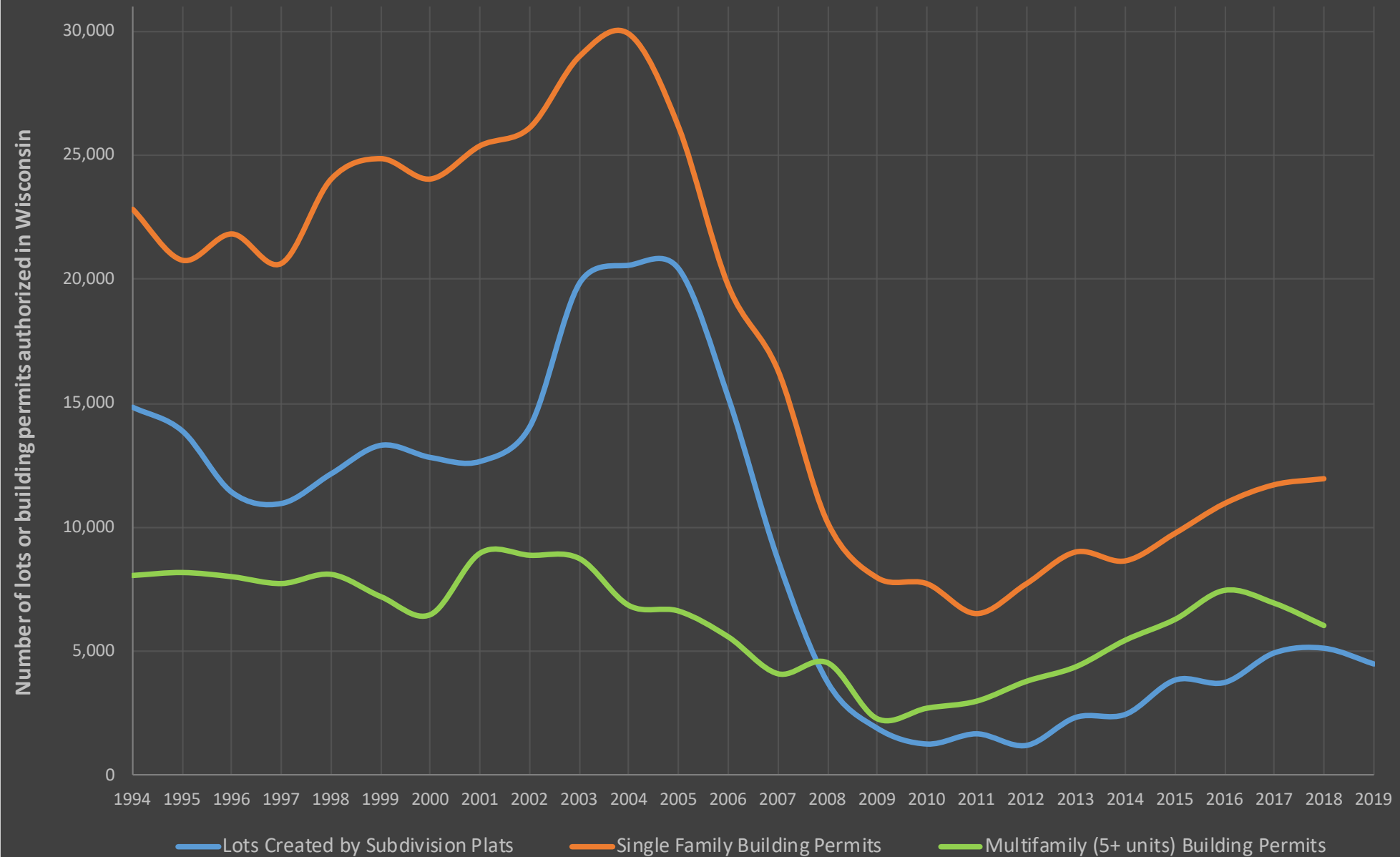
46,941 workers live in Dane County and commute outside Dane County to work.

Wisconsin's 20 Largest Counties Underproduced Nearly 20,000 Housing Units from 2006-2017

	Growth in households (2006-2017)	Growth in housing units (2006-2017)	Ratio of household growth to housing unit growth	Housing "Underproduction"
Milwaukee County	206	10,754	0.0192	
Dane County	36,334	25,128	1.4460	11,206
Waukesha County	13,199	10,986	1.2014	2,213
Brown County	9,806	8,145	1.2039	1,661
Racine County	2,319	2,645	0.8767	
Outagamie County	5,727	6,249	0.9165	
Winnebago County	3,134	4,903	0.6392	
Kenosha County	3,737	3,922	0.9528	
Rock County	2,516	1,480	1.7000	1,036
Marathon County	3,183	3,231	0.9851	
Washington County	4,019	4,289	0.9370	
La Crosse County	3,402	3,859	0.8816	
Sheboygan County	1,772	1,440	1.2306	332
Eau Claire County	2,504	3,156	0.7934	
Walworth County	3,208	2,671	1.2010	537
Fond du Lac County	3,727	2,929	1.2724	798
St. Croix County	3,164	3,246	0.9747	
Ozaukee County	2,909	2,082	1.3972	827
Dodge County	1,311	1,354	0.9682	
Jefferson County	3,469	2,241	1.5480	1,228
20 Largest Wisconsin Counties	109,646	104,710	1.0471	19,838

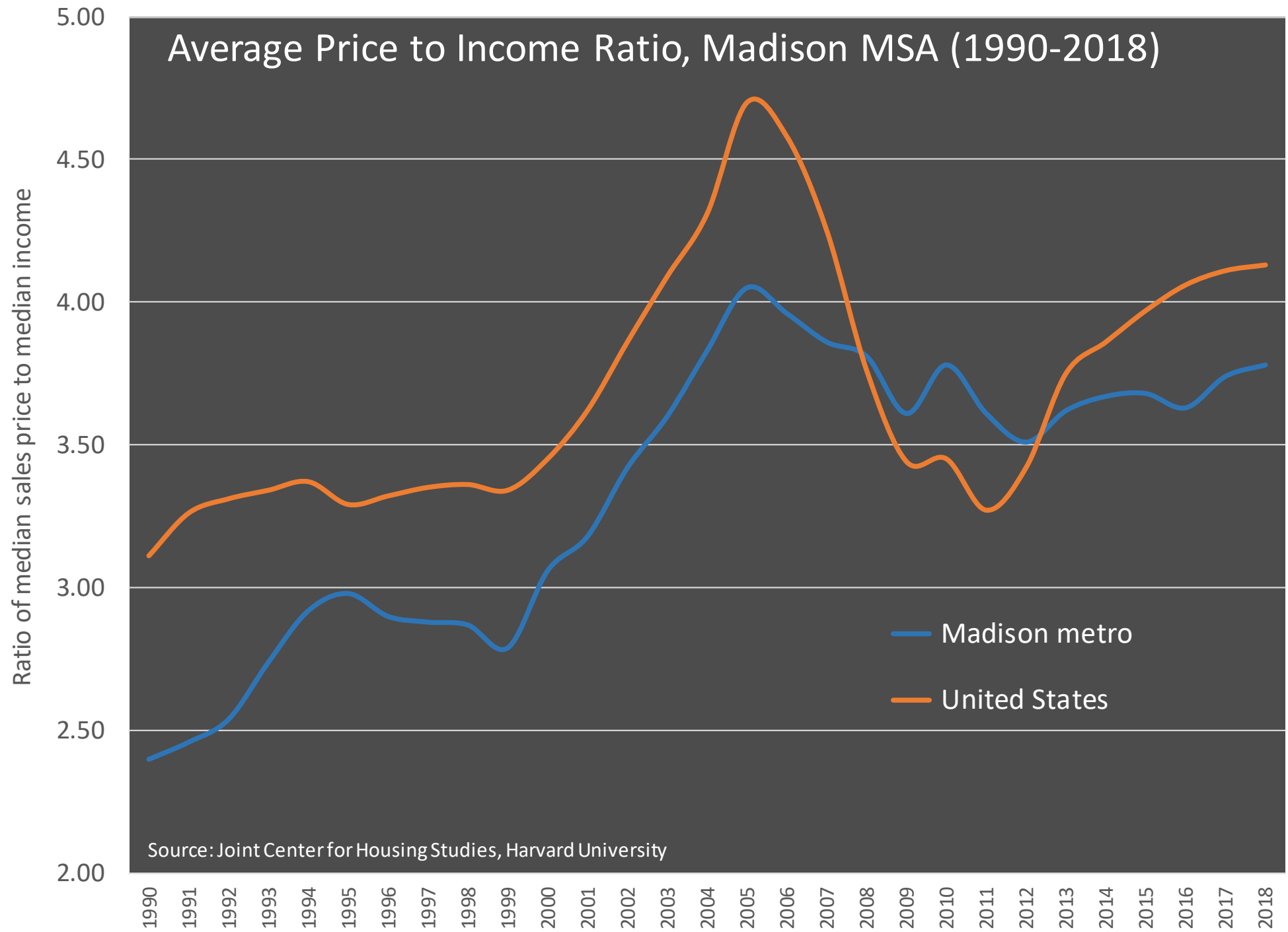
Source: Author's calculations based on 2006 and 2017 1-year American Community Survey data, U.S. Census Bureau. Households are 1- or more persons who occupy a housing unit. Housing units include vacant structures for sale or rent.

Housing Construction and Subdivision Activity in Wisconsin have not Recovered from Great Recession, Remain at Historically Low Levels



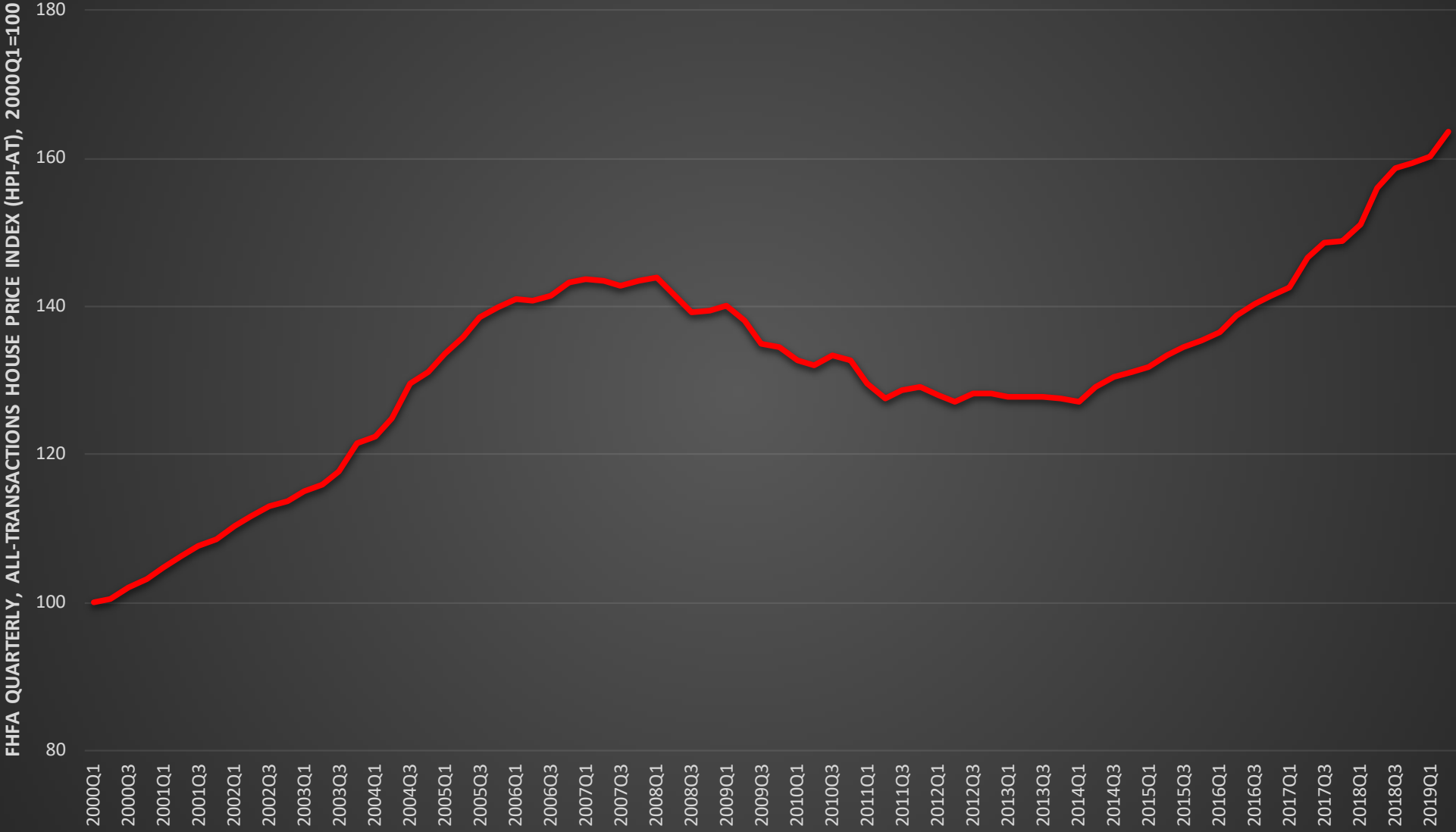
Source: Subdivision Lots from Wis. Dept. Admin.; Building Permits Database, U.S. Census Bureau.

Average Price to Income Ratio, Madison MSA (1990-2018)



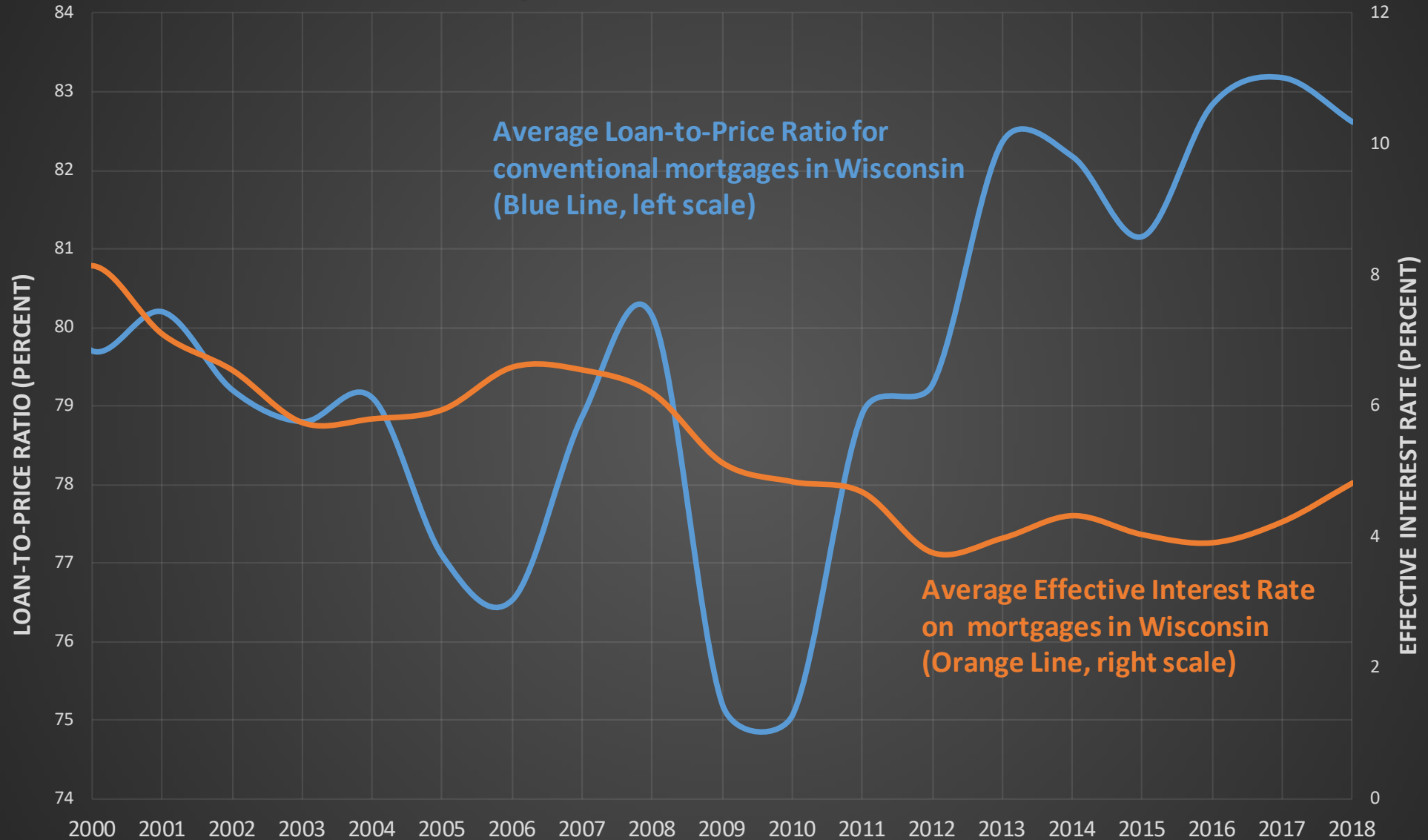
Source: Joint Center for Housing Studies, Harvard University

Wisconsin House Prices Now Exceed Pre-Crisis (2007Q1) Levels and have increased 18% in past 3 years, 26.7% in past 5 years



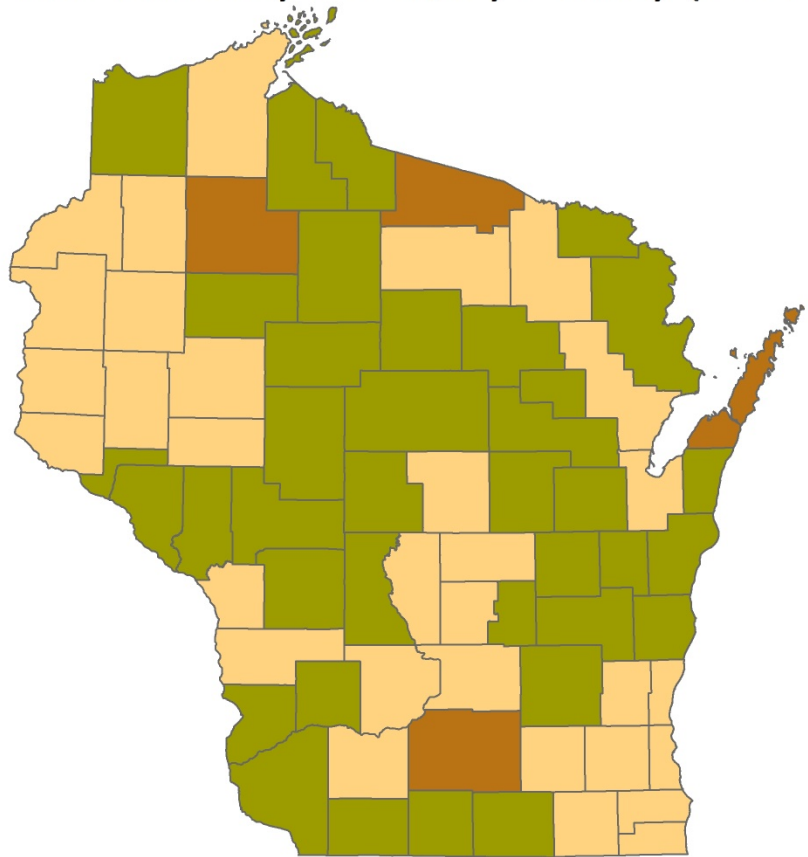
Source: Federal Housing Finance Agency

Wisconsin Homeowners are Borrowing a Larger Percentage of their Home's Value; Interest Rates are at Historic Low Levels



Source: Federal Housing Finance Agency, Rates and Terms on conventional, single family, fully amortized, non-farm, mortgages, by state (purchase and refinance, new and existing houses). Effective interest rate amortizes fees and points. Loan-to-price ratio is the ratio of the loan amount to the house value. An 80% loan-to-purchase ratio is equivalent to a 20% downpayment.

Wisconsin Entry-Level Housing Affordability Index, by county (2017)



- Not affordable (less than 100)
- Barely affordable (100 - 120)
- Affordable (greater than 120)

Note: A value of less than 100 means that the median income household in a county cannot afford the median priced home in the county. Any value greater than 100 indicates that the median income household can afford the median priced home.

The “Entry-level housing affordability index” (for each county) is constructed like the NAR “Affordability index”:

The ratio of median household income to the income needed to purchase the median home with an FHA (low down-payment) product.

A score less than 100 means the median income family cannot afford the median priced home with an FHA product.

From 2010-2017, this index declined in 57 out of 72 Wisconsin counties.

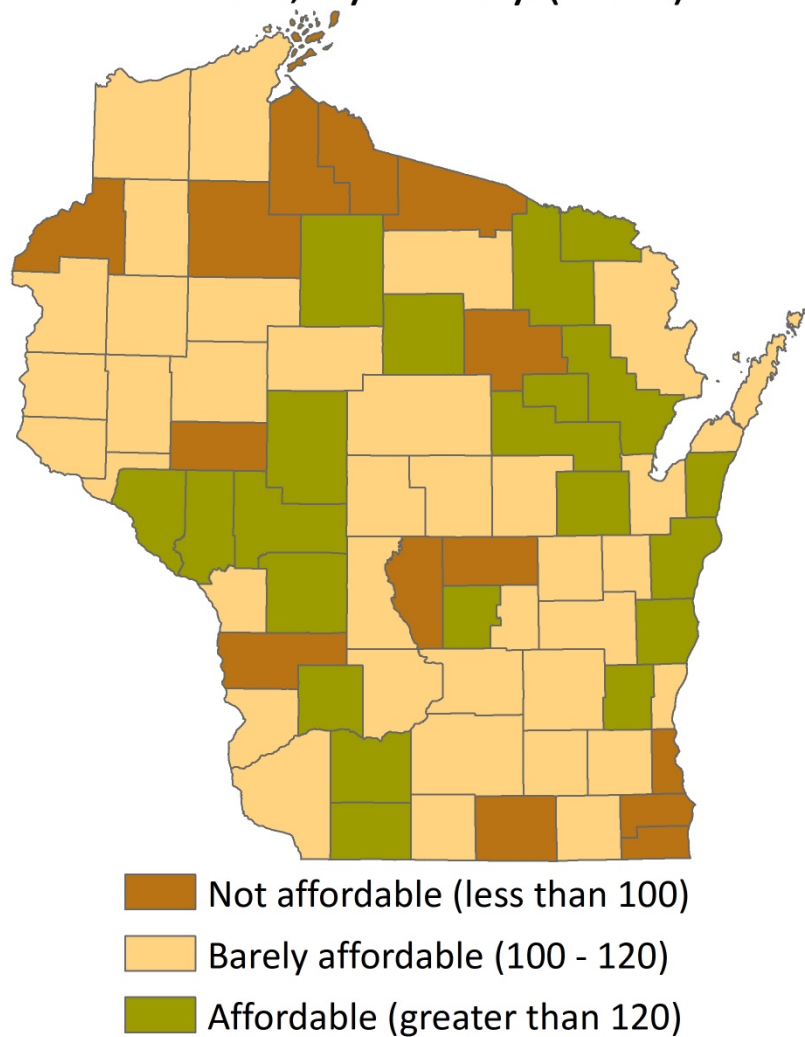
Rents rose faster than household incomes in Midwestern states

<i>State</i>	<i>Increase median rent, 2007-2017</i>	<i>Increase median income, 2007-2017</i>
ILLINOIS	24.4%	16.4%
INDIANA	24.3%	14.2%
IOWA	34.0%	23.8%
MICHIGAN	22.3%	14.5%
MINNESOTA	32.1%	22.6%
WISCONSIN	21.7%	17.3%
<i>U.S. AVERAGE</i>	<i>28.3%</i>	<i>18.9%</i>

Source: US Census, 1-year American Community Survey (ACS) data, not inflation adjusted

- **On a *per-capita basis*, Wisconsin permitted more multifamily housing than all of our neighboring states from 2000-2014.**
- **From 2007-2017 Wisconsin had slower median rent growth than all of our neighboring states.**
- **Therefore, robust apartment construction moderates rent growth, even though we still didn't build enough**

Wisconsin Renter Affordability Index, by county (2017)

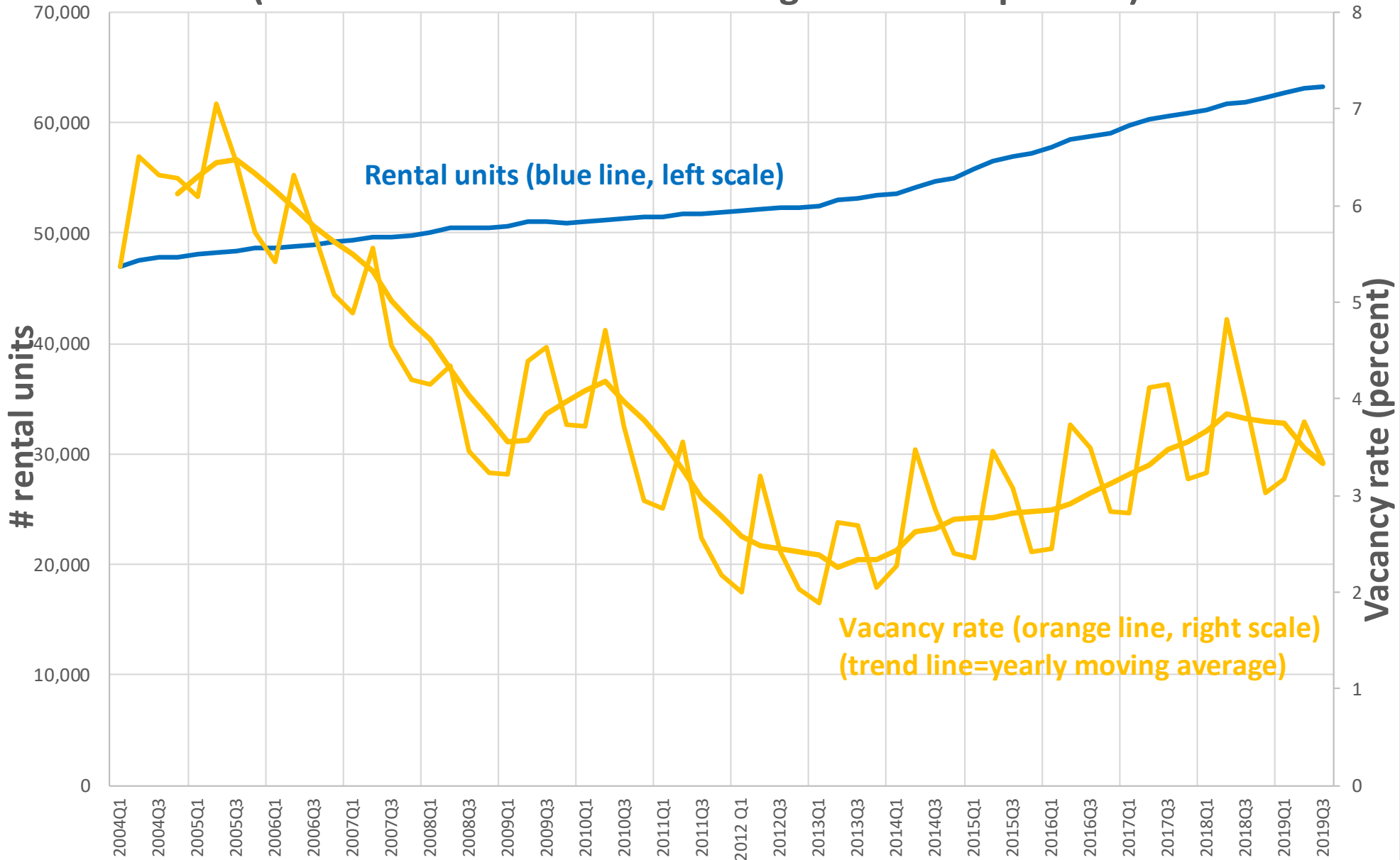


The “County Renter Affordability Index” measures whether the median income renter-household can afford the median-priced rental unit.

It is the ratio of median renter-household income in the county to the income that would be needed for afford the median-priced rental home.

A score less than 100 means the median income household cannot afford the median rent home.

MG&E "Central Urban Area" Multifamily Rental Market (Madison+Middleton+Fitchburg+Monona zip codes)



25 lowest annual median-wage occupations in high-employment occupations (over 1000 employees), Madison metropolitan region (2018)

Occupation Code	Occupation Title	Employees	10 th percentile annual wage	25 th percentile annual wage	50 th percentile annual wage
41-2031	Retail Salespersons	10,020	\$17,630	\$20,130	\$23,550
35-3021	Combined Food Preparation and Serving Workers, Including Fast Food	8,400	\$16,680	\$17,870	\$19,960
41-2011	Cashiers	7,980	\$17,180	\$19,310	\$22,180
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	6,300	\$20,760	\$23,250	\$28,470
35-3031	Waiters and Waitresses	5,860	\$17,240	\$19,450	\$28,780
39-9021	Personal Care Aides	5,210	\$21,250	\$23,050	\$25,850
43-5081	Stock Clerks and Order Fillers	4,150	\$18,360	\$21,020	\$25,270
35-3011	Bartenders	3,630	\$16,600	\$17,760	\$19,770
35-2014	Cooks, Restaurant	3,350	\$19,820	\$22,630	\$26,400
43-4171	Receptionists and Information Clerks	3,110	\$20,080	\$24,930	\$31,950
25-9041	Teacher Assistants	2,730	\$20,270	\$23,450	\$29,910
37-3011	Landscaping and Groundskeeping Workers	2,500	\$21,230	\$26,400	\$31,700
35-1012	First-Line Supervisors of Food Preparation and Serving Workers	2,400	\$22,790	\$26,690	\$31,080
37-2012	Maids and Housekeeping Cleaners	1,920	\$17,810	\$20,140	\$23,330
51-9111	Packaging and Filling Machine Operators and Tenders	1,920	\$23,320	\$27,190	\$32,030
21-1093	Social and Human Service Assistants	1,650	\$22,800	\$26,390	\$31,370
25-2011	Preschool Teachers, Except Special Education	1,550	\$21,070	\$23,550	\$27,500
33-9032	Security Guards	1,450	\$20,500	\$24,680	\$30,170
39-5012	Hairdressers, Hairstylists, and Cosmetologists	1,270	\$16,860	\$18,620	\$27,450
41-2021	Counter and Rental Clerks	1,230	\$16,930	\$18,750	\$24,680
43-3071	Tellers	1,170	\$23,630	\$26,680	\$29,780
35-9031	Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	1,150	\$16,470	\$17,530	\$19,290
53-3031	Driver/Sales Workers	1,140	\$16,750	\$18,870	\$27,520
35-9021	Dishwashers	1,070	\$17,830	\$20,280	\$23,560
35-2021	Food Preparation Workers	1,020	\$17,600	\$20,210	\$24,150
	All 25 lowest-wage high-employment occupations	82,180	\$19,258	\$21,953	\$26,628
	All Occupations	392,260	\$21,510	\$29,420	\$42,770

Notes: Data source is US Dept. of Labor, Bureau of Labor Statistics, Occupational Employment Statistics (OES) database for 2018. Detailed occupational data are only available at the Metropolitan Statistical Area (MSA) geography: Madison MSA contains Dane, Columbia, Green, and Iowa counties. Some detailed occupational data are not released due to confidentiality restrictions. Occupational codes follow the Standard Occupational Classification system (SOC). The 50th percentile is also called the median.

Workforce housing challenge

	Employees	10 th percentile annual wage	25 th percentile annual wage	50 th percentile annual wage
<i>All 25 lowest-wage high-employment occupations</i>	82,180	\$19,258	\$21,953	\$26,628
<i>Monthly "affordable" housing budget (1 worker)</i>		\$481.46	\$548.83	\$665.70
<i>Monthly "affordable" housing budget (2 workers)</i>		\$962.92	\$1,097.66	\$1,331.40



Recovery? Except for highest 2 income categories, number of extremely cost-burdened renter households increased.

Renters

Income category	Extremely cost-burdened (2006-2010)	Extremeley cost-burdened (2011-2015)	Change
Less than 30-percent of AMI	10,285	13,050	↑
Between 30- and 50-percent of AMI	2,145	2,350	↑
Between 50- and 80-percent of AMI	430	650	↑
Between 80- and 100-percent of AMI	85	15	↓
More than 100-percent of AMI	170	20	↓

Progress? While ***total numbers*** of extremely cost-burdened lower-income renters ***increased***, there was a 1.4 ***percentage point decrease*** in extreme cost-burdens.

At 2006-2010 rates: 1,000 more households would have been in extreme burden.

Renters

Income category	Extremely cost-burdened (2006-2010)	Extremeley cost-burdened (2011-2015)	Change
Less than 30-percent of AMI	68.6%	67.2%	↓
Between 30- and 50-percent of AMI	16.4%	13.5%	↓
Between 50- and 80-percent of AMI	2.4%	3.2%	↑
Between 80- and 100-percent of AMI	1.0%	0.2%	↓
More than 100-percent of AMI	1.2%	0.1%	↓

Table 18. Homeownership rates, by race/ethnicity and income level, Dane County 2011-2015

	White	African-American	Asian	Hispanic
Less than 30-percent of AMI	24.6%	1.9%	7.3%	8.5%
Between 30- and 50-percent of AMI	37.0%	4.4%	7.9%	12.3%
Between 50- and 80-percent of AMI	49.8%	14.7%	29.2%	23.6%
Between 80- and 100-percent of AMI	65.6%	23.8%	53.4%	58.5%
More than 100-percent of AMI	82.7%	59.8%	65.3%	73.2%

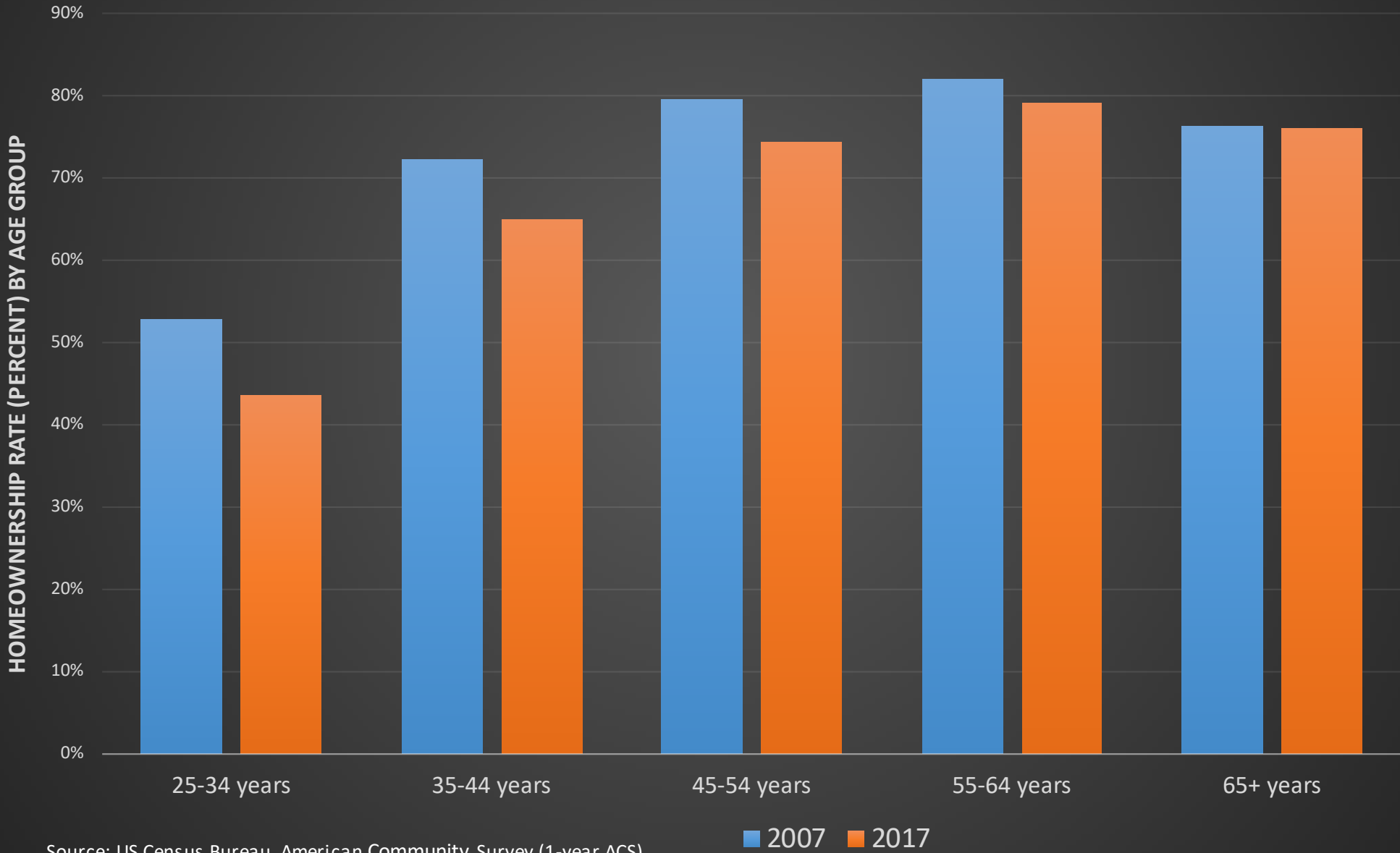
Notes: Source is US Department of Housing and Urban Development Comprehensive Housing Affordability Strategy data (CHAS), based on 2011-2015 census (most recent available.)

Table 19. Percent with Severe Housing Problems, Dane County 2011-2015

	White	African-American	Asian	Hispanic
Less than 30-percent of AMI	72.2%	79.6%	73.0%	77.8%
Between 30- and 50-percent of AMI	26.2%	20.1%	29.6%	41.5%
Between 50- and 80-percent of AMI	9.0%	7.5%	19.5%	16.2%
Between 80- and 100-percent of AMI	3.3%	8.3%	4.9%	11.3%
More than 100-percent of AMI	1.0%	2.7%	6.6%	1.7%

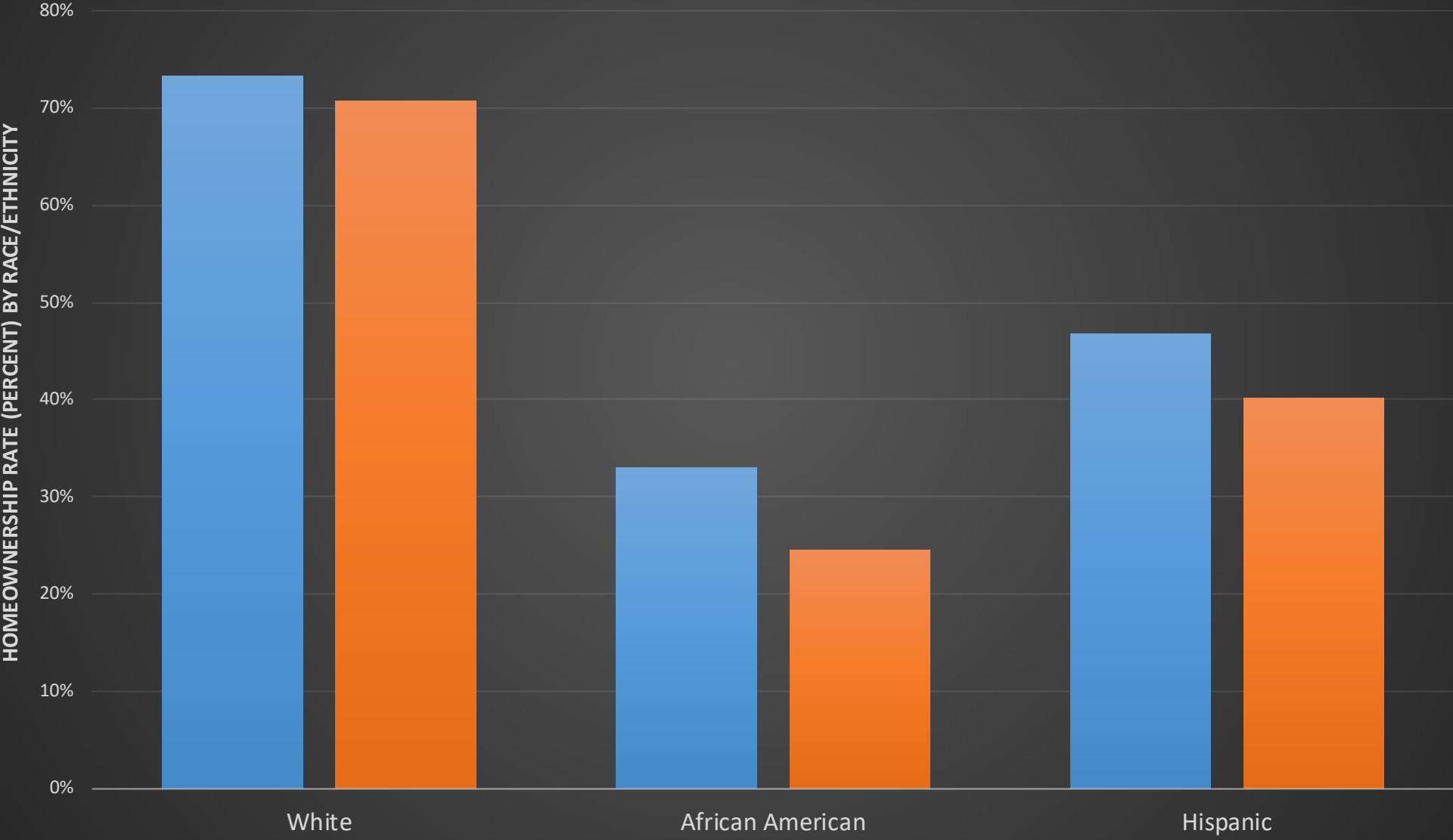
Notes: Source is US Department of Housing and Urban Development Comprehensive Housing Affordability Strategy data (CHAS), based on 2011-2015 census (most recent available.) Severe housing problems is defined by HUD as either lacking complete plumbing or kitchen facilities, being severely overcrowded, or being severely cost-burdened (paying more than 50 percent of income on housing.)

Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Age Groups (except Seniors), with Largest Drop for Youngest Families



Source: US Census Bureau, American Community Survey (1-year ACS).

Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Racial/Ethnic Groups, with Largest Drop for African American Families



Source: US Census Bureau, American Community Survey (1-year ACS).

■ 2007 ■ 2017

Wisconsin Leads Midwest with Highest Percentage of Lower-Income Renters with Extreme Cost-Burdens

Percent of renters "extremely cost-burdened," by income category

State	0-30 percent of area income	30-50 percent of area income	50-80 percent of area income	80-100 percent of area income	above median area income
ILLINOIS	62.1%	25.2%	4.6%	1.4%	0.3%
INDIANA	63.3%	24.0%	3.1%	0.8%	0.5%
IOWA	60.6%	14.9%	3.0%	0.8%	0.6%
MICHIGAN	65.0%	28.9%	5.6%	1.6%	0.6%
MINNESOTA	58.7%	18.0%	3.9%	1.2%	0.3%
WISCONSIN	65.3%	20.0%	2.9%	0.6%	0.3%

Source: US. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2011-2015

Over 158,000 renting households with incomes below 50% AMI spend more than 50 percent of their income on housing.

Now what?

- Policies and strategies to:
 - Address current housing gap
 - Reinvest in current stock for sustainability and affordability
 - Meet future housing demand

Forecasted Housing Units in Dane County through 2040

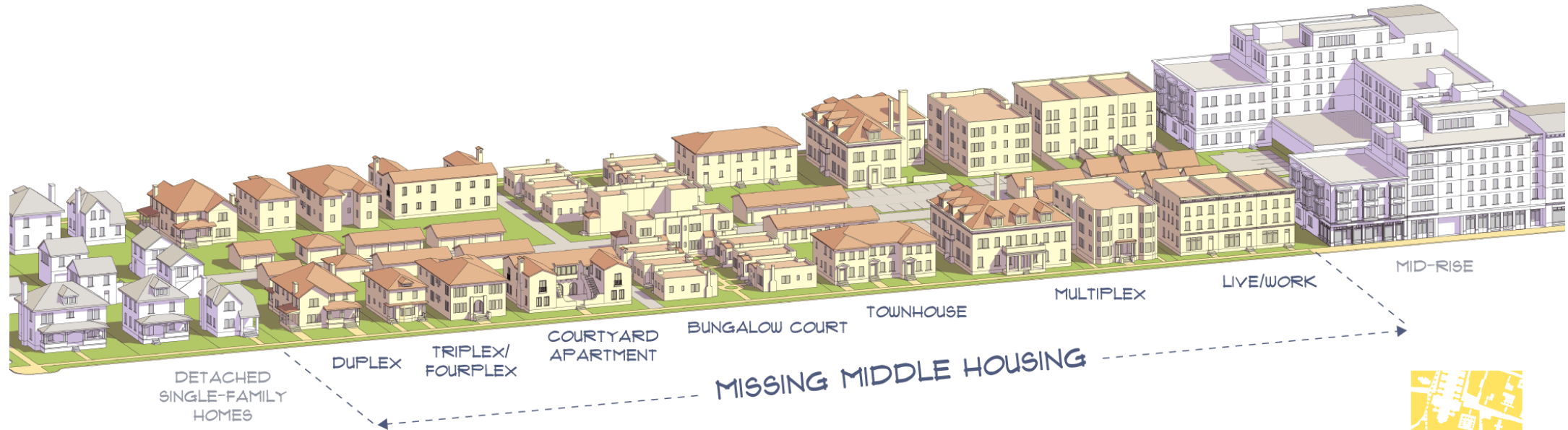
	Lower range (3% vacancy)	Upper Range (5% vacancy)
Projected Households	268,335	268,335
Vacancy Adjustment	8,050	13,417
Housing units needed	276,385	281,752
Current Housing Units	236,932	236,932
Units lost per year rate	0.003	0.003
2040 Housing units remaining	222,445	222,445
Units Needed to produce (total)	53,940	59,307
Units Needed to produce per year	2,569	2,824

Source: author's calculations based on Dept. of Admin. household projections (vintage 2013)

Between 648 and 1209 affordable units per year (through 2040) to meet current and future affordable housing needs.

Better practices: Planning

- An idea that has gained widespread interest among planners and developers is the idea of the “missing middle” – the type of housing we used to build in cities and small towns. Concept of a “complete neighborhood” – all types in each neighborhood.
- Many zoning ordinances have limited areas or ban completely building “missing-middle” and multifamily homes



Better practices: Zoning

- Smaller lot sizes, reduced set-backs.
- Reduced parking requirements
- Allow developers flexibility to meet market demands for different sizes of units and configurations. For new neighborhoods, encourage a variety of styles, sizes and types. (Complete neighborhoods)
- Allow ADUs in all residential zoning districts by right.
- Allow “missing middle” housing types in many residential zoning districts. Encourage townhouses and condo developments.
- Allow multifamily development (by right) in at least one zoning district.
- Examine the “zoning yield” of current and future development areas in the city. (How many units can actually be built on each parcel based on the current zoning? Can the current zoning actually allow developers to produce the number of units and the types of units our plan says we need? If not, how can we change the zoning?)

Better practices: Financing

- Use TIF to leverage State and Federal Housing Tax Credits for new construction and/or acquisition/rehab.
- Affordable housing “amendment” when TIDs closing.
- Consider creating Down Payment Assistance Program or help interested potential homeowners access WHEDA or FHLBC Down-payment programs.
- Consider acquiring vacant or foreclosed properties for city to act as developer. Create RFP. Partner with non-profits to get a mix of market rate and affordable units, some with services/disabled.
- City/village loans (0% interest) for homeowner or landlord repair (weatherization, energy efficiency, livability/accessibility, etc.). Consider 0% second-loans for acquisition of “fixer uppers” where acquisition + rehab financed together.
- Partner with non-profits and/or experienced developers of mixed-income housing. City helps developer pull together multiple funding sources.
- Help recruit/attract developers with site-selection assistance and/or “shovel ready” sites.
- Local or regional staff help direct developers to various funding sources.

Examples



Before



After

Femrite Drive, Monona: Small-Lot Subdivision to replace older house on large lot



Before



Street Views

After



Aerial views



Subdivision: Smaller houses on smaller lots (3600-6000 sq.ft) , mix of alley-loaded and front-loaded homes.



Frontage: 45' depth: 80ft.

Assessed value: \$316,000

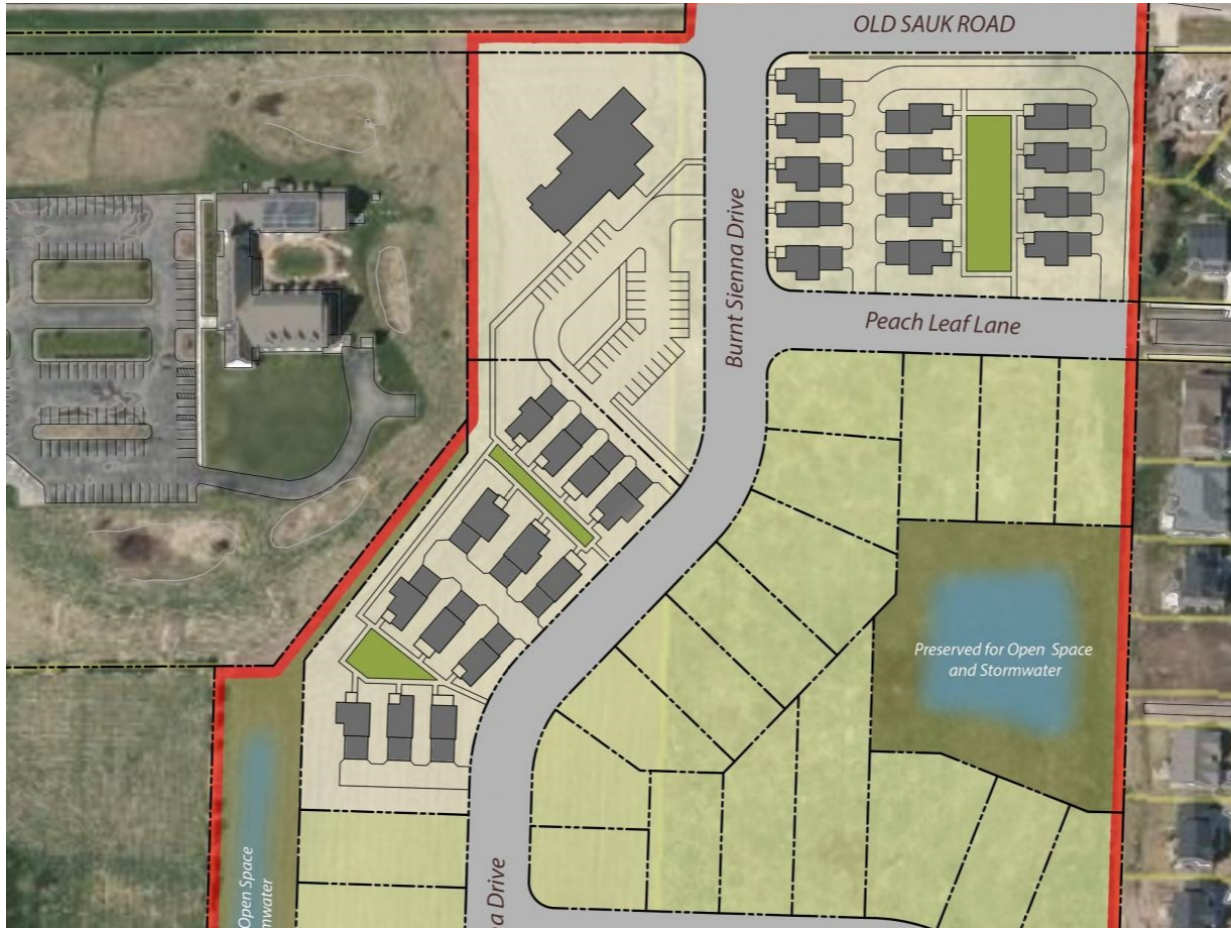
3 BR, 2.5 bath, 2067 ft², Lot = 3600 ft²

“Cottage Clusters” and “Pocket Neighborhoods” and “Bungalow Courts”



$$110' \times 165' = 18,150 \text{ ft}^2$$

Cottages at Chapel View (Madison): New Subdivision, pocket neighborhood cottage clusters



28 Cottages on 3.75 acres, (average is 5,819 ft² per house, includes parking and green space.

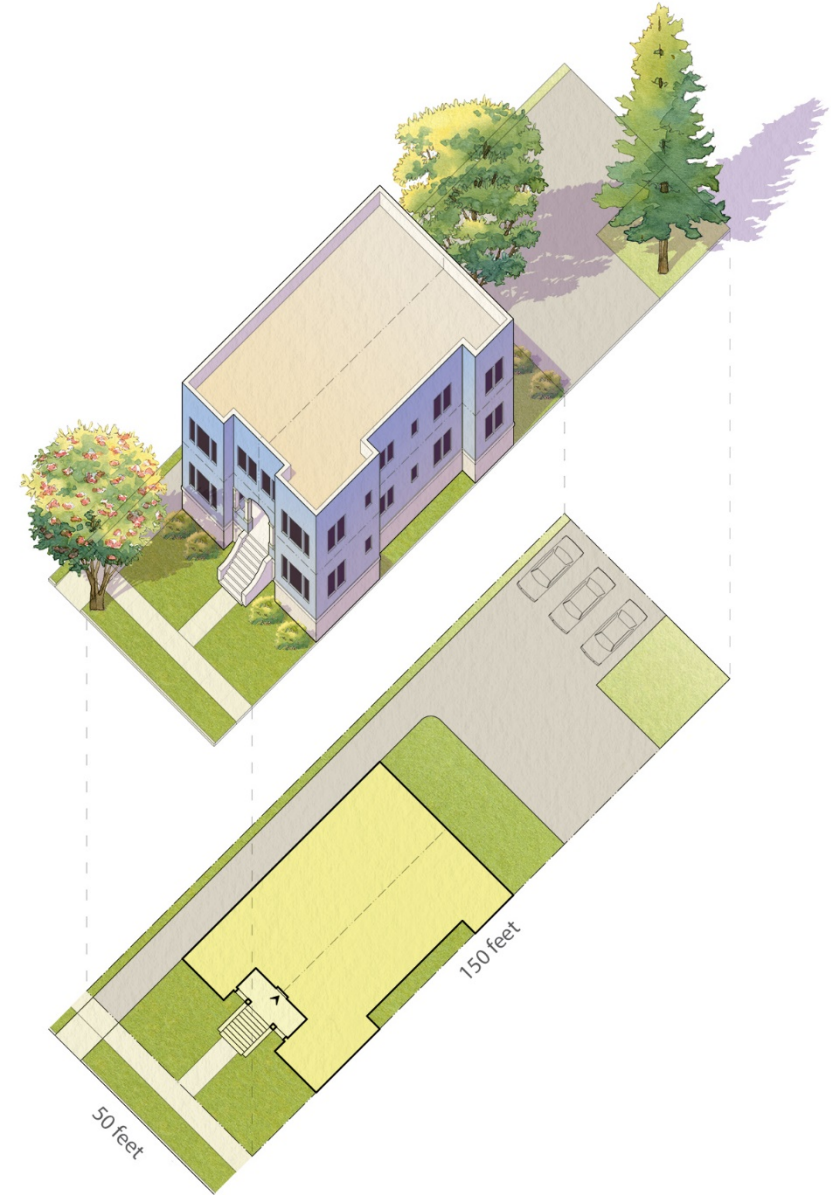


2 BR, 2 bath ≈ 1200 ft² cottages.

Ideal Specifications

Lot	
Width	50 feet
Depth	150 feet
Area	7,500 sq. ft.
	0.17 acres
Units	
Number of Units	8 units
Typical Unit Size	
Density	
Net Density	46.4 du/acre
Gross Density	38.6 du/acre
Parking	
Parking Ratio	0.6 per unit
On-street Spaces	2
Off-street Spaces	3
Setbacks	
Front	20 feet
Side	0 feet and 10 feet
Rear (main building)	68 feet
Between Main and Accessory Buildings	n/a
Building	
Building Size	5,208 sq. ft.
Width	42 feet
Depth	62 feet
Height (to eave)	28 feet

Small multiplex





Before



After