Strategies for Wisconsin Municipalities to Expand Housing Options

Presentation to League of Wisconsin Municipalities, Chief Executives Workshop, August 2019
Kurt Paulsen (University of Wisconsin – Madison)

The opinions expressed herein do not necessarily constitute the opinions of the City of Middleton, Dane County, The University of Wisconsin-Madison, the Wisconsin Housing and Economic Development Authority (WHEDA), the Wisconsin Realtors Association (WRA), the League of Wisconsin Municipalities, their members or staff.
Orienting concepts

• Expanding Housing Options is **NEEDED** …
  • Statewide supply shortage; housing crisis
  • Without decent, affordable, safe and healthy homes -- families struggle and communities suffer
  • Workforce housing IS economic development because a home is where a job goes to sleep at night
  • State law requires municipalities to plan for an adequate housing supply

• But Expanding Housing Options is **HARD** …
  • Construction costs are high, accelerating
  • Housing development, zoning, financing are complex
  • Future housing occupants can’t vote for you NOW.
  • Current residents who CAN vote for you NOW don’t necessarily want more housing (NIMBY)
Presentation Outline

• Very Quickly: Wisconsin’s Housing Crisis in 7 slides
• Principles
• Some quick diagnostic tools
• “Better practices” (toolbox) for:
  • Community engagement and leadership
  • Planning and studies
  • Zoning
  • Financing
• A few example projects
Main Message

• Compared to our neighboring states (Illinois, Indiana, Iowa, Michigan and Minnesota) on most housing indicators, we are falling behind or at the bottom.

• Workforce housing and housing affordability is on everyone’s radar

• A number of innovative housing policy reforms from other states can help Wisconsin address its workforce housing shortage.
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.
Wisconsin's 20 Largest Counties Underproduced Nearly 20,000 Housing Units from 2006-2017

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20 Largest Wisconsin Counties: **109,646** Housing Units Underproduced with **104,710** Housing Units Produced, **1,0471** Housing Units Needed, and **19,838** Housing Units in Underproduction

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.
## Rents rose faster than household incomes in Midwestern states

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<td>ILLINOIS</td>
<td>24.4%</td>
<td>16.4%</td>
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<tr>
<td>INDIANA</td>
<td>24.3%</td>
<td>14.2%</td>
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<tr>
<td>IOWA</td>
<td>34.0%</td>
<td>23.8%</td>
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<tr>
<td>MICHIGAN</td>
<td>22.3%</td>
<td>14.5%</td>
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<tr>
<td>MINNESOTA</td>
<td>32.1%</td>
<td>22.6%</td>
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<tr>
<td>WISCONSIN</td>
<td>21.7%</td>
<td>17.3%</td>
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<tr>
<td><strong>U.S. AVERAGE</strong></td>
<td><strong>28.3%</strong></td>
<td><strong>18.9%</strong></td>
</tr>
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</table>

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

<table>
<thead>
<tr>
<th>State</th>
<th>0-30 percent of area income</th>
<th>30-50 percent of area income</th>
<th>50-80 percent of area income</th>
<th>80-100 percent of area income</th>
<th>above median area income</th>
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<td>1.4%</td>
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<tr>
<td>INDIANA</td>
<td>63.3%</td>
<td>24.0%</td>
<td>3.1%</td>
<td>0.8%</td>
<td>0.5%</td>
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<tr>
<td>IOWA</td>
<td>60.6%</td>
<td>14.9%</td>
<td>3.0%</td>
<td>0.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>MICHIGAN</td>
<td>65.0%</td>
<td>28.9%</td>
<td>5.6%</td>
<td>1.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>MINNESOTA</td>
<td>58.7%</td>
<td>18.0%</td>
<td>3.9%</td>
<td>1.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>WISCONSIN</td>
<td>65.3%</td>
<td>20.0%</td>
<td>2.9%</td>
<td>0.6%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>


Over 158,000 renting households with incomes below 50% AMI spend more than 50 percent of their income on housing.
We will never solve our housing crisis without more supply ...

... But supply alone will not solve our housing crisis.
• Expanding housing options requires a continuous engagement with residents, businesses, community institutions, and stakeholders. It requires a “Community Conversation” with dedicated leadership.

• Every community \textit{should}:
  • Provide an adequate supply of housing to meet forecasted demand
  • Provide a range of housing choices for:
    • All income levels
    • All ages (all family types and sizes)
    • People with special needs

• More Supply. More diverse supply. Focused efforts on affordability and accessibility.
• Continuous community conversation. Where is my community (residents, electeds, stakeholders, etc.) with regard to expanding housing options? What specific actions/strategies can we use to move to the next level?

Quick diagnostic tools

- AWARENESS
- INTEREST
- CAPACITY (Fiscal, political, staff, infrastructure)
Quick diagnostic tools

Questions to ask:

1. Who are the interested community members and/or stakeholders that I can bring together to talk about housing and develop strategies?
2. Can people who work in our community afford to live in our community?
3. What is our forecasted housing demand in our comprehensive plan? Does our comprehensive plan clearly show that we intend to provide an adequate developable land supply to meet forecasted housing demand?
4. Do we provide a variety of lot sizes and housing types in our zoning ordinance?
5. Are we providing housing that is affordable for all income levels?
6. In which zoning districts (and how much of our land area) is “missing middle” housing allowed by right?
7. In which zoning districts (and how much of our land area) is multifamily housing allowed by right?

8. Are “accessory dwelling units” (ADUs) permitted in any residential districts?

9. Does our community provide reasonable and economically realistic opportunities for the development of workforce housing?

10. Are our businesses having difficulty recruiting/retaining workers because of housing problems?

11. How are we meeting the housing needs of seniors, disabled or those with special needs?

12. How can we change our zoning and other land use regulations to expand housing choice, meet forecasted demand, and reduce the cost of housing?
Better practices: Community Engagement and Leadership

• Seems to work best when an outward-facing committee or task-force of citizens and elected officials begin meeting together. Start with 2 people and invite others!
• City of Middleton Workforce Housing Task Force (started 2007 by Mayor, Mayoral appointments + Alderperson)
• Sun Prairie Workforce Housing Committee (organized in 2017 by Sun Prairie Chamber of Commerce)
• Village of Waunakee Housing Task Force, created by Village Board in 2018 to study and draft recommendations.
• Most of these committees work well when include: Chamber of Commerce, Elected Officials, School District Representatives, Realtors/Developers, Churches, Community Organizations, Citizen Representatives from different areas of the community, etc.
• If you want to make progress, there has to be an organized group of leadership! They educate and advocate!
Better practices: Planning

• For cities over 10k population, the Act 243 Housing Affordability Reports have a primary purpose to report on “implementation of the housing element of the municipality's comprehensive plan ”
  • Opportunity for communities of all sizes to reflect upon and possibly improve the Housing Element of their Comprehensive Plan. (Maybe every 3-5 years)

• Re-examine Housing Element of Plan: Is there a clear and direct relationship between the forecasted housing demand and the land use plan (density and gross acres needed)?

• My review of many housing elements suggests more successful ones make the calculations and connections clear and specific, connect to planned land use categories and densities.

• Future housing units can be accommodated as New Neighborhoods (new development), small-scale infill, and redevelopment.
<table>
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<tr>
<th>Illustrative Residential Land Demand Forecast (City of Badger, Wisconsin)</th>
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<tbody>
<tr>
<td>4,000</td>
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<td>10.0%</td>
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<td>30.0%</td>
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<tr>
<td><strong>Gross Acre Adjustment Factors for Planned Land Use Categories:</strong></td>
</tr>
<tr>
<td>25.0%</td>
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<tr>
<td>30.0%</td>
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<tr>
<td>35.0%</td>
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<td>35.0%</td>
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<tr>
<td>40.0%</td>
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<td><strong>Output: Gross Acres Needed</strong></td>
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<td>125.00</td>
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<tr>
<td>90.00</td>
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<tr>
<td>33.75</td>
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<td>33.60</td>
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<tr>
<td><strong>OUTPUT: TOTAL GROSS ACRES NEEDED FOR RESIDENTIAL LAND DEMAND</strong></td>
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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.
Various Examples
City of Middleton Workforce Housing Strategy

- Adopted by City Council 2015
- “…goal of supporting the growth of Middleton as an emerging job center by encouraging compact development and a mixed-income and diverse community where people who work in Middleton are able to afford to live in Middleton.”
- Commitment to state law requirement that plan for “adequate housing supply that meets existing and forecasted housing demand ... and provide a range of housing choices that meet the needs of persons of all income levels...” Wis. Stat. 66.1001 (2)(b)
- Based on Dane County Housing Needs Assessment: produce 295 units of affordable housing in 3-5 years
14 strategy recommendations:

- Loans and down-payment assistance for affordable homeownership, programs for seniors, smaller lots/flexible design, Homebuyer’s Roundtable
- Utilize TID 3 and 5 to leverage state and federal funding sources
- Impact fee waivers, reduced parking spaces, etc.
- Connect developers with funding, support those efforts
- Encourage LIHTC in “high-need” areas (WHEDA scoring criteria); Income mixing
- Promote/support DCHA
- Update comprehensive plan
One Result: Meadow Ridge (Middleton, WI)

City of Middleton (2015) adopts Workforce Housing Strategy
- City Goal of 295 units; priority areas; income mixing

Meadow Ridge is 95 units, mixed income
- 16 units at 30% AMI (DCHA)
- 41 units at 50% AMI
- 19 units at 60% AMI
- 19 units at market

Services and units reserved for veterans, disabled; Walking distance to thousands of planned jobs, schools, transit, shopping.

Total Project Cost: $16.3 million.
Funding sources: LIHTC (9% Credits, WHEDA HIPR, $8.5 million); City TIF ($1.3 million), County Housing Authority, Dane County, FHLBC, deferred developer fee
One Result: Meadow Ridge Redevelopment

Before

After
An older “eyesore” building was redeveloped to add 16 apartment units (underground parking), including a 3-bedroom unit subsidized with TIF for affordability. Immediately adjacent to Middleton High School, near downtown.
Femrite Drive, Monona: Small-Lot Subdivision to replace older house on large lot

Before

Street Views

Aerial views

After
Gateway Drive, Middleton: Small-Lot Subdivision to replace older house on large lot

Before

Street Views

After

1 older house on 1 acre, redeveloped to 6 individual lots.

Aerial view
Middleton Ridge (Middleton): New Subdivision with variety of housing units, sizes, types (flexibility in design)

Still under construction. Lot sizes range from 4,000 ft\(^2\) to over 15,000 ft\(^2\). Parks, community center. Close to schools, conservancy.
Cottages at Chapel View (Madison): New Subdivision, pocket neighborhood/cottage clusters

28 Cottages on 3.75 acres, (average is 5,819 ft\(^2\) per house, includes parking and green space.

2 BR, 2 bath \(\approx 1200\) ft\(^2\) cottages.
Stagecoach Trails (Middleton): Multifamily redevelopment (48 units: market rate + affordable) along arterial, entrance to city previously occupied by 4 very poor condition single-family rentals.