

## 1. Introduction

In March 2012, the Board of Supervisors of Dane County recognized housing as a human right, and made provision of adequate and affordable shelter a priority. Access to adequate, stable, accessible and affordable housing for all families is essential for strong communities, economic development, and quality of life. When families spend too much of their income for housing, they often have difficulty paying for food, health care, transportation, education or school supplies. Stable, adequate housing helps children succeed in school, strengthens communities and neighborhoods, and fosters economic development through a stable workforce.

Dane County has a growing regional economy and housing market. Household income and housing construction have grown faster in Dane County than in the state of Wisconsin or the United States for the past 30 years. But housing prices and rents have also grown faster than either the state or the nation. (see Table 1.1)

Housing in Dane County is relatively expensive. This reflects a higher level of income, lower rates of unemployment and our extremely high quality of life in national rankings. But it also means that many households and families have difficulty finding or affording housing which fits their needs. First-time homebuyers. Young families just entering the workforce. Senior citizens on fixed incomes. Lower-income households struggling to find stable, affordable housing with good access to transportation and schools. Each of these families experience housing challenges in Dane County.

Table 1.1 Average annual growth rates for Dane County, 1980-2010. (Adjusted for inflation).

	DANE COUNTY	WISCONSIN	UNITED STATES
<b>Number of Housing units</b>	1.81%	1.15%	1.34%
<b>Median household income</b>	0.33%	-0.04%	0.11%
<b>Median house value</b>	1.19%	0.94%	0.98%
<b>Median rent</b>	0.84%	0.48%	0.45%

Source: US Census, various years. Inflation adjustment to 2010\$ utilizes Consumer Price Index, all urban consumers (CPI-U).

Currently, nearly 65,000 households -- nearly 1/3<sup>rd</sup> of *all* households -- in Dane County live in housing which considered “unaffordable” because they spend more than 30 percent of income on housing. This includes 28,469 renter households and 36,057 owner households. In the 2012-2013 school year, there were over 1,800 students in Dane County school districts who were considered homeless; that is “lacking a fixed, adequate, and regular nighttime residence.”<sup>1</sup>

<sup>1</sup> Data reported by DPI – Department of Public Instruction. It is important here to note that this definition of homeless is required of school districts by federal law and the Department of Education. The definition differs somewhat from the definition HUD uses in its homelessness programs. Under the McKinney-Vento Act, local school districts designate homeless liaisons, and students are tracked across school districts so as to avoid “double-counting” in the reported numbers. Under Dept. of Education rules, homeless students can include those whose families share the housing of other persons due to loss of housing; live in motels, trailer parks or camping grounds due to the lack of adequate accommodations. For more information on the definitions of homeless in HUD and Education programs, see: <http://center.serve.org/nche/downloads/briefs/hud.pdf>.

**Purpose of this report:** This report assesses the demand for and supply of housing in Dane County and its cities, towns and villages, with an emphasis on the housing challenges and needs of households in greater need. The purpose of this report is to provide information about housing needs to municipal and county officials, developers, community members, non-profit housing providers and other partners. This report presents data which has not generally been accessible at the municipal level. The housing needs assessment for each municipality includes information on demographics, demographics, housing demand, housing supply, senior housing, and the affordable housing and rental stock.

This report also presents a number of possible scenarios of future needs for affordable housing as well as an outline of tools and strategies which could be implemented to reduce affordable housing needs.

This report builds on and complements a number of other recent reports in the area. Dane County recently updated its Housing and Community Development “Consolidated Plan” for 2010-2014.<sup>2</sup> As part of its Consolidated Plan, the County hired Maxfield Research to conduct an “Analysis of Impediments to Fair Housing Choice.”<sup>3</sup> The Capital Area Regional Planning Commission (CARPC) recently released its draft “Fair Housing Equity Assessment.”<sup>4</sup> The City of Madison Housing Strategy Committee recently released its “2014 City of Madison Housing Report: Affordable Housing Market.”<sup>5</sup>

### **“Affordable” Housing definition:**

Regardless of income level, housing is considered “affordable” if households spend no more than **30 percent** of their income on housing costs.

**Housing costs for owners:** mortgage payments + real estate taxes + home insurance + utilities

**Housing costs for renters:** “gross rent” = rent paid + utilities (electricity, gas, water, and sewer).

Income is pre-tax, post-transfer “money” income as per Census definitions.

**Affordable housing** is measured at levels of income relative to Area Median Income (AMI). (see box on page 2).

<sup>2</sup> The Consolidated Plan is required of HUD grantees and outlines needs and priorities for expenditures in the areas of housing and community development. Dane County’s Consolidated Plan can be found at: <http://dane-econdev.org/documents/pdf/ConsolidatedPlanDraft2015-19.pdf>

<sup>3</sup> The Analysis of Impediments to Fair Housing Choice can be found at: [http://pdf.countyofdane.com/humanservices/cdbg/2011/analysis\\_of\\_impediments\\_to\\_fair\\_housing\\_choice\\_2011\\_final.pdf](http://pdf.countyofdane.com/humanservices/cdbg/2011/analysis_of_impediments_to_fair_housing_choice_2011_final.pdf).

<sup>4</sup> The Fair Housing Equity Assessment of CARPC can be found at: [http://danedocs.countyofdane.com/webdocs/PDF/capd/2014\\_Postings/FHEA%20Final/FHEA.pdf](http://danedocs.countyofdane.com/webdocs/PDF/capd/2014_Postings/FHEA%20Final/FHEA.pdf).

<sup>5</sup> Available at: <https://madison.legistar.com/View.ashx?M=F&ID=3155817&GUID=1358631D-7EAD-4BA8-A327-176374B1A5E2>.

### ***Area Median Income (AMI):***

The U.S. Department of Housing and Urban Development (HUD) calculates “median family income” for areas. Dane County (including Madison) is its own HUD median-family-income area.

Data are adjusted for different family sizes.

These data are referred to as “Area Median income” (AMI). Throughout this report we use the term “**AMI**” as a shorthand for area median income.

Data are reported at percentage-levels of AMI.

Adjusted for household size, households who make less than 30 percent of AMI are classified as “extremely low income,” households who make below 50 percent of AMI are classified as “very low income,” and households who make below 80 percent of AMI are classified as “low income.”

All of these reports respond to a growing interest and concern about housing issues by elected officials, communities and citizens. They reflect and a renewed commitment to work together to address these issues.

This report builds on those reports and does not seek to duplicate work already done. For example, this report does not analyze homelessness issues – not because those issues are unimportant (in fact, just the opposite!) but because they have been addressed in Madison’s Housing Strategy report. Likewise, this report does not focus on issues of fair housing – also important – because those are covered in CARPC’s FHEA analysis and the county’s Consolidated Plan. This report also does not emphasize the link between housing affordability and transportation access. Again, not because transportation is unimportant, but because this issue is well covered in CARPC’s Report (see particularly section C).<sup>6</sup>

Instead, this report focuses on the regional distribution of housing needs and housing supply and how housing opportunities and needs are distributed across Dane County’s communities.

***Relationship between income and housing costs.*** “Affordability” is the relationship between a household’s income and its housing costs. In the next three tables, we illustrate the relationship between a household’s income and how much they can pay in housing costs for housing to still be considered “affordable.” First, in Table 1.2, the most recent (FY14) income category cutoffs by HUD for different AMI (area median income) levels for Dane County (including Madison) are presented. In Table 1.3, these income levels are shown as “affordable” monthly housing costs (spending no more than 30 percent of income on “gross rent.”) For example, a family of 3 people with income at 30-percent-of-AMI (\$21,850) would need to find rental housing for \$546 per month (including utilities) to be considered affordable.

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<sup>6</sup> This report also does not include data on housing for persons with disabilities. Housing for persons with disabilities is a very important issue. However, unfortunately, the data source used for this report (based on the Census American Community Survey) changed the definitions and survey questions on disabilities and therefore does not report data consistently for the time period studied. A further study should be undertaken with better data.

Table 1.2 Dane County (including Madison) FY 2014 Income Limits

Median Family Income (family of 4): \$80,800

	Persons in Family					
	1	2	3	4	5	6
Low Income Limits (80% of AMI)	\$44,750	\$51,150	\$57,550	\$63,900	\$69,050	\$74,150
Very Low Income Limits (50% of AMI)	\$28,300	\$32,350	\$36,400	\$40,400	\$43,650	\$46,900
Extremely Low Income Limits (30% of AMI)	\$17,000	\$19,400	\$21,850	\$24,250	\$27,910	\$31,970

Source: HUD, Office of Policy Development and Research, Income Limits Briefing Materials, FY 2014 at: <http://www.huduser.org/portal/datasets/il.html>  
Additional data are released for family sizes larger than 6, but are not reported here for space considerations.



Table 1.3. Dane County (including Madison) FY 2014 "Monthly Affordable Housing Cost" Limits

	Persons in Family					
	1	2	3	4	5	6
Low Income Limits (80% of AMI)	\$1,119	\$1,279	\$1,439	\$1,598	\$1,726	\$1,854
Very Low Income Limits (50% of AMI)	\$708	\$809	\$910	\$1,010	\$1,091	\$1,173
Extremely Low Income Limits (30% of AMI)	\$425	\$485	\$546	\$606	\$698	\$799

Source: Author's calculations, based on data from HUD, Office of Policy Development and Research

**Workforce Housing:** Another way to think about housing affordability is to examine the wages of different occupations in the Madison region and convert that into how much housing a household could "afford." In Table 1.4, we present data on the "starting" wages (10<sup>th</sup> percentile) and median (middle) wages for a number of selected occupations.<sup>7</sup> These occupations include categories such as teachers, police officers, nurses, retail workers, drivers, and construction and landscape workers. These occupations are just a sample of different types of occupations to illustrate the relationships between income and housing affordability. For each occupation, Table 1.4 shows the maximum affordable "gross rent" (rent + utility costs) for that wage level. It also shows the price of a house which that income level could potentially afford with an FHA mortgage (3 percent down-payment) with a 30-year fixed rate, with calculations and adjustments for property taxes and home insurance.

It is important to note that the house values in Table 1.4 really represent the "maximum" priced house a person of that income level could likely afford. That is because we calculate this based on the maximum monthly mortgage a person could potentially qualify for given a particular income. These calculations assume that households already have enough savings for down-payments and closing costs, even though many households find this difficult. Second, these calculations assume the household could qualify for the low FHA rates used in the calculations. In truth, mortgage credit is hard to get at present, and borrowers need reasonably high credit scores. For younger first time homebuyers, high levels of student debt, weaker credit ratings, or difficulty saving for a down-payment mean that even the houses listed as "affordable" on Table 1.4 are not available. Likewise, households who experienced unemployment or foreclosures in the recent recession may find even these houses out of reach due to lower credit scores. As discussed in section 12, one potential area where municipalities or the county could help first-time or lower-income homebuyers is with down-payment/closing-cost assistance programs.

<sup>7</sup> This occupational data is for 2013 for the Madison Metropolitan Statistical Area.

Table 1.4 Income and Affordable Housing Cost Limits for Selected Occupations, Madison Metropolitan Area (2013)

Occupation (Standard Occupation Code)	"Starting" Wage (Annual)	Median Wage (Annual)	Value, Starting Wage	Maximum House Value, Median Wage	Affordable Gross Rent, Starting Wage	Affordable Gross Rent, Median Wage
Waiters and Waitresses (3553031)	\$16,050	\$18,660	\$57,528	\$68,747	\$401	\$467
Retail Salespersons (412031)	\$16,480	\$21,150	\$59,376	\$79,450	\$412	\$529
Childcare Workers (3990011)	\$17,030	\$22,190	\$61,740	\$83,921	\$426	\$555
Landscaping and Groundskeeping Workers (373011)	\$17,760	\$27,990	\$64,878	\$108,852	\$444	\$700
Home Health Aides (311011)	\$19,300	\$23,730	\$71,498	\$90,540	\$483	\$593
Light Truck or Delivery Services Drivers (533033)	\$21,120	\$32,840	\$79,321	\$129,700	\$528	\$821
Construction Laborers (472061)	\$21,850	\$42,560	\$82,459	\$171,481	\$546	\$1,064
Child, Family, and School Social Workers (211021)	\$30,550	\$51,330	\$119,856	\$209,179	\$764	\$1,283
Postal Service Clerks (435051)	\$30,970	\$53,840	\$121,662	\$219,969	\$774	\$1,346
Elementary School Teachers (252021)	\$33,840	\$51,620	\$133,998	\$210,426	\$846	\$1,291
Police and Sheriff's Patrol Officers (3330051)	\$41,800	\$55,260	\$168,214	\$226,072	\$1,045	\$1,382
Registered Nurses (291141)	\$53,000	\$71,270	\$216,358	\$294,892	\$1,325	\$1,782

Source: Occupational data from US Bureau of Labor Statistics. "Starting" wage is the 10th percentile of all wages for that occupation in the region. "Median" wage is the 50th percentile annual wage.

Notes: Affordable ownership values calculated based on current FHA mortgage rates as of 12/4/2014, 30-year fixed, 3.5% interest rate to determine maximum loan amount. Assumes 3 percent downpayment, or 97% LTV.

Calculation of affordable housing expenditure based on limiting Principal, Interest, Taxes and Insurance to no more than 30 percent of monthly income. Assumes closing costs and downpayment paid out of savings.

Estimation of property tax rates based on reports by Dane County Treasurer. Average city property tax rate is \$18.37 per \$1000 value, village average rate is \$17.95 per \$1000. This analysis uses \$18 per \$1000 in value. Estimation assumes homeowners insurance of \$800 per year.