

# Affordable-Workforce Housing 101

**2019 Dane County Housing Summit**  
**Monona Terrace, Madison WI**

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# ***Minding the Gap: The Housing Crisis in Dane County Video***

Why are we  
in this situation?

Benefits  
Drawbacks

The Basics

Community Tools

Dane County Housing Gap

# Affordable-Workforce Housing 101

## What is a Housing Supply Gap?

Number of housing units needed at a certain price vs. the number of housing units available at that price



## Why is there a Housing Gap?

National crisis!

Great recession

- Construction companies out of business  
retiring contractors
- Subsequent development focused on higher income housing

# Why is there a housing gap? *Cont'd*



## Great recession...

Labor shortage - construction workers, day laborers

Increase cost of building materials

Wages flat or declined last decade, esp. lower wage workers

Vacancy rates (rentals) historically low

Dane County communities, 0, 1, 2, 3 percent vacancy rates

|                                   |     |
|-----------------------------------|-----|
| <b>1965</b> \$6,900 median income | 1:3 |
| \$20,400 median home price        |     |

|                                    |     |
|------------------------------------|-----|
| <b>2019</b> \$63,703 median income | 1:5 |
| \$328,400 median home price        |     |

## **What is Workforce/Affordable Housing?**

Housing that costs no more than 30% of monthly income?

### ***Homeowner* housing cost calculation includes:**

Mortgage + real estate taxes + insurance + utilities

### ***Renter* housing cost includes:**

Rent and utilities

### **Cost burdened**

Households that spend more than **30% of their income**

### **Extremely cost burdened**

Households spend more than **50% of their income**

# Affordable-Workforce Housing 101

## Who Needs Affordable/Workforce Housing in the Dane County Region?

- Workforce
- Young families and individuals
- Young adults just starting their careers
- Seniors with restricted incomes
- Disabled
- Veterans

# Affordable-Workforce Housing 101

## Workforce occupations?

- Teachers
- Sales clerks (retail, grocery, etc..)
- Maintenance, janitorial
- Public safety (police, fire, prison guard)
- Manufacturing - food processing, assembly
- Administrative support staff
- Waiters, waitresses, cooks
- Elder care, nursing homes (CNA)
- Car wash attendants, baristas
- Agricultural workers
- Warehousing, shipping, delivery

# How much will I pay?

## ***Dane County 2019 Income Limits***

**AREA MEDIAN INCOME (AMI) \$100,400**

|   | # Persons in Family |                 |          |          |
|---|---------------------|-----------------|----------|----------|
|   | 1                   | 2               | 3        | 4        |
| Low Income Limits (80% of AMI)              | \$52,850            | \$60,400        | \$67,950 | \$75,500 |
| Multifamily tax subsidy limits (60% of AMI) | \$42,180            | <b>\$48,240</b> | \$54,240 | \$60,240 |
| Very Low Income Limits (50% of AMI)         | <b>\$35,150</b>     | \$40,200        | \$45,200 | \$50,200 |
| 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>



## ***WHEDA-Estimated Dane County Rent Limits, FY 2019***

|                                      | Efficiency   | 1-BR          | 2-BR   | 3-BR   |
|--------------------------------------|--------------|---------------|--------|--------|
| Low Income (80% of AMI)              | \$1,406      | \$1,507       | \$1808 | \$2089 |
| Multifamily tax subsidy (60% of AMI) | \$1054       | <b>\$1130</b> | \$1356 | \$1566 |
| Very Low Income (50% of AMI)         | <b>\$878</b> | \$941         | \$1130 | \$1305 |
| Extremely Low Income (30% of AMI)    | \$527        | \$565         | \$678  | \$783  |

Note: WHEDA estimates these rent limits (rent+utilities) for their funded projects.



# Affordable-Workforce Housing 101

## Types of workforce/affordable housing:

- New MF housing construction
  - Mixed income – housing
  - = below market + market rate units
- Existing housing – naturally occurring affordable housing
- Rehabilitation
- Scattered site development
- Pocket Neighborhoods, Habitat for Humanity
- Alternatives: Co-housing, Co-operative housing, Tiny homes

# Affordable Workforce Housing 101



Park Central Apartments







**102 unit property on a former brownfield**

# Affordable Workforce Housing



*4 unit rental  
rehabilitation*



*Multi-family  
attached/detached units*









Pocket neighborhood









# Historic Preservation





Rehabilitation of older housing stock





Pinney Lane Apartments  
Cottage Grove Road, Madison

# Market rate vs. Workforce Affordable

- Which costs more?

Market Rate=Affordable

Same labor costs, same cost of materials

Market Rate

|        |        |
|--------|--------|
| Equity | Equity |
| Debt   | Debt   |
| Debt   | Debt   |

Affordable

|        |        |
|--------|--------|
| Equity | Equity |
| Equity | Equity |
| Debt   | Debt   |

# Market rate vs. Workforce Affordable Financing

## Development timeline 3-4 year

### Market Rate

|                   |                   |
|-------------------|-------------------|
| Developer         | Developer         |
| Conventional Bank | Conventional Bank |
| Conventional Bank | Conventional Bank |

### Affordable

|                      |                                       |
|----------------------|---------------------------------------|
| WHEDA<br>Tax Credits | Gap Financing<br>Community<br>Support |
| FHLBC<br>AHP Funds   | HOME/CDBG<br>USDA Rural               |
| WHEDA                | FHLBC                                 |

# Who are the developers?

- Non-profit developers

Madison Development Corp, Wisconsin Partnership for Housing Development, CommonBond Properties, Habitat for Humanity, Movin Out, Project Home, Common Wealth – single family, multi-family,

- For-profit developers

- Community Development Authority

- DC Housing Authority developments

- Housing Choice Vouchers

# Benefits and Drawbacks

## Benefits

- Job creation in building
- Employee/employer retention
- Aging in place (seniors on restricted income)
- Increased tax base
- Housing for workforce
- Reduces racial disparities
- More efficient use of land and infrastructure
- Housing for families
- Revitalization

## Drawbacks

- Steep learning curve
- More work, community capacity building
- Change is hard, uncomfortable
- Lack of understanding about what it is? Looks like?
- NIMBYism – People have very strong opinions

# Affordable Workforce Housing 101

## Community Tools to Address the Housing Gap

**Leadership, communication** – workforce housing committee, local coalition, community member, elected official

## Financing, Financial Support

Land, Tax-increment financing, general revenue, general obligation debt, loan funds, grants, fee waivers, expedited permitting

## Land use, Policy and Planning

Develop policy priorities and planning recommendations that promote affordable, workforce, senior housing

Utilize the comprehensive plan to identify priorities for more affordable housing

Identify the number and type of units to develop in a given time-frame

Identify areas for workforce and senior housing

Identify infill sites, areas; ID municipal land for future mixed-income housing



# Affordable Workforce Housing 101

## Zoning and Permitting

Is there anything your community can do to reduce developer expenses?

Do you have density bonuses or expedited permitting, or fee waivers for affordable housing developers?

Does your ordinance allow for higher density development such as multi-family, condos, town houses, co-housing?

- Reduced set backs?

- Reduced lots sizes that limit the size, or floor area ratio of the housing unit?

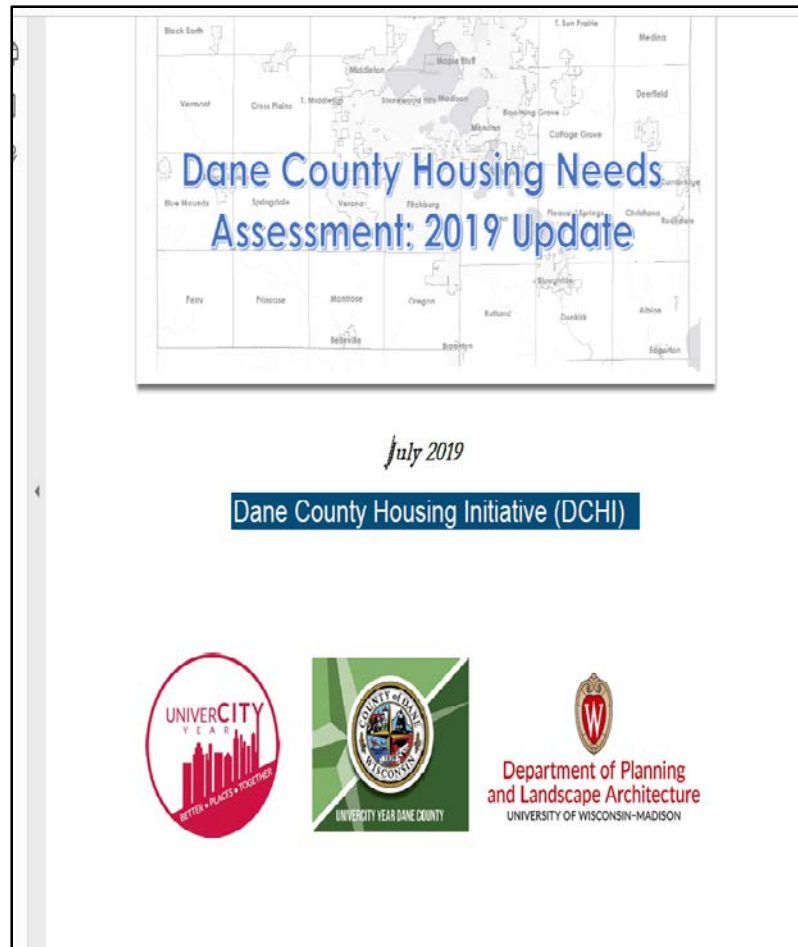
- Accessory dwelling units?

Do your subdivision regulations allow for mixed density, mixed-income housing?

Pre-development costs are typically **ONE QUARTER** of total cost of the project

# Affordable Workforce Housing 101

## Data



## Mt. Horeb Housing Supply Gap

Table 15. Change in extremely cost burdened **owner** households

| Income less than 30% AMI |      |         |
|--------------------------|------|---------|
| 2010                     | 2015 | Change  |
| 85                       | 75   | -11.80% |

| Income between 30%-50% AMI |      |         |
|----------------------------|------|---------|
| 2010                       | 2015 | Change  |
| 40                         | 65   | +62.50% |

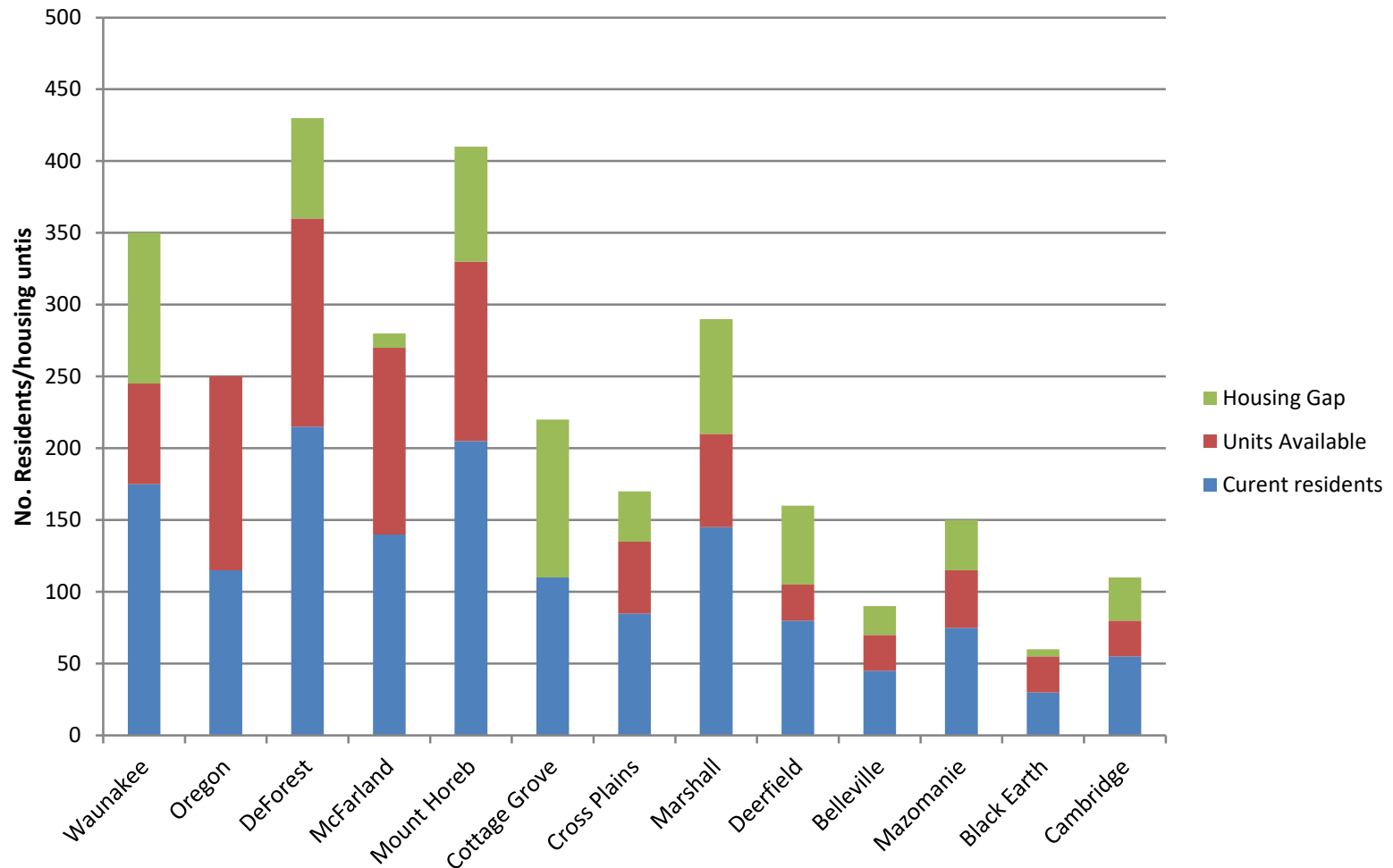
Table 16. Change in extremely cost burdened **renter** households

| Income less than 30% AMI |      |        |
|--------------------------|------|--------|
| 2010                     | 2015 | Change |
| 90                       | 60   | -33%   |

| Income between 30%-50% AMI |      |        |
|----------------------------|------|--------|
| 2010                       | 2015 | Change |
| 15                         | 30   | +100%  |

Table 13. Affordable Rental Housing Supply Gap for households 30% AMI, and under.

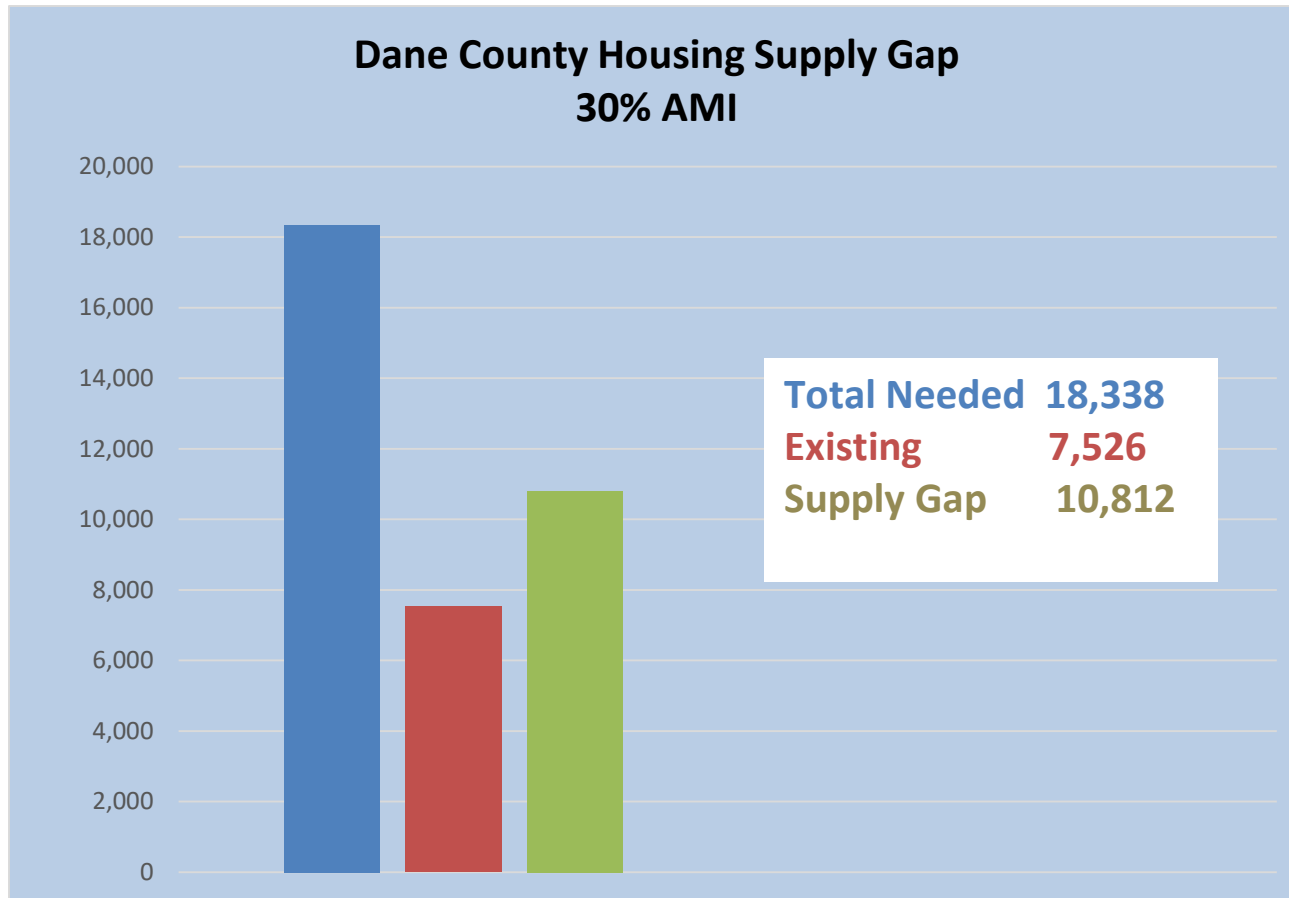


# *The Housing Gap and Community Opportunities*

## **Dane County Municipalities Working on Housing 2016-2019 – Outside Madison**

|                      |   |
|----------------------|---|
| <b>Blue Mounds</b>   | Discussion with CommonBond to develop WF housing  |
| <b>Fitchburg</b>     | Conducted a housing study, and housing plan, new WF housing, senior housing, Housing Advisory Committee |
| <b>DeForest</b>      | UW Real Estate Dept. to discuss plans rental & SF Pocket Neighborhood                                   |
| <b>Middleton</b>     | Workforce Housing Strategy Committee and Recommendations, 2 new WH developments                         |
| <b>McFarland</b>     | Reviewed two developments with WF housing 2019; commissioning strategic plan to ID needs                |
| <b>Mount Horeb</b>   | Workforce housing initiative MHED, Administrator, new 45 unit proposed for the village                  |
| <b>Oregon</b>        | Oregon Housing Coalition; Affordable Housing Fund   |
| <b>Sun Prairie</b>   | Workforce Housing Committee, 2 new WH developments, updating their comp plan                            |
| <b>Waunakee</b>      | Housing Task Force to assess needs, develop recommendations   |
| <b>Monona</b>        | UW students updated housing plan, conducted site analysis.  |
| <b>Cottage Grove</b> | New effort by local trustees, and new MF housing proposed   |

# Affordable and Workforce Housing 101



## Affordable and Workforce Housing 101

Number of Households Paying More than 50%

### Renters

2010

10,285



2015

13,050

**+26.9%**

### Homeowners

2015

3,490



# AFFORDABLE AND WORKFORCE HOUSING 102

10/10/19





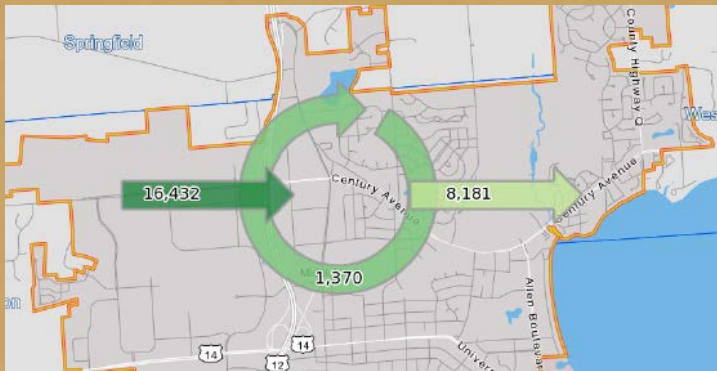
# MIDDLETON DEMOGRAPHICS

- Population 20,472
- 55% Owner-Occupied / 45% Renter-Occupied (2016)
- 56% Single-Family & Duplex / 44% Multi-Family (2016)
- Median Value for Owner-Occupied: \$309,900 (2016)
- Rental Vacancy Rate: 1.74% in 2<sup>nd</sup> quarter



# ECONOMY IN MIDDLETON

- 18,000 jobs in Middleton.
- Only 1,400 people live & work in Middleton.
- So, 16,400 people come to Middleton for work and 8,100 Middleton residents leave Middleton for work.
- Middleton supplies 8,300 jobs to the region.



# WORKFORCE HOUSING COMMITTEE

|  |           |                       |  |                |
|--|-----------|-----------------------|--|----------------|
| <a href="#"><u>Rob Bergenthal</u></a>    | 2019-2022 | Citizen               | 3626 Fellowship Rd.<br>Middleton, WI 53562 | (608) 824-9971 |
| <a href="#"><u>Elizabeth Day</u></a>     | 2019-2022 | Citizen               | 6429 Maywood Ave.<br>Middleton, WI 53562   | (608) 712-2513 |
| <a href="#"><u>Darren Fortney</u></a>    | 2019-2022 | Citizen               | 6972 Harmony Way<br>Middleton, WI 53562    | (608) 770-2330 |
| <a href="#"><u>Randy Bruce</u></a>       | 2018-2020 | Citizen               | 1404 Granite Ct.<br>Middleton, WI 53562    | (608) 836-6528 |
| <a href="#"><u>Dan Barker</u></a>        | 2018-2020 | Citizen               | 7426 Elmwood Ave.,<br>Middleton, WI 53562  | (608) 501-4977 |
| <a href="#"><u>Mary Evers Statz</u></a>  | 2018-2020 | Chair                 | 6837 Ramsey Rd.,<br>Middleton WI 53562     | (608) 833-4721 |
| <a href="#"><u>Luke Fuszard</u></a>      | 2018-2020 | Citizen               | 8934 Red Beryl Dr.,<br>Middleton, WI 53562 | (503) 277-8037 |
| Vacant                                   | 2018-2020 | Citizen               |  |                |
| <a href="#"><u>Katy Nelson</u></a>       |           | Common Council Member |  |                |
| <a href="#"><u>Mike Davis, Staff</u></a> |           | City Administrator    |  |                |

# WORKFORCE HOUSING TASK FORCE

- Workforce Housing Committee, established 2004:
  - Down Payment Assistance Program
  - Impact Fee Waiver
  - Negotiated agreements with developers (Whispering Pines, Hidden Oaks, The Elmwood, TIF projects)
- Workforce Housing Strategy, 2015





# WORKFORCE HOUSING STRATEGY

- “encouraging compact development and a mixed-income and diverse community where people who work in Middleton are able to afford to live in Middleton.”

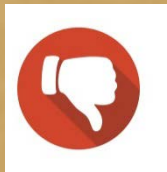


# WORKFORCE HOUSING STRATEGY

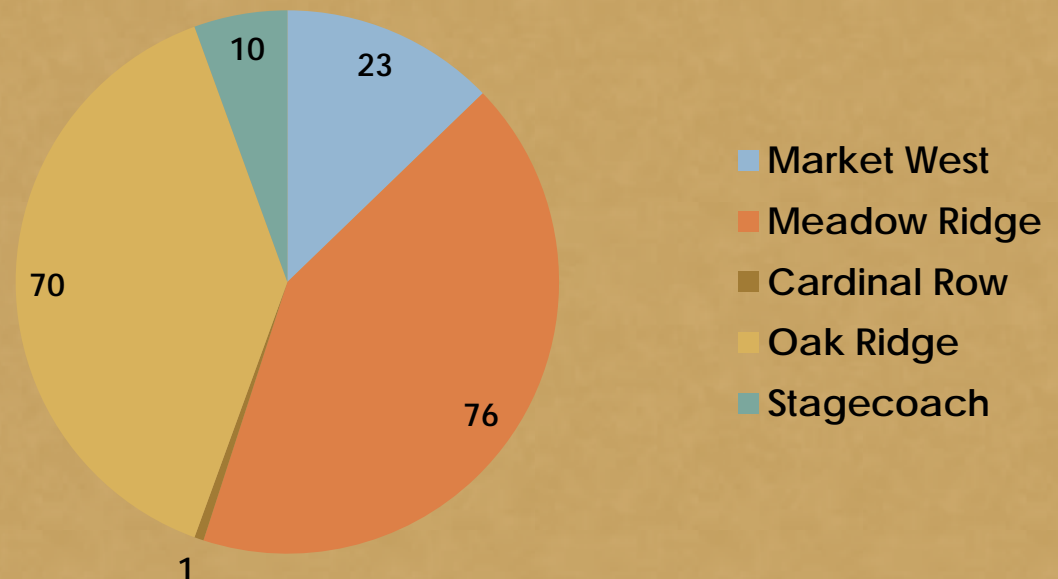
- Using Dane County Housing Needs Assessment, the City of Middleton adopted a goal to increase Middleton's supply of affordable housing units by at least 295 units in the next 3-5 years (2018-2020).



Increased  
by 180 units



New gap  
(same  
calculation)  
is 420 units



# UPDATED HOUSING NEEDS ASSESSEMENT

- Middleton added nearly 1,000 rental units from 2010 to 2015, mostly through apartment construction but also through conversion of some single-family units into rental homes. The number of rental units affordable for the lowest-income bracket (30%AMI) declined, even though the number of 30%AMI households increased about 200 families. However, the number of rental units affordable to households at 50% of AMI increased 60 percent. These patterns and trends in Middleton perfectly represent the complexities of Dane County's housing markets over the past years: continued population growth at all income levels, significant increases in supply of units, but still not enough units constructed. The overall housing shortage then shows up in price pressures which reduce the number of lower-cost rental units affordable to working families.

# WORKFORCE HOUSING STRATEGY

- Includes 14 strategies/policies to increase the supply of affordable housing.
- Utilize tax increment district (TID) 3 and 5 funding for affordable workforce housing to match other funding sources. Encourage that all residential projects receiving a tax increment financing (TIF) subsidy have a percentage of affordable units.

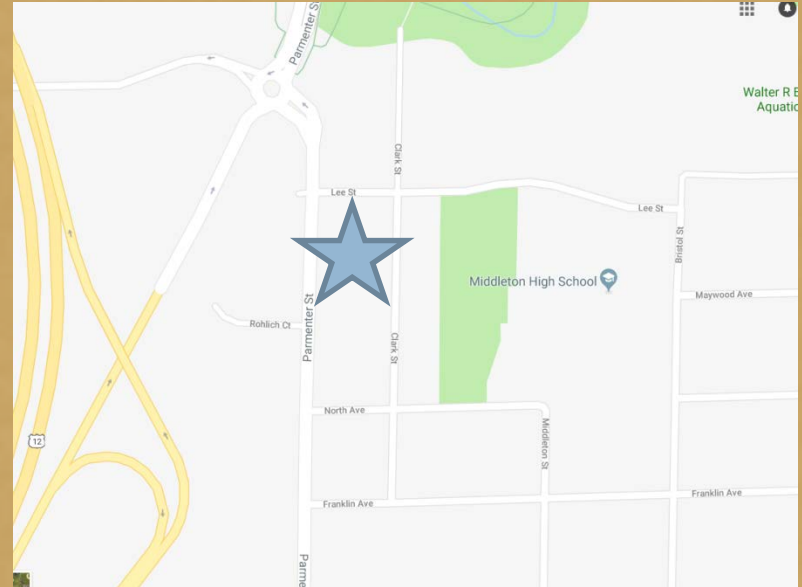


# CARDINAL ROW APARTMENTS

Developer:  
David Mazur



1 unit (of 16 units)  
affordable at 50% of  
AMI



# CARDINAL ROW APARTMENTS

- TIF subsidy for workforce housing:
  - 1 unit affordable at 50% for a period of 15 years
  - 3-Bedroom unit to encourage affordability for a family
  - TIF incentive for workforce housing: \$137,520



# OAK RIDGE SENIOR APARTMENTS



Developer:  
Jacob Klein

70 units (of 83 units)  
affordable at 60% of  
AMI or less



# OAK RIDGE SENIOR APARTMENTS

- TIF subsidy for workforce housing:
  - 70 units affordable at 60% for a period of 15 years
  - 18 of the units will be reserved for tenants with disabilities or veterans requiring supportive services
  - 8 of the units reserved to meet the needs of “grandfamilies”
  - 9 of the units affordable at less than 30% of the AMI (extremely low income)
  - TIF incentive for workforce housing: \$395,000
  - WHEDA Low-Income Housing Tax Credit (LIHTC) Project





# FUTURE HOUSING CONSIDERATIONS

- Support infill development where appropriate, especially in downtown Middleton and in other areas well-served by transit and in proximity to employment and commercial areas.
- Include “missing middle” housing types, characteristics, and assembly in modifications to existing subdivisions.



# FUTURE HOUSING CONSIDERATIONS

- Embrace Transit-Oriented Development (TOD), especially along major roads connecting activity centers, such as University Avenue, Century Avenue, Allen Boulevard, and the Park Street and Gammon corridor, as well as the rail corridor.



# FUTURE HOUSING CONSIDERATIONS

- Revise the Zoning Ordinance to allow an increase in density by encouraging accessory dwelling units (ADUs), and multi-family housing that make efficient use of land.
- Amend the Zoning Ordinance to reduce the minimum residential lot size for single family homes, increase the maximum building height for multi-family homes, and other modifications to the dimensional standards, where appropriate.



# LINKS

- Workforce Housing Strategy:  
Dane County Housing Needs Assessment  
[https://www.countyofdane.com/plandev/pdf/Housing\\_Needs\\_Assessment\\_01152015.pdf](https://www.countyofdane.com/plandev/pdf/Housing_Needs_Assessment_01152015.pdf)  
Middleton Workforce Housing Strategy  
<http://cityofmiddleton.us/DocumentCenter/View/3371>



# CONTACT

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