WISCONSIN **REALTORS**® ASSOCIATION



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.



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ABOUT THE WISCONSIN REALTORS® ASSOCIATION

The WRA is one of the largest trade associations in the state, headquartered in Madison, Wis. The WRA represents and provides services to more than 16,500 members statewide, made up of practicing real estate sales agents, brokers, appraisers, inspectors, bankers and other professionals who touch real estate. The WRA is under the direction of a statewide board of directors, comprised of members from the top real estate firms around the state.



ABOUT THE AUTHOR

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ACKNOWLEDGEMENTS AND DISCLAIMERS

All statements in this document are the opinion of Professor Paulsen himself and do not necessarily reflect the views of the University of Wisconsin, or any city, county or state agency.

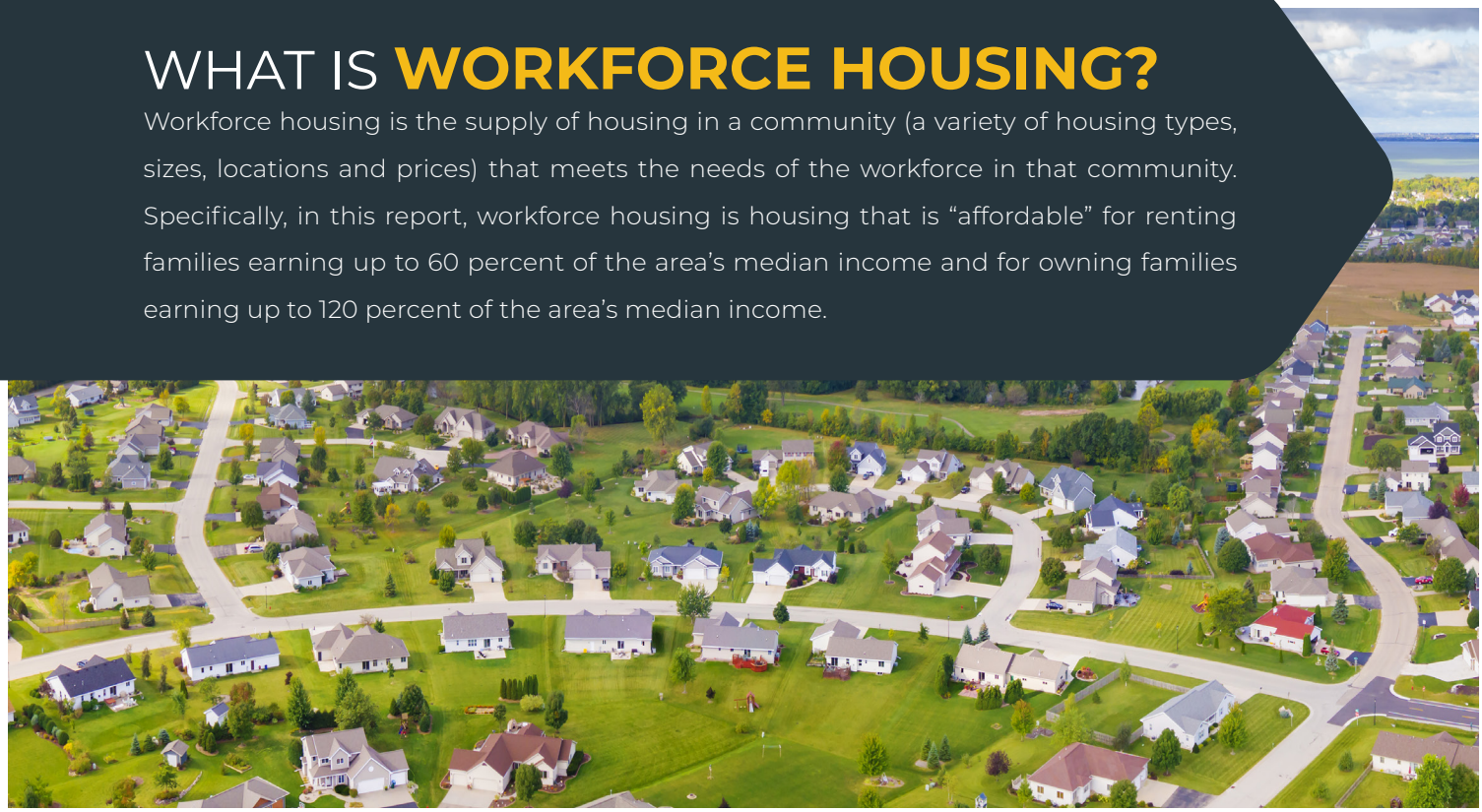
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ABOUT THIS STUDY
EXECUTIVE SUMMARY

WHAT IS **WORKFORCE HOUSING?**

Workforce housing is the supply of housing in a community (a variety of housing types, sizes, locations and prices) that meets the needs of the workforce in that community. Specifically, in this report, workforce housing is housing that is "affordable" for renting families earning up to 60 percent of the area's median income and for owning families earning up to 120 percent of the area's median income.



Wisconsin has a workforce housing shortage. While the Wisconsin economy has returned to growth since the end of the Great Recession, our housing stock is falling behind. We are not building enough housing to keep up with demand for our growing workforce. Our existing housing stock is aging, and construction prices and housing costs are rising faster than inflation and incomes. This state has seen declining homeownership, particularly among younger families, first-time homebuyers, and African American and Hispanic families. Housing costs and rents are rising faster than incomes, too. Compared to our neighboring states, we have the highest rate of extreme rental cost burden for lower-income families and the second highest rate of extreme cost burden for lower-income homeowners.

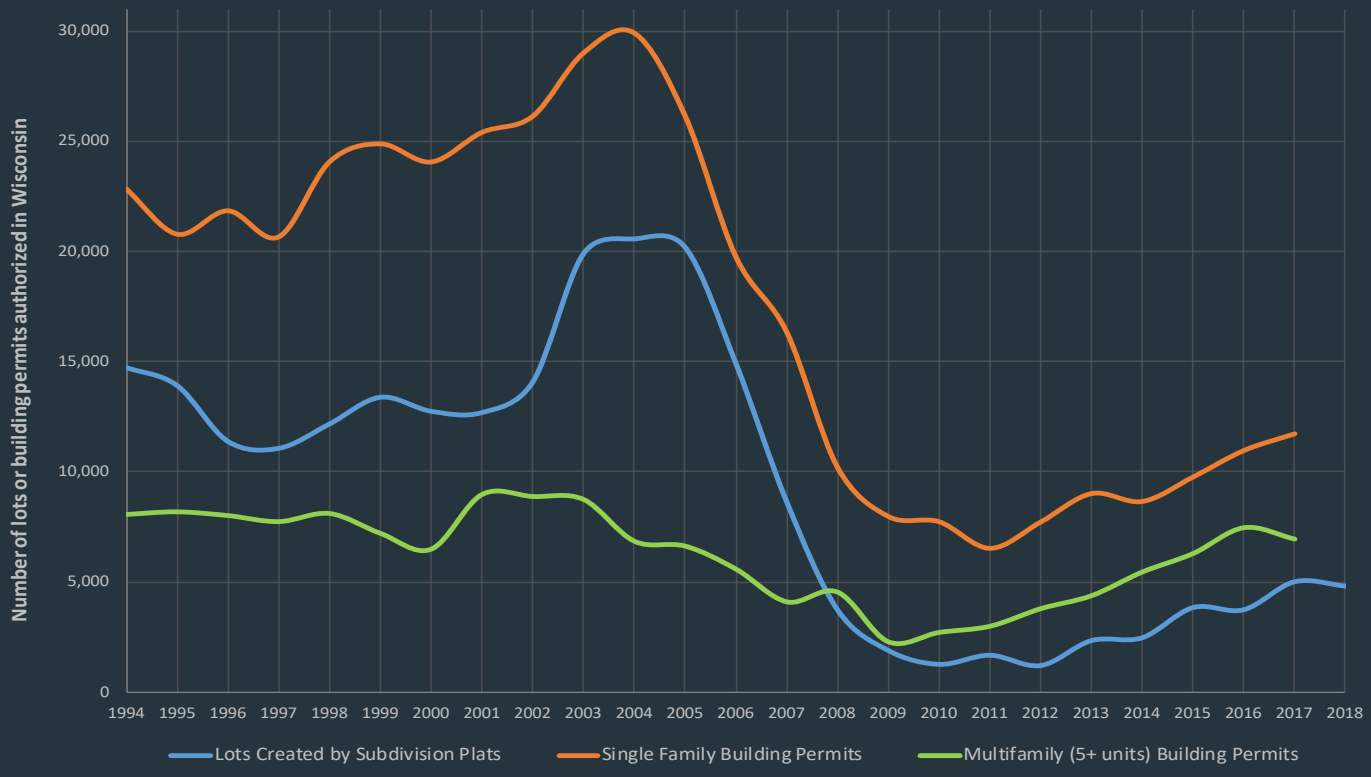
The purpose of this report is to document the significant workforce housing shortage in Wisconsin, and to explain the main causes (lack of supply, rising construction costs and outdated regulations) and main results (rising prices, decreasing homeownership and decreased affordability).

This report also outlines a roadmap to reform to meet our workforce housing challenges. Reforms and policies are focused on five key goals: building more housing, increasing housing choice through a diverse housing stock, rebuilding and strengthening homeownership, reinvesting in older housing and older neighborhoods, and making housing a priority. These reforms and policies can help Wisconsin address our workforce housing shortage; modernize our housing system; and ensure a more prosperous, equitable and sustainable future for all our residents.

CAUSES OF THE **WORKFORCE HOUSING SHORTAGE**

Cause 1: Wisconsin has not built enough homes to keep up with population and income growth. Housing units authorized by building permits and new housing lots are way down from pre-crisis levels, and we are creating about 75 percent fewer lots and 55 percent fewer new housing units than pre-recession averages. Our fastest-growing counties — such as Dane, Brown and Waukesha — have collectively under-produced 15,000 housing units in the past decade.

FIGURE **1**



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

Cause 2: Construction costs are rising faster than inflation and incomes. In the past seven years, construction costs have risen substantially faster than inflation, and construction companies report severe labor shortages in Wisconsin.

Cause 3: Outdated land use regulations drive up the cost of housing. Large minimum lot sizes, prohibitions on non-single-family housing, excessive parking requirements, requirements for high-end building materials, and long approval processes do not protect public health and safety. They serve mostly to raise the cost of housing.

RESULTS OF
WORKFORCE HOUSING SHORTAGE

Result 1: Housing costs are rising. The report demonstrates how housing costs are rising across Wisconsin. Housing prices for ownership now exceed pre-crisis (2007) levels. Rents are growing faster than incomes.

Result 2: Declining homeownership, especially among younger households and African American and Hispanic families. While homeownership rates across the United States declined from 2007-2017, Wisconsin was hit particularly hard. Compared to our neighboring states, Wisconsin has lower homeownership rates for 25-34 and 35-44 year-old households than all of our neighbors except Illinois. We have lower homeownership rates for African Americans than all of our neighbors except Minnesota, and have lower Hispanic homeownership rates than all of our neighbors.

Result 3: Declining housing affordability. Overall affordability of housing for our workforce, both owners and renters, has declined in the past decade in Wisconsin. This report presents new measures of workforce housing affordability for renters and owners for each of Wisconsin's counties. Entry-level housing affordability has declined from 2010 to 2017 in 57 of Wisconsin's 72 counties. There are 14 counties across the state where the typical renter household cannot afford the middle-priced rental unit, and another 37 counties where this typical renter household can just barely afford the middle-priced rental home. Over 158,000 renting households in Wisconsin pay more than half of their income for housing, and over 94,000 owning households pay more than half of their income for housing.

Roadmap to Reform:

Addressing Wisconsin's Workforce Housing Challenge. In this report, we present a number of strategies and policies based on our analysis of housing and zoning reform efforts in states such as Utah, New Hampshire, Oregon, New Jersey, Massachusetts and others. We present strategies organized under five goals.

Goal 1: Build more housing.
Strategies and policies under these goals include:

- Expedited permitting and development approval processes for housing at the state and local levels.
- Requiring all cities and villages to allow "missing middle" housing types in at least one residential zoning district.
- Requiring municipalities to allow accessory dwelling units (ADUs).
- Better enforcement of existing requirements.
- Establishing maximum/minimum lot sizes in sewer service areas.

Goal 2: Increase housing choices with a more diverse housing stock.
Strategies and policies include:

- Using tax incentives to reduce costs for workforce housing.
- Requiring municipalities to allow multifamily housing construction in at least one zoning district.
- Encouraging and/or incentivizing municipalities to plan for a better balance between jobs and housing.
- Analyzing statewide workforce housing data.
- Financing for workforce housing in rural areas and small communities.
- Providing additional incentives to local governments to approve workforce housing.
- Workforce housing tax increment financing districts (TID).

Goal 3: Rebuild and strengthen homeownership.
Strategies and policies include:

- Encouraging cities, villages and counties to make funding available for Down Payment Assistance Programs (DPAP).
- Creating a first-time homebuyer savings account program.

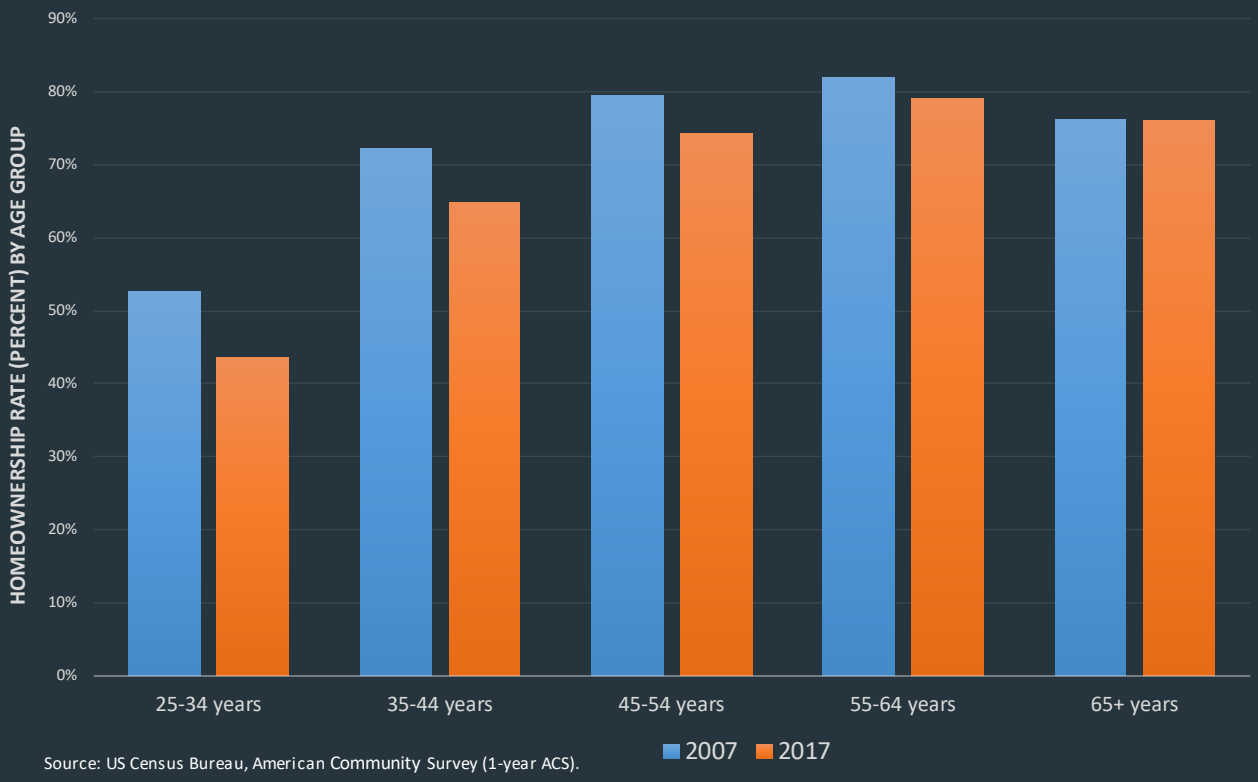
Goal 4: Reinvest in older housing stock and neighborhoods. Strategies and policies include:

- Expanding WHEDA's Transform Milwaukee Advantage program.
- Creating a state tax credit or other financial incentives for the rehabilitation of older housing in older neighborhoods.
- Expanding training and apprentice programs for displaced or underemployed workers.

Goal 5: Make housing a priority!
Policies and strategies include:

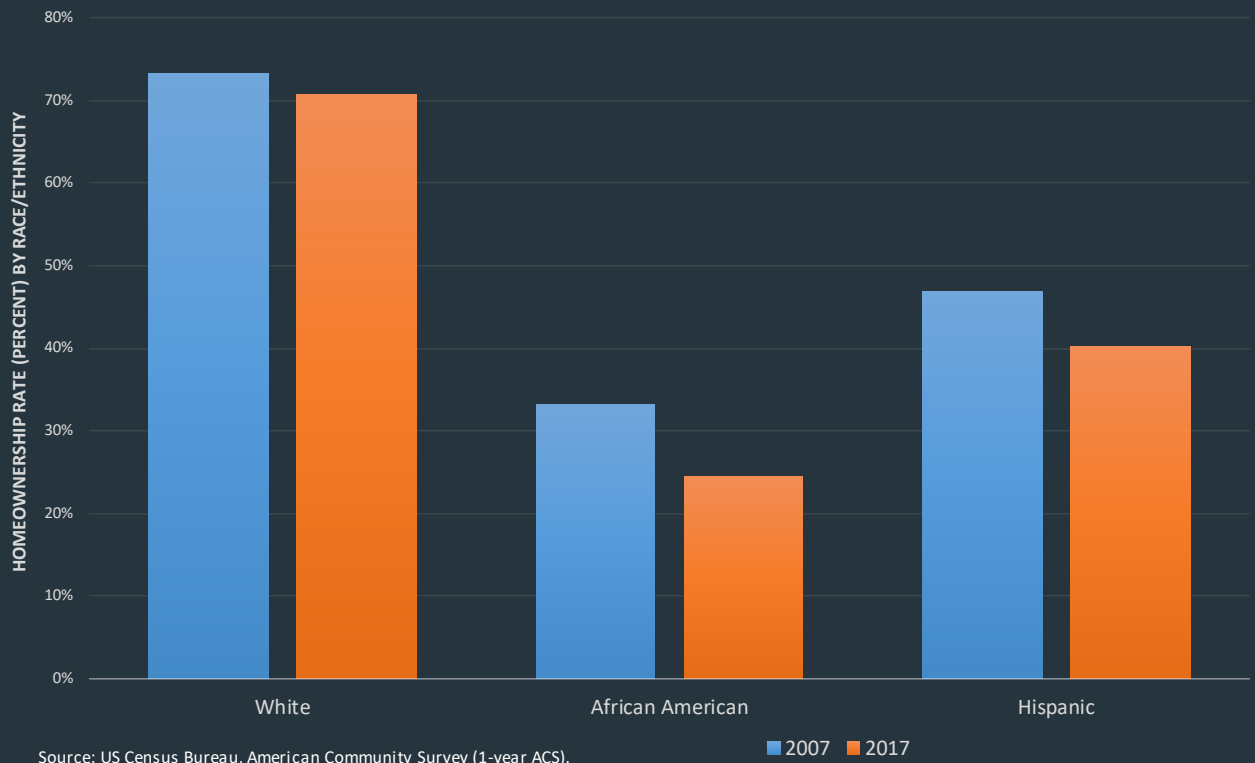
- Coordinating housing programs across state agencies, expanding financial incentives for development of new and rehabilitation of older housing in areas such as Opportunity Zones and rural areas.
- Providing technical and financial assistance to local governments.
- Providing financing incentives for innovative models, as well as providing pre-development funds for nonprofit and affordable housing providers.

FIGURE 3 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).

FIGURE 4 Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Racial/Ethnic Groups, with Largest Drop for African American Families

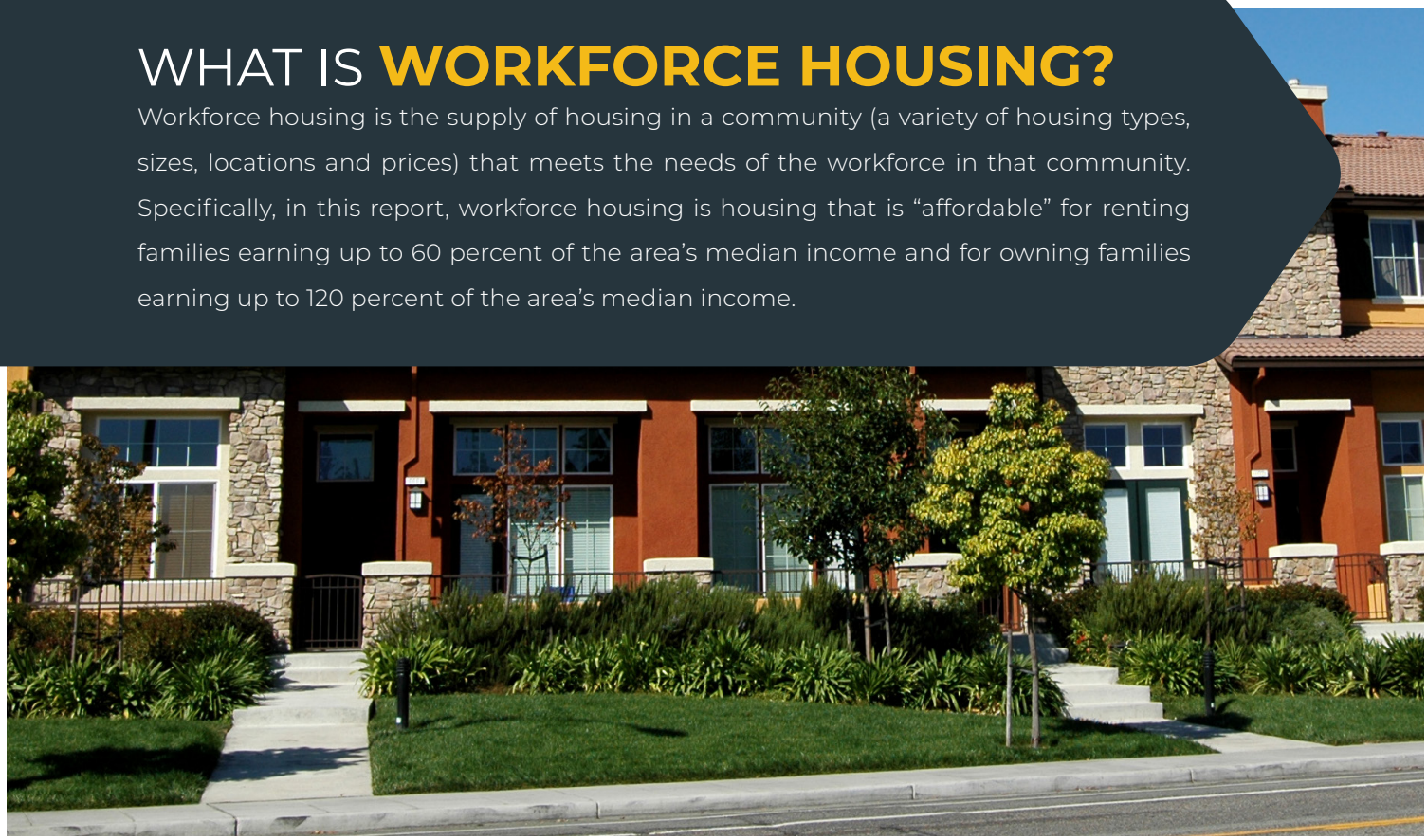


Source: US Census Bureau, American Community Survey (1-year ACS).

INTRODUCTION

WHAT IS WORKFORCE HOUSING?

Workforce housing is the supply of housing in a community (a variety of housing types, sizes, locations and prices) that meets the needs of the workforce in that community. Specifically, in this report, workforce housing is housing that is "affordable" for renting families earning up to 60 percent of the area's median income and for owning families earning up to 120 percent of the area's median income.



All across this great state — cities, suburbs, small towns and rural areas — communities and employers are recognizing the critical need to address Wisconsin's workforce housing shortage, to expand housing opportunities for all, and to update our housing system to reflect 21st century needs.

Our business leaders recognize that workers need quality, affordable homes close to where they work or easily accessible to a reliable transportation system. Communities increasingly recognize that workforce housing is economic development because a home is where a job goes to sleep at night.

The Wisconsin economy has slowly returned to growth since the end of the Great Recession. From 2010-2017, Wisconsin experienced a 7.6 percent increase in real (adjusted for inflation) median household income, an 8.2 percent increase in the number of jobs, and a 1.2 percent increase in population.

Our economy is growing, but our housing stock is falling behind.

We are not building enough new housing units to keep up with demand, and we are not building enough housing for our growing workforce. Our existing housing stock is aging faster than most neighboring states.

Construction costs are rising faster than inflation, and regulations often drive up the cost of housing.

The result of this workforce housing shortage has been declining homeownership, particularly among younger-adults, first-time homebuyers and African American and Hispanic families. The result of this workforce housing shortage also has been rising housing costs, with rents rising faster than incomes. And the results of this workforce housing shortage have been particularly hard on workers at the lower end of the wage scale.

On most of the housing indicators presented in this report, we are falling behind neighboring states.

The shortage of workforce housing makes it harder for businesses to recruit or retain workers and harms our economic competitiveness. If workers are unable to find decent, affordable homes near where they work, they either have to live further away and travel long distances or pay a higher portion of their income for housing. Some workers might leave the state altogether, or never come here.

WISCONSIN ECONOMIC GROWTH

The Wisconsin economy has slowly returned to growth since the end of the Great Recession, but our housing stock is falling behind.



The purpose of this report is to document the significant workforce housing shortage in Wisconsin, and to explain the main causes (lack of supply, rising construction costs and outdated regulations) and main results (rising prices, decreasing homeownership and decreased affordability).

This report also outlines a roadmap to reform to meet our workforce housing challenges. Reforms and policies are focused on five key goals: building more housing, increasing housing choice through a diverse housing stock, rebuilding and strengthening homeownership, reinvesting in older housing and older neighborhoods, and making housing a priority. These reforms and policies can help Wisconsin address our workforce housing shortage; modernize our housing system; and ensure a more prosperous, equitable and sustainable future for all our residents.

What caused the workforce housing shortage?

1. WISCONSIN HAS NOT BUILT ENOUGH HOMES *TO KEEP UP WITH POPULATION AND INCOME GROWTH*

From 1994 through 2004 (before the housing bubble and subsequent crash), building permits for new housing units in Wisconsin averaged nearly 36,000 units per year, including about 24,500 single-family permits and nearly 8,000 multifamily units. During this time period, land divisions ("subdivisions") to create building lots averaged over 14,000 new lots per year.

Like all states in the U.S., construction activity significantly declined in Wisconsin during the Great Recession and has not recovered to pre-crisis levels. From 2012 through the most recent data, annual lots created have averaged 3,375 lots per year, and building permits have averaged about 16,000 per year. Housing production is falling behind: we are creating approximately 75 percent fewer lots and 55 percent fewer new homes than pre-recession averages.

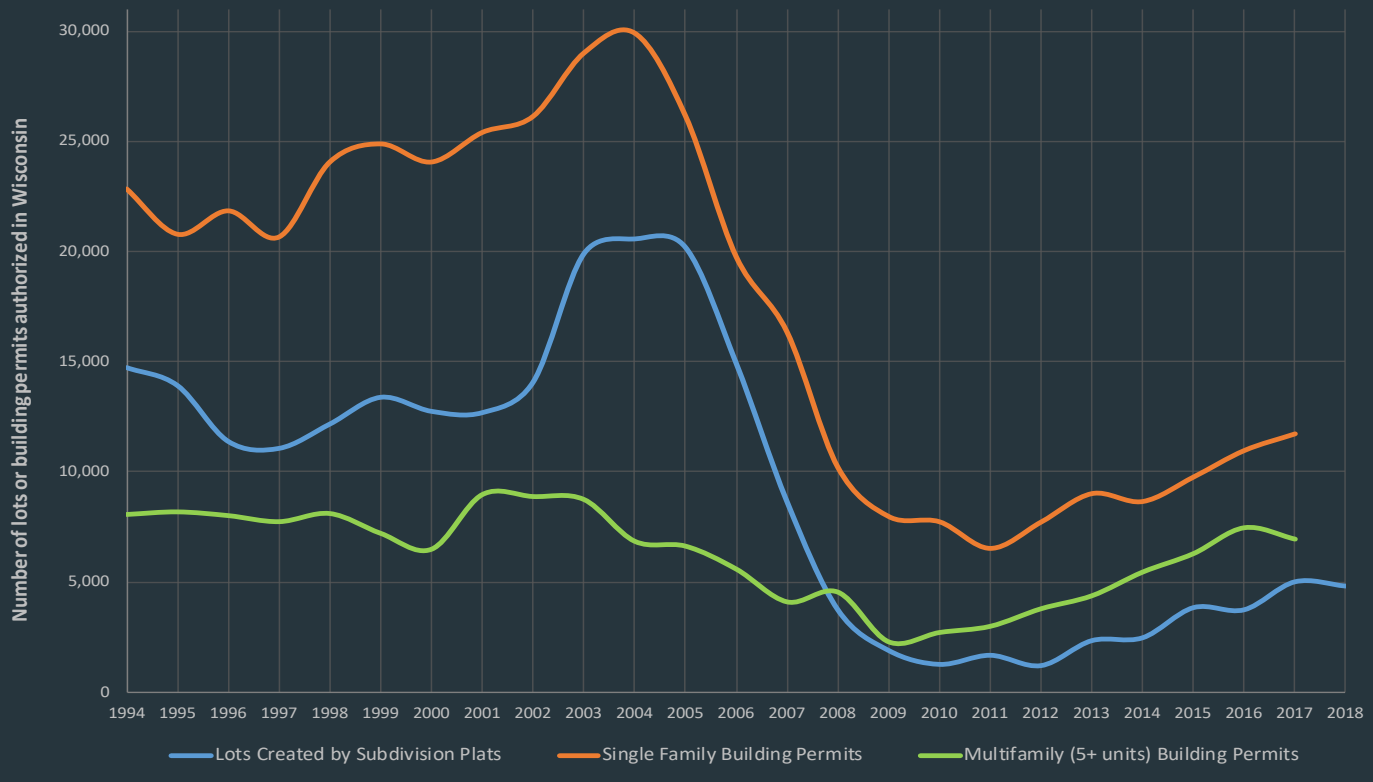
FIGURE **1**

HOUSING CONSTRUCTION AND SUBDIVISION ACTIVITY IN WISCONSIN HAVE NOT RECOVERED FROM THE GREAT RECESSION AND REMAIN HISTORICALLY LOW

Figure 1 shows the dramatic decline of housing production in Wisconsin. Single-family building permits only climbed back over 10,000 per year in 2016 and remain well below historical levels. Likewise, multifamily building permits dropped off significantly duriang the recession, even as demand for apartments surged. The number of units authorized by multifamily permits are still thousands of units below permit levels in the 90s and early 2000s.



FIGURE **1**



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

What caused the workforce housing shortage?

1. WISCONSIN HAS NOT BUILT ENOUGH HOMES *TO KEEP UP WITH POPULATION AND INCOME GROWTH*

[CONTINUED]

The population of Wisconsin has increased faster than housing construction. When adjusted for population, building permits per capita and development lots per capita are less than half what they were in the 90s and early 2000s.

If the same rate of construction from 1994 through 2004 were applied to our most recent decade, Wisconsin would have created over 200,000 more new homes and more than 115,000 new building lots.

If housing is not produced to meet demand, housing prices go up and families have difficulty finding housing they can afford in communities where they want to live. Families trying to save for a down payment fall further behind.

To create a lot or parcel where a home can be built, developers must first get subdivision approval from a local government, and then have that subdivision certified by the Wisconsin Department of Administration (DOA). Figure 1 (on page 11) shows the number of building lots approved in Wisconsin each year based on DOA data. In the past two years, 2017 and 2018, fewer than 10,000 buildable house lots were approved in Wisconsin, even though Wisconsin usually adds 10,000-20,000 net new households each year.

Future homes require buildable lots. The current supply pipeline of buildable lots is low, which only exacerbates the existing housing shortage. If we don't create more lots today, we will fall further behind in the future.

Although a shortage of new housing construction affects all areas of the state, the magnitude of the problem varies across different regions. In a balanced regional housing market, the rate of growth of housing units (supply) should be about the same as the rate of growth of households (demand).

However, if an area adds more households than housing units, vacancy rates decline, prices rise, and families have difficulty accessing housing. If developers and builders are unable to secure building sites and permission to meet the increased housing demand in an area (supply constraint), housing is being "under-produced," resulting in a "housing gap."

THE THREE FASTEST-GROWING COUNTIES — DANE, BROWN AND WAUKESHA — ACCOUNTED FOR OVER HALF OF THE HOUSEHOLD GROWTH IN WISCONSIN, AND COLLECTIVELY UNDER-PRODUCED 15,000 HOUSING UNITS FROM FROM 2006-2017

TABLE **1**

Table 1 shows the growth in the number of households compared to the growth in net new housing units for Wisconsin's 20 largest counties from 2006-2017. Table 1 shows that the largest 20 counties in Wisconsin under-produced nearly 20,000 units of housing from 2006-2017. The three-fastest growing counties — Dane, Brown and Waukesha — accounted for over half of the household growth in Wisconsin, and collectively under-produced 15,000 housing units, more than three-quarters of the state total. Dane county alone was responsible for the most new households and most new housing units, while also contributing more than half of the statewide supply gap.

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.

2. CONSTRUCTION COSTS *ARE RISING FASTER THAN INFLATION AND INCOMES WISCONSIN*

Compounding the housing supply gap, construction costs have been rising faster than inflation and income in recent years. From 2010-2017, construction costs have increased by 14.7 percent in Madison, 14.9 percent in Milwaukee, and 16.2 percent in Green Bay. When construction costs go up, new housing becomes more expensive, but so too does existing housing due to increases in repair, remodeling and replacement costs.

The rise in construction costs is due to an increase in material prices, but also due to a severe labor shortage in the building and construction trades. According to the Association of General Contractors survey, 73 percent of Wisconsin construction firms reported labor shortages.

Rising construction costs mean that all forms of housing are becoming more expensive and less available. This creates barriers to homeownership and to rental affordability.

RISING CONSTRUCTION COSTS

Rising construction costs mean that all forms of housing are becoming more expensive and less available. This creates barriers to homeownership and to rental affordability.





3. OUTDATED LAND USE REGULATIONS *DRIVE UP THE COST OF HOUSING*

There is a growing bipartisan consensus that restrictive municipal land use regulations constrain housing supply and drive up the cost of housing. This bi-partisan consensus is seen in policy proposals to reduce regulations from HUD Sec. Ben Carson (Republican) and Sen. Cory Booker (Democrat). Major research publications from the National Association of Home Builders (NAHB) and the Obama Whitehouse call attention to the effects of zoning restrictions on housing prices. Proposals to reduce restrictive zoning regulations so that developers can supply a greater variety of housing at all price points have been presented by the American Enterprise Institute and the Metropolitan Milwaukee Fair Housing Council.

Academic research by economists like Harvard's Ed Glaeser demonstrates that restrictive zoning policies, such as large minimum lot sizes, excessive parking requirements, prohibitions on multifamily development, accessory dwelling units, townhouses or duplexes collectively reduce housing supply and variety and therefore drive up housing costs.

The NAHB regularly surveys developers of housing and estimates that regulations can drive up the cost of single-family homes by at least 24 percent and multifamily housing by 30 percent.

Of course, regulations to protect public health and safety — such as fire safety, building codes, stormwater management and protecting environmentally sensitive lands — are necessary and proper roles for local governments. But large minimum lot sizes, prohibitions on non-single-family housing, excessive parking requirements, requirements for high-end building materials, and long approval processes do not protect public health and safety. They serve mostly to raise the cost of housing.

Restrictive zoning regulations drive up the cost of housing in at least three ways. First, they lower the overall supply of housing units in an area. When supply is restricted but demand is increasing, more families chase fewer units, and prices go up. Second, for housing that is built, the underlying land is more expensive. For example, in the latest national survey of developers by the NAHB, the average price per square foot for a finished residential lot is $8.22 ft^2. This would mean that a minimum lot size of 15,000 ft^2, about 1/3 of an acre, would cost $123,300 while an 8,000 ft^2 minimum lot size would cost only $65,760. In this example, public health and safety are not affected by smaller lot sizes, but the cost of the land for residential development is reduced nearly $58,000. Third, when land is more expensive and larger lots are required, developers are forced to build more expensive and larger homes to recover their land costs. Large homes on large lots are not affordable to most of the workforce in a community.

LARGE MINIMUM LOT SIZES, PROHIBITIONS ON NON-SINGLE-FAMILY HOUSING, EXCESSIVE PARKING REQUIREMENTS, REQUIREMENTS FOR HIGH-END BUILDING MATERIALS, AND LONG APPROVAL PROCESSES DO NOT PROTECT PUBLIC HEALTH AND SAFETY. THEY SERVE MOSTLY TO RAISE THE COST OF HOUSING.

Across the country, there is a growing "YIMBY" (Yes In My Backyard) movement that is calling attention to the outdated zoning and land use regulations in municipalities as a counter to the prevalence of "NIMBY" (Not in My Backyard) residents.

What is the result of the workforce housing shortage?

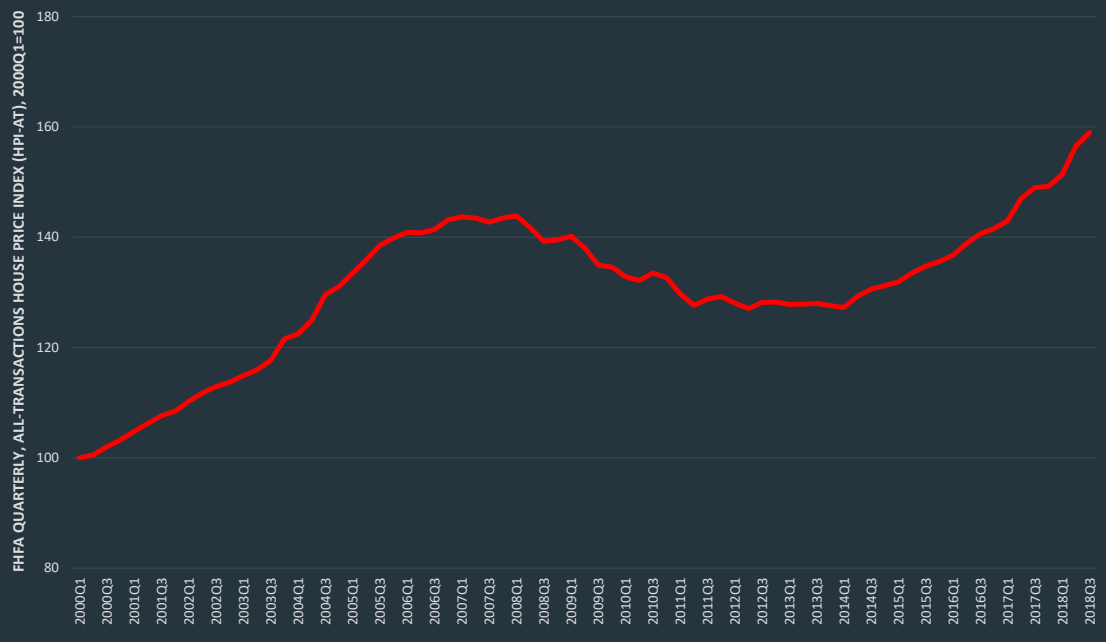
RESULT 1
HOUSING COSTS ARE RISING

With housing demand growing but housing supply lacking, the cost of housing is rising. While price growth might be good for current homeowners, it can make it harder for first-time homebuyers to enter the market and for seniors to downsize. This can stifle the housing market as families are constrained from moving for job opportunities or are unable to adjust their housing consumption to meet their current lifestyle stage.

Homeownership costs are rising. Figure 2 shows the Federal Housing Finance Agency's (FHFA) House Price Index (HPI-AT) for Wisconsin. This House Price Index is the broadest measure of housing costs because it includes all mortgage transactions — purchase and refinance — and measures the price change for a "constant quality" house. Because newer homes are almost always priced higher than existing homes, the average sales price of new homes can overstate the costs for the average family.

We re-scaled the House Price Index so that the first quarter of the year 2000 equals 100 so the value of the index represents the percent change in housing costs since 2000. The most recent data for Wisconsin, third quarter 2018, shows a value of 158.9, which means that house prices in Wisconsin have increased 58.9 percent since 2000. House prices in Wisconsin now exceed pre-crisis (2007) levels.

FIGURE **2** **Wisconsin House Prices Now Exceed Pre-crisis (2007Q1) Levels**



Source: Federal Housing Finance Agency

AND RENTS HAVE GROWN **FASTER THAN INCOMES**

According to data from the U.S. Census, from 2000 to 2017, the median household income in Wisconsin grew 35 percent, not adjusted for inflation, while the median house price grew 59 percent, not adjusted for inflation. When housing costs are growing faster than incomes, fewer families can afford a home.

Rental costs are rising. Table 2 shows changes in median rents and median household income for Wisconsin and our neighboring Midwestern states from 2007 to 2017.

In Wisconsin and all neighboring states, rents grew faster than incomes, which makes workforce housing harder to find and decreases housing affordability.

In Wisconsin, for example, rents grew 21.7 percent while incomes only grew 17.3 percent, not adjusted for inflation.

In terms of rental prices, however, Wisconsin had the slowest rate of rent growth compared to our neighboring states and slower than the nation as a whole. While rents in Wisconsin have increased 21.7 percent since 2007, rents have increased over 28 percent nationwide and over 30 percent in neighboring states Minnesota and Iowa. The difference between the percent change in rents and percent change in income is the smallest in Wisconsin, at 4.4 percent, compared to our neighbors and the U.S. as a whole.

FROM 2000-2014, WISCONSIN PERMITTED MORE MULTIFAMILY UNITS ON A PER-CAPITA BASIS THAN DID ALL OF OUR NEIGHBORS, AND HAD SLOWER RENT GROWTH THAN OUR NEIGHBORING STATES. EXPANDING RENTAL HOUSING SUPPLY CAN IMPROVE RENTAL AFFORDABILITY.

TABLE **2**

Rents rose faster than household incomes in Midwestern states

State	*Increase median rent, 2007-2017*	*Increase median income, 2007-2017*
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%
U.S. AVERAGE	***28.3%***	***18.9%***

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

The data from other states actually confirms the link between housing supply, rents and housing affordability. During the time period from 2000-2014, Wisconsin permitted more multifamily units on a per-capita basis than did all of our neighbors. Higher rates of production were associated with a slower increase in rents. Even though Wisconsin did not produce enough total units to meet overall demand, this data demonstrates that expanding rental housing supply can improve rental affordability.

RESULT 2

DECLINING HOMEOWNERSHIP IN WISCONSIN, ESPECIALLY AMONG YOUNGER HOUSEHOLDS AND AFRICAN AMERICAN AND HISPANIC FAMILIES

With housing prices now exceeding pre-crisis (2007) levels, housing prices and rents rising faster than incomes and inflation, and a shortage of new supply, the ability to attract new workers to Wisconsin or for existing workers to move into homeownership is constrained. Even though incomes and jobs in this state have recovered from the Great Recession, homeownership has not.

Younger adults entering prime homebuying years or families trying to re-enter homeownership face multiple barriers. Because home prices are more expensive, they need to save for a larger down payment, but higher rents make it harder to save for this down payment. Stagnant incomes, decreased credit availability, and higher levels of student loan debt also make it hard for many to transition into homeownership.

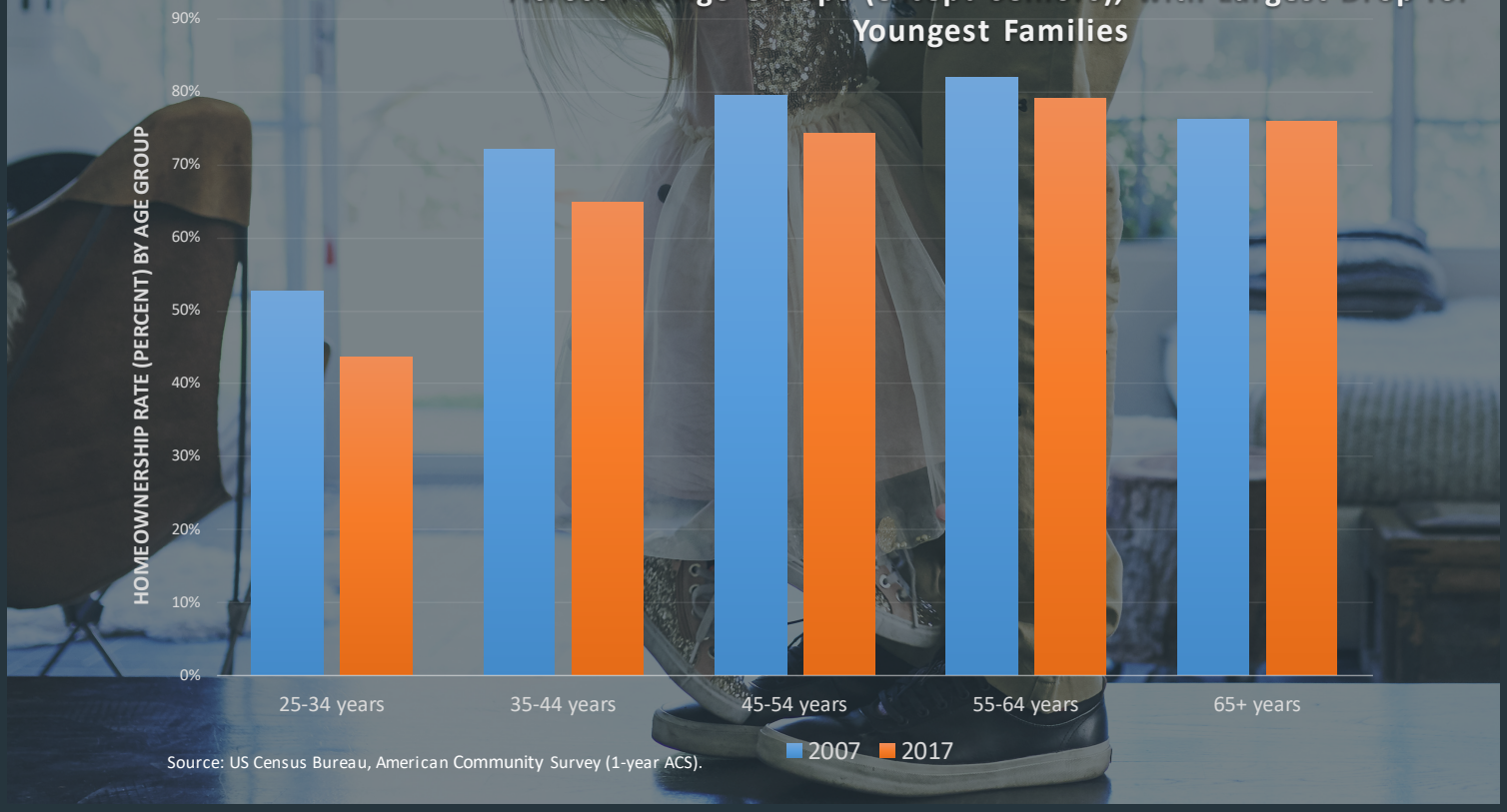
While homeownership rates across the United States declined following the Great Recession, Wisconsin has been hit particularly hard. Rebuilding homeownership is vital for economic development. Workers need to be able to find stable and affordable homes for purchase near where they work. Many businesses across the state are experimenting with down-payment assistance and homebuyer counseling programs in order to recruit and retain their workers.

If we are to rebuild and strengthen homeownership in Wisconsin, many of these new homeowners will come from demographic categories of workers not currently in the homeownership market: younger adults, first-time homebuyers, and African American and Hispanic families. Figure 3 shows changes in homeownership rates in Wisconsin across all age groups from 2007-2017, and Figure 4 highlights changes in homeownership rates for racial and ethnic groups. Homeownership rates declined for all age groups except seniors, with the largest declines seen in younger adults.

Among our neighboring states, Wisconsin has a lower homeownership rate for the two youngest age categories — 25-34 year-old households and 35-44 year-old households — than Indiana, Iowa, Michigan and Minnesota. Only Illinois has lower homeownership rates for these age groups. Among our Midwestern neighbors, only Minnesota has a lower rate of homeownership for African American families than Wisconsin. Wisconsin's homeownership rate for Hispanic families is now the lowest of all our Midwestern neighbors.

FIGURE 3

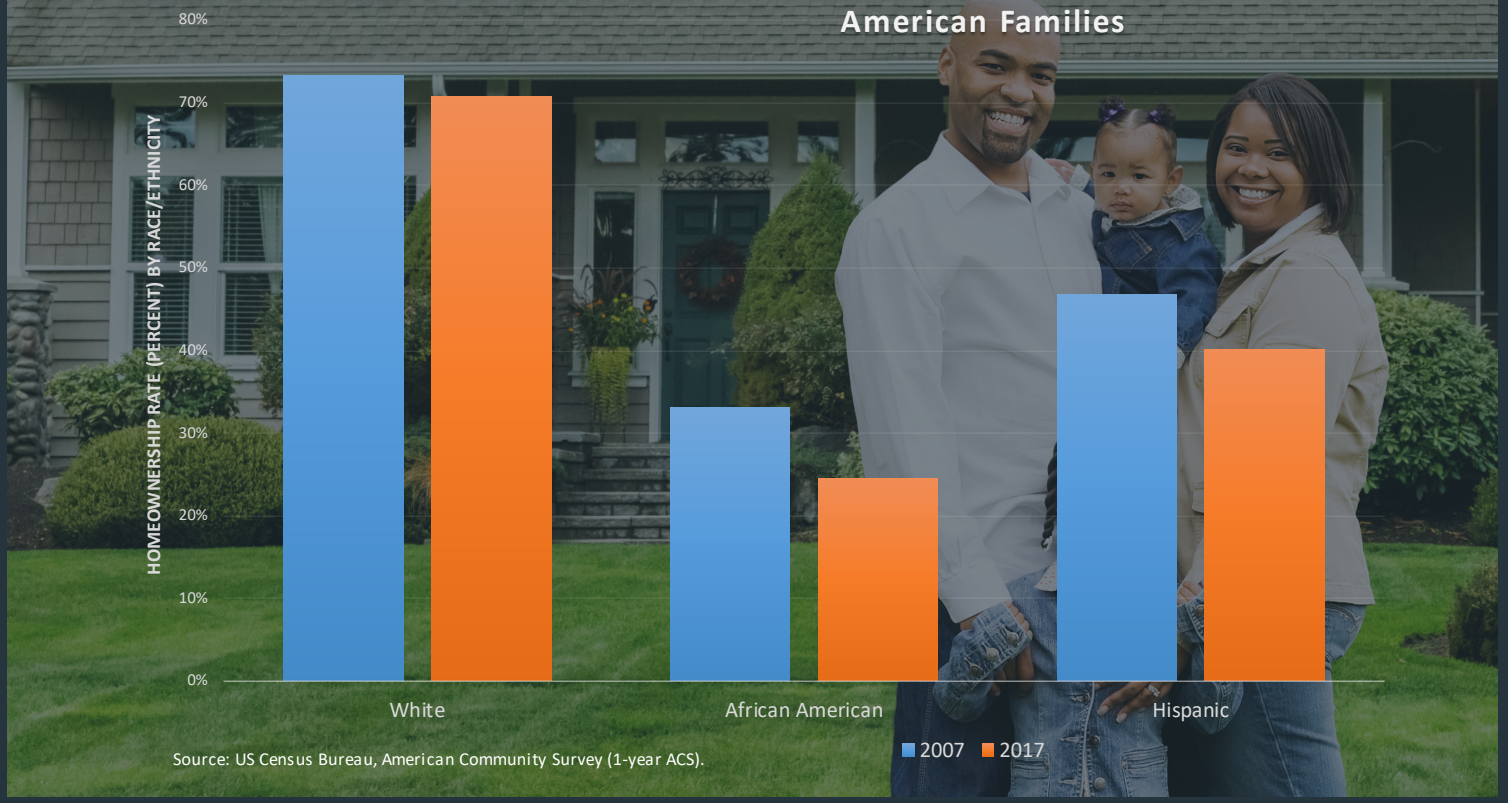
Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Age Groups (except Seniors), with Largest Drop for Youngest Families



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

FIGURE 4

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).

HOMEOWNERS BORROWING MORE IN WISCONSIN

Families respond to increasing housing prices and a housing shortage near where they want to work in one of three ways: renting, purchasing a less expensive home further away from work, or stretching to purchase a home with more mortgage debt. We see all three happening in Wisconsin.

Despite historically low interest rates, homeowners who have been able to qualify for mortgages have been increasingly taking out larger loans compared to their home's value.

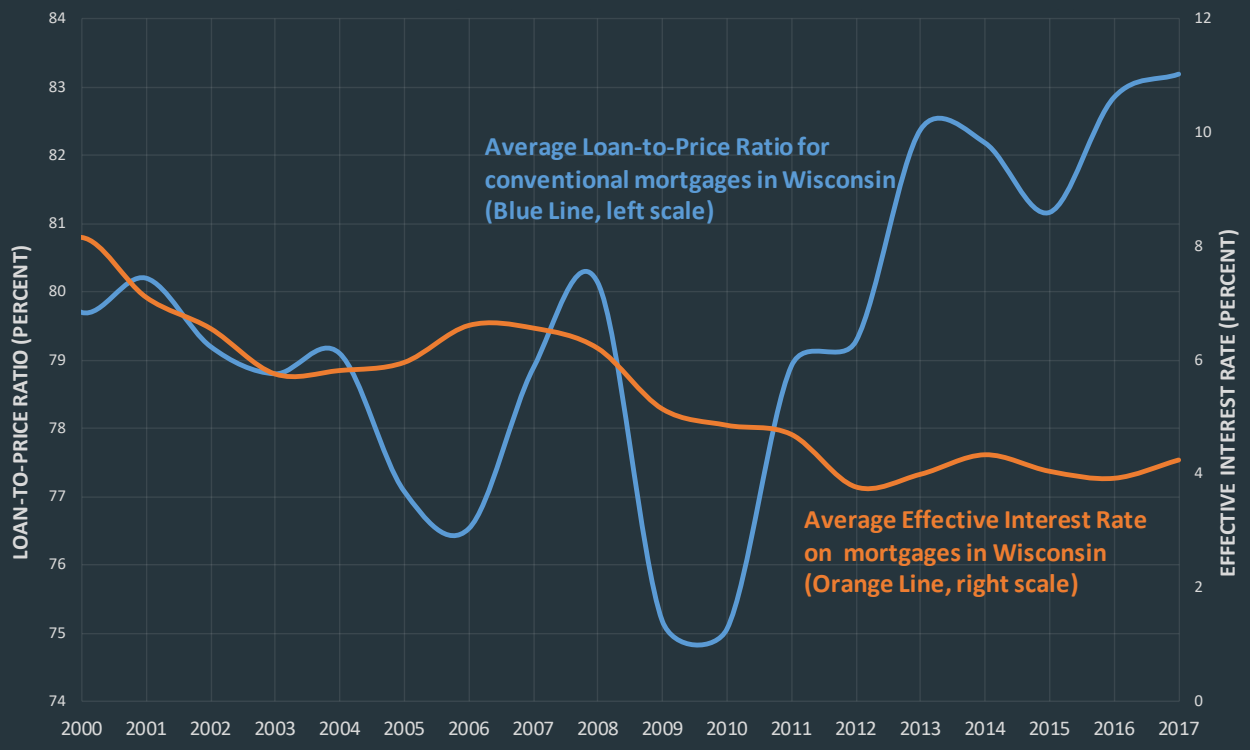
FIGURE **5**

WISCONSIN HOMEOWNERS ARE BORROWING A LARGER PERCENTAGE OF THEIR HOME'S VALUE WHILE INTEREST RATES ARE AT HISTORIC LOWS

Figure 5 shows changes in the loan-to-price ratio (also called loan-to-value ratio or LTV) for mortgages in Wisconsin since the year 2000. The loan-to-price ratio equals one minus the down-payment percentage. For example, an 80 percent loan-to-price ratio is the same as a 20 percent down payment. When average loan-to-price ratios exceed 80 percent, this indicates a higher percentage of homeowners utilizing lower down payment loan products. Since 2013, the average loan-to-price ratio for mortgages in Wisconsin has exceeded 80 percent and is over 83 percent in the most recent data (2017).



FIGURE **5**



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.

What is the result of the workforce housing shortage?

RESULT 3
DECLINING HOUSING AFFORDABILITY

HOW IS AFFORDABILITY MEASURED?

"Affordability" measures whether a typical household, usually the median income household, can afford the housing in an area. Because this report focuses on workforce housing, we focus on affordability for entry-level homeownership, using a low-down-payment product, and affordability for rental homes.

We create two new indices for Wisconsin counties focusing on housing affordability at the county level. While many workers might live and work in different counties, these indices measure whether the typical household in a county can afford the housing in that county. Our data shows that housing affordability concerns encompass urban and rural areas across the state.

INDEX 1
ENTRY-LEVEL HOUSING AFFORDABILITY

Figure 6 shows the "entry-level" housing affordability index for Wisconsin counties. For this workforce housing ownership index, we focus on households utilizing a low-down-payment (3.5 percent down-payment) FHA-insured mortgage. For many first-time homebuyers without the savings for a down payment, FHA-type products are often the only way to become homeowners.

We first calculate what an FHA-insured low-down-payment mortgage would be for the median-priced house in the county. This calculation tells us the monthly mortgage payment that a homeowner would need to pay to purchase the median-priced home. We then calculate how much annual income a family would need to afford this FHA mortgage, assuming that for a mortgage to be affordable the principal and interest should be no more than 25 percent of a family's income. This 25 percent of income for principal and interest standard is used by the National Association of REALTORS® in its housing affordability research, leaving room in housing expenses to account for property taxes, homeowners insurance and utilities.

The index is then the ratio of the median household income to the income that would be needed to afford the median-priced home with a low down payment mortgage product. Another way to think about this is what percentage of the income needed for the median-priced home does the typical family have? A score of 150, for example, means that the median income household has 50 percent more income than would be necessary to afford the median-priced home with an FHA mortgage. 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.

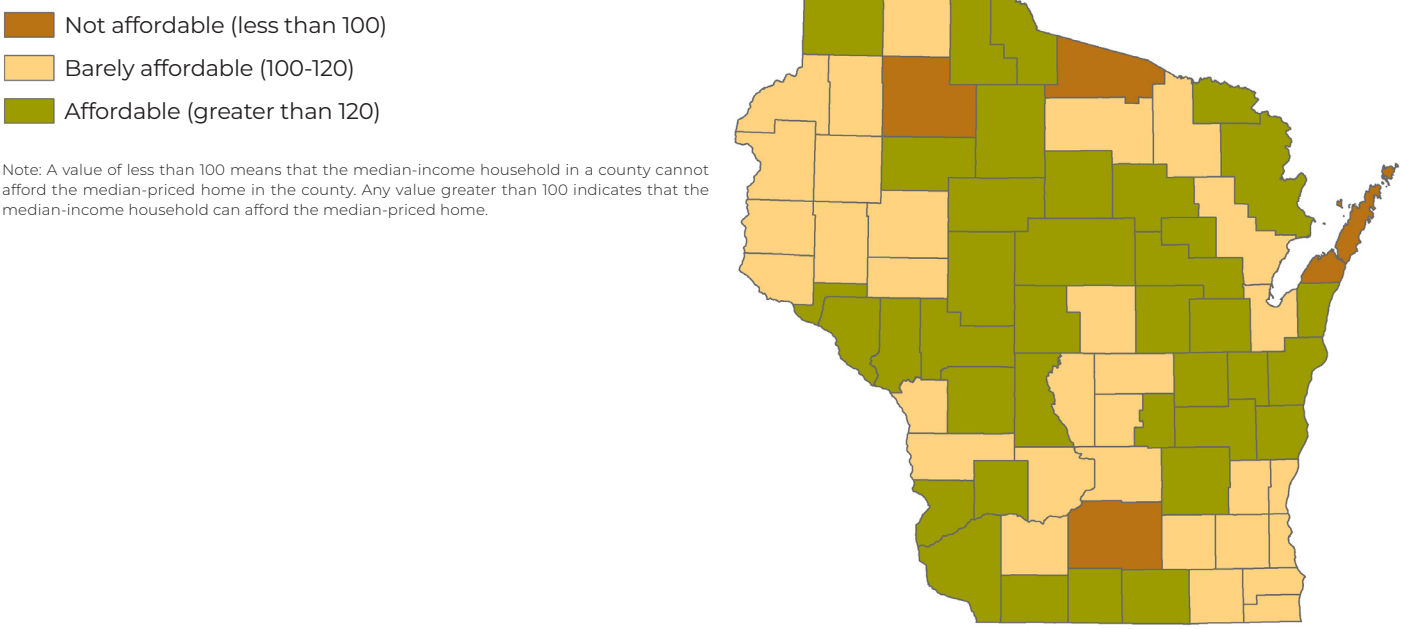


Figure 6 shows that in four Wisconsin counties — Dane, Door, Sawyer and Vilas — the median income household cannot afford the median-priced home, even with a low down-payment FHA mortgage product. There are 31 counties where the index score is above 100 but below 120, meaning that the median income household has enough income to purchase the median-priced home, but just barely. These areas include the southeast — Milwaukee, Racine and Kenosha metropolitan areas — as well as the northwest rural areas.

We can also calculate how this entry-level affordability index has changed over time. From the time period of 2010 through 2017, this index of affordability has declined in 57 out of 72 Wisconsin counties. In eight of those declining affordability counties — Vilas in the north; Marathon, Wood and Portage in the central; La Crosse in the west; and Richland, Grant and Iowa in the southwest — the declines were greater than 10 percentage points.

FIGURE **6**

Wisconsin Entry-level Housing Affordability Index by County, 2017



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.

RESULT 3

DECLINING HOUSING AFFORDABILITY [CONTINUED]

INDEX 2
RENTAL AFFORDABILITY (2017)

Our second index for workforce housing affordability focuses on rental housing. Figure 7 shows the "rental affordability index" for each county for the most recent year available, 2017. This index measures whether the median-income renting household can afford the median rental unit in the county by spending no more than 30 percent of income on rent. The index is the ratio of the actual county median-renter-household income to the income that would be needed to afford the median rental unit. Just like the entry-level affordability index above, a score less than 100 means that the median-income renting household cannot afford the median-priced rental unit, and a score above 100 means that the median-income renter household can afford the median-priced unit. Again, a score of 150, for example, means that the typical renting household has 50 percent more income than would be needed to rent the median-priced unit.





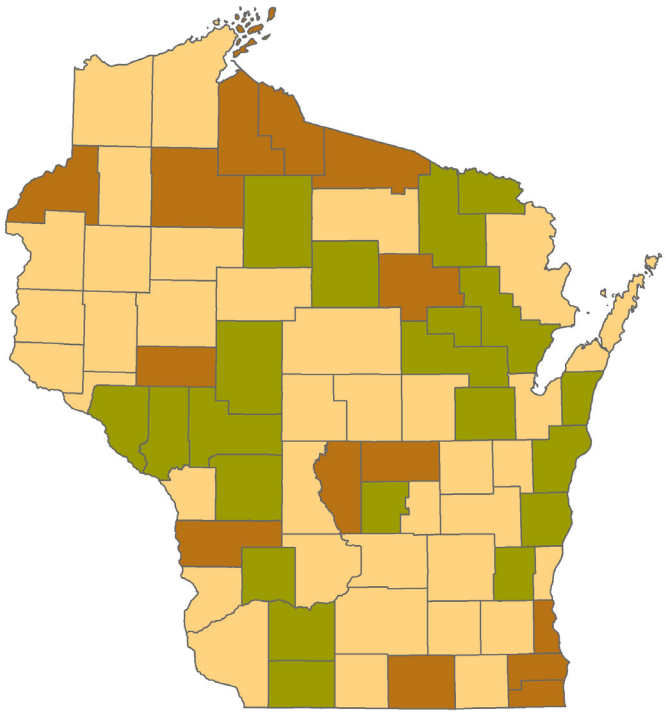
In Figure 7, there are 14 counties where the typical renting household cannot afford the middle-priced rental home: Kenosha, Racine, Milwaukee and Rock in the southeast; Burnett, Sawyer, Ashland, Iron and Vilas counties in the north; Vernon County in the southwest; and Adams and Waushara counties in the central part of the state. Finding adequate and affordable rental homes is thus a problem not only in larger cities and suburbs, but in small towns and rural areas of the state. There are 37 counties where the typical renter household can barely afford the median-priced rent, with scores between 100 and 120.

FIGURE **7**

Wisconsin Renter 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 renter-household in a county cannot afford the median rental unit in the county. A value greater than 100 indicates that the median income renter-household can afford the median rental unit.



RESULT 3
DECLINING HOUSING AFFORDABILITY [CONTINUED]

Workforce housing affordability, of course, is more than whether the median-income families can afford housing opportunities. When there is a shortage of housing at all price points, the workers earning below median income as well as seniors can face significant affordability challenges. So, while the overall affordability indices in Figures 6 and 7 give a picture of the middle of the workforce housing market, it is also important to provide details at a wider range of income levels.

TABLE **3**
MANY LOWER-INCOME HOMEOWNERS **PAY MORE THAN 50 PERCENT OF THEIR INCOME ON HOUSING**

	Percent of homeowners "extremely cost-burdened," by income categoy				
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	64.1%	32.6%	13.7%	5.3%	1.0%
INDIANA	56.1%	22.3%	6.3%	1.9%	0.3%
IOWA	51.9%	17.0%	4.5%	1.4%	0.3%
MICHIGAN	62.2%	27.4%	9.6%	3.1%	0.6%
MINNESOTA	56.0%	24.3%	8.1%	2.5%	0.5%
WISCONSIN	**63.5%**	**28.8%**	**10.4%**	**3.2%**	**0.6%**

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

Table 3 shows the percent of homeowners in Wisconsin and neighboring states by income levels who pay more than 50 percent of their income for housing, considered "extremely cost-burdened." Across all income categories, Wisconsin's proportion of homeowners with extreme cost burdens is worse than Indiana, Iowa, Michigan and Minnesota. Only Illinois among our neighbors fares worse. Of course, many of the homeowners with incomes below 50 percent of the median are likely seniors who are no longer in the workforce, but still bear significant housing costs due to an overall shortage of units and a particular shortage of units for downsizing. Households with incomes between 50 percent and 100 percent of median income are in the workforce but face significantly higher rates of cost burdens than similarly situated workers in other states.

Translating Table 3 into actual numbers, we see that in Wisconsin, currently over 94,000 homeowners whose income is below 50 percent of area median income spend more than half of their income on housing.

TABLE **4**

WISCONSIN LEADS THE MIDWEST WITH THE **HIGHEST PERCENTAGE OF LOWER-INCOME RENTERS WITH EXTREME COST BURDENS**



	Percent of renters "extremely cost-burdened," by income categoy				
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%**

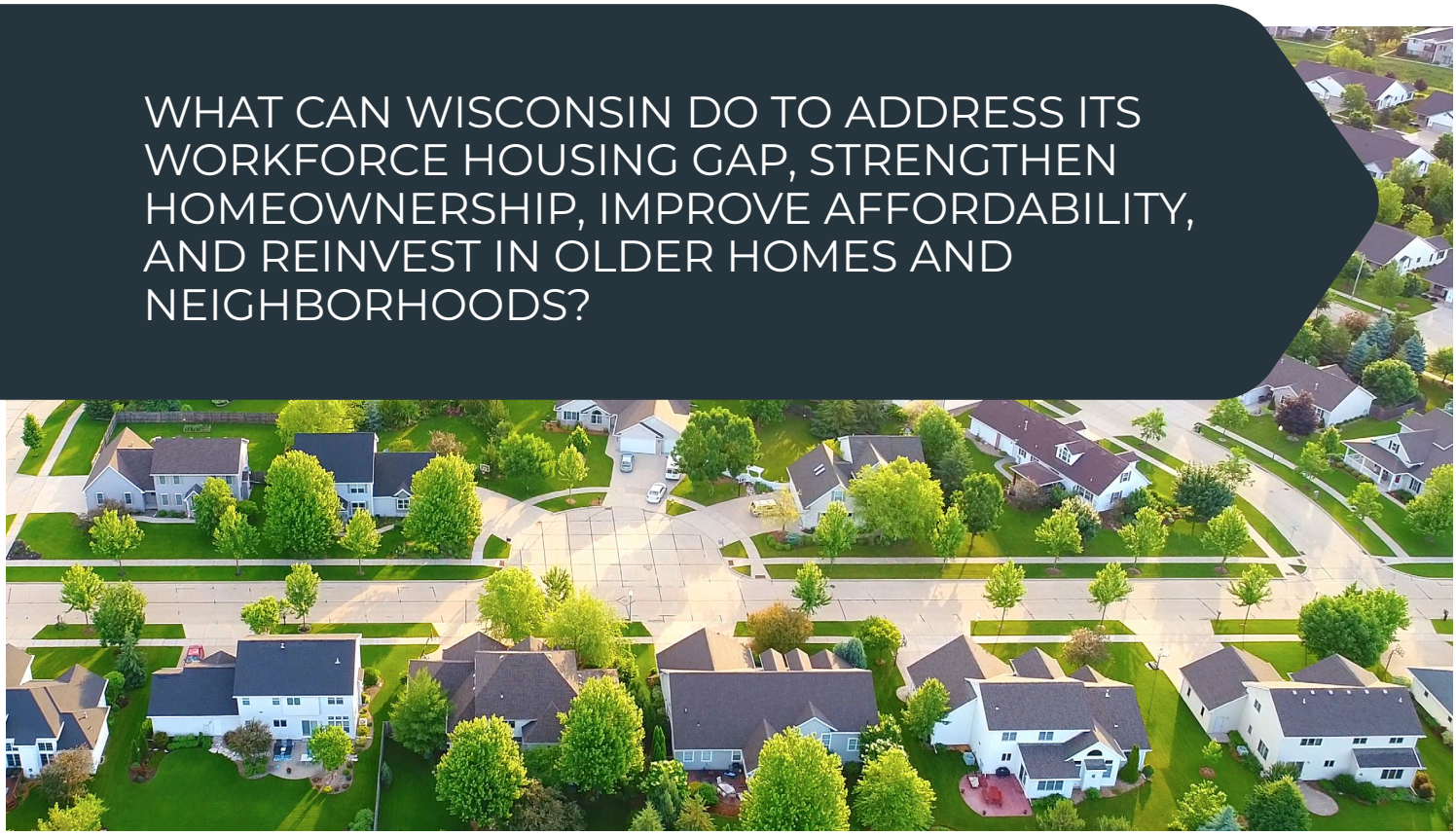
Source: US. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2011-2015

Table 4 now shows the same information for renting families, comparing the percent of renters by income category who are paying more than 50 percent of their income on rent in Wisconsin to our neighboring states. Wisconsin has the highest percentage of all of our neighbors of lower-income renters who are extremely cost-burdened, paying more than 50 percent of their income on rent.

Converting Table 4 into actual numbers, currently in Wisconsin, over 158,000 renting households with income below 50 percent of the area median income spend more than half of their income on housing.

The consequences of our workforce housing shortage, therefore, can be seen not only in rising prices and decreased homeownership opportunities, but also in decreased affordability for owners and renters. In the next section, we outline a series of reform possibilities to address our housing shortage and improve workforce housing affordability.

WHAT CAN WISCONSIN DO TO ADDRESS ITS WORKFORCE HOUSING GAP, STRENGTHEN HOMEOWNERSHIP, IMPROVE AFFORDABILITY, AND REINVEST IN OLDER HOMES AND NEIGHBORHOODS?



ROADMAP TO REFORM
ADDRESSING WISCONSIN'S WORKFORCE HOUSING CHALLENGE

Many states across the country are wrestling with these same questions. Many states are proposing or are implementing innovative policy, legal, planning and finance options for dealing with the housing crisis. In this section, we identify key goals and specific recommendations for Wisconsin based on analysis of reform proposals and actions in other states. In the past years, major housing reform efforts have been proposed in California, Connecticut, New Hampshire, Oregon, South Carolina, New Jersey, Utah, Massachusetts and others.

We highlight five key goals for Wisconsin in the coming years:

Goal 1: Build more housing
Goal 2: Increase housing choice with a more diverse housing stock
Goal 3: Rebuild and strengthen homeownership
Goal 4: Reinvest in older housing stock and older neighborhoods
Goal 5: Make housing a priority



ROADMAP TO REFORM: GOAL 1
BUILD MORE HOUSING

Wisconsin needs to reduce regulatory barriers to ensure an adequate housing supply. Local government elected officials and community leaders need to take leadership to ensure their city, village or town is providing adequate opportunities for housing supply and to build more housing where people want to live. This involves reforming and updating zoning and subdivision codes, removing regulatory barriers, providing financing, and helping to educate their community to overcome NIMBY opposition to new housing.

Wisconsin law currently requires cities, villages, towns and counties with zoning or subdivision ordinances to have plans to:

"provide an adequate housing supply that meets existing and forecasted housing demand in the local governmental unit." (Wis. Stat. 66.1001(2)(b))

The data presented in this report clearly indicates that we are falling behind in providing an adequate housing supply and in meeting existing and forecasted housing demand.

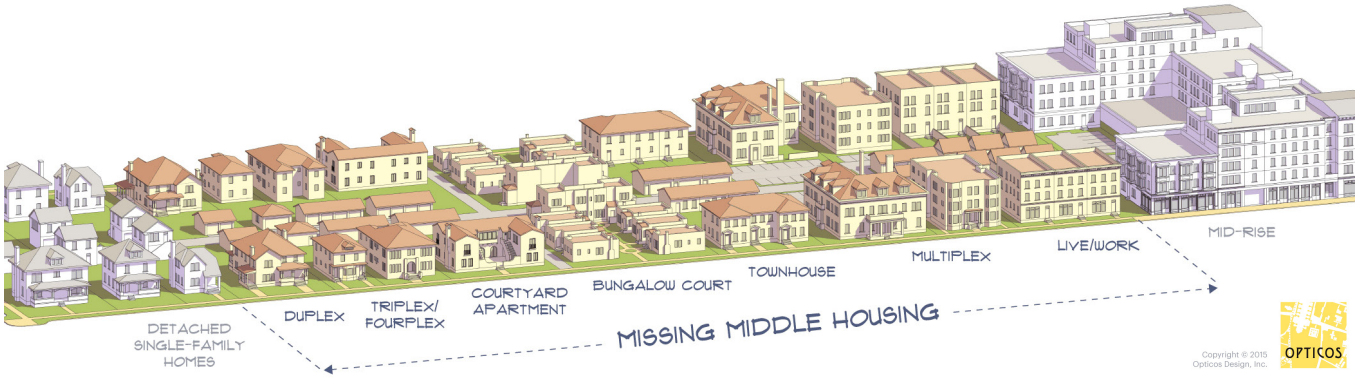
Cities and states across the country are re-examining their zoning and other land use regulations to reduce unnecessary regulations that limit housing supply, limit housing diversity with different types and sizes of units, and impose unnecessary delays. Regulations that raise the cost of housing and limit housing choices for the workforce can limit the ability of businesses to hire workers, can force workers to drive long distances to their jobs, or can force residents to pay too much for their housing.

Cities and states across the country are also recognizing that restrictive zoning can be exclusionary and foster excessive segregation. Cities and states are increasingly realizing that separating land uses so that people have to drive everywhere and imposing large minimum lot sizes is expensive to service, causes excessive traffic and creates unhealthy communities.

Improving our housing supply and modernizing our regulations and zoning codes will create many economic and social benefits for our communities. Housing construction creates quality jobs and increases a community's tax base. Expanding choices and housing opportunities for families can improve schools and reduce traffic congestion. And building more housing overall will reduce upward pressures on prices and rents.

ROADMAP TO REFORM: GOAL 2

INCREASE HOUSING CHOICES WITH A MORE DIVERSE HOUSING STOCK



Demographics and housing demand are shifting. Average household size is declining. Baby Boomers are aging. Younger households are more diverse and have greater preferences for "walkable urbanism," smaller or more sustainable housing options, and a diversity of experiences. Families are increasingly looking for multigenerational options and flexible housing arrangements.

This goal recognizes the need not only to build more housing but to build a greater variety of housing that people want in places where they want to live. We need to update our housing delivery system to meet 21st century tastes and technologies.

Architects, developers and planners have successfully implemented a wider range of newer housing models across the country that allow developers and builders to respond to housing demand and changing demographics. These have included tiny houses, the "not-so-big" house, small lot houses, cottage clusters, "pocket neighborhoods," courtyard neighborhoods and live-work units. Innovative designs are available for multifamily structures that blend into neighborhoods and look like single-family houses. Cities across the country are trying to re-weave the urban fabric by permitting "missing middle" housing types, such as duplexes, 3- or 4-plexes, small garden apartments, courtyard apartments, townhouses and city-houses. This includes allowing flexibility in design standards, parking requirements, set-backs, frontage requirements and other regulations. Overwhelmingly, these new units add value to existing neighborhoods, re-weave the urban fabric, and are constructed with modern materials and methods.

Communities should provide a greater range of housing in every neighborhood that offers options for people at different life stages to stay in the same area. In fact, Wisconsin state law requires communities to provide both an adequate housing supply to meet forecasted needs and "a range of housing choices that meet the needs of persons of all income levels and of all age groups." (Wis. Stat. 66.1001(2)(b))

A wider variety of housing styles, types and sizes in each neighborhood will help meet changing market demands, reduce the workforce housing gap, and promote housing affordability.

Goal 2 Strategies: Increase housing choices with a more diverse housing stock

Based on our analysis of planning, zoning and regulatory reform efforts in other states, Wisconsin could consider any or all of the following menu of policies and strategies:

- **Expedited permitting and development approval processes for housing at the state and local levels:** New developments often take years to get through the local approval process, which increases the price of new housing units. Expedited approval processes reduce costs, time to develop and uncertainty, which will provide an incentive for developers and builders to create more workforce housing. Some states, for example, require municipalities to make final determinations on development applications that involve housing within 90 or 120 days.
- **Require all cities and villages to allow "missing middle" housing types in at least one residential zoning district as a permitted use by-right:** Missing middle could be defined as "attached townhouses, duplexes, triplexes or quads, and cottage clusters." Encourage communities to plan for "complete neighborhoods" and to allow "missing-middle" housing types in all neighborhoods, based on proposals in Oregon.
- **Require municipalities to allow accessory dwelling units (ADUs), sometimes called "granny flats" as a permitted use by-right in all residential zoning districts:** Consider developing a state-level "model ordinance" to be adopted by municipalities for ADUs, including reducing parking requirements and impact fees for ADUs. Consider a task force of design professionals — architects, landscape architects and interior designers — to develop "off-the-shelf" ADU building plans that meet state building codes and reduce design costs and uncertainty. Consider requiring that applications for ADUs that conform to state-approved building plans are automatically granted building and zoning permits.
- **Better enforcement of existing requirements:** Wisconsin law currently requires cities, villages, towns and counties with zoning or subdivision ordinances to have comprehensive plans that "provide an adequate housing supply that meets existing and forecasted housing demand in the local governmental unit." (Wis. Stat. § 66.1001(2)(b)) However, the evidence in this study demonstrates that local governments are not meeting this requirement. Stronger enforcement standards should be added to the law to ensure this requirement is being met.

  Many northeastern states including New Jersey, Connecticut, Massachusetts and New Hampshire, as well as the state of Washington, have created state appeals systems. If a municipality is not providing an adequate housing supply or not meeting its workforce housing needs, developers can appeal to a statewide board of housing and land use experts. Alternatively, Wisconsin could create an expedited appeals process to circuit court and require municipalities to approve workforce housing projects unless the municipality can demonstrate that the denial of a proposed project is necessary to protect community health or safety.
- **Establish maximum minimum lot sizes in sewer service areas:** Require municipalities with residential zoning districts in areas served by public water and sewer, "sewer service areas" under NR 121, to provide extraordinary justification for large single-family minimum lot sizes — for example, larger than 6,000 ft^2 or 8,000 ft^2; or consider prohibiting a municipality from enacting, amending or enforcing a zoning ordinance with a minimum lot size larger than 6,000 ft^2 or 8,000 ft^2 in sewer service areas.

[CONTINUED]

Goal 2 Strategies: Increase housing choices with a more diverse housing stock

- **Use tax incentives to reduce costs for workforce housing:** State and any county sales taxes, for example, can add 5 to 5.5 percent to the cost of the materials. Exempting building materials for workforce housing from state and local sales taxes would lower the construction costs for such housing.
- **Require municipalities to allow multifamily housing construction in at least one zoning district as a permitted use by-right:** This has the effect of prohibiting municipalities from outright bans on multifamily construction.
- **Encourage and/or incentivize municipalities to plan for a better balance between jobs and housing:** Provide incentives for high-employment cities or areas to expand nearby housing opportunities or transit service. Incentives could include financial benefits to the city and/or higher priority for state economic development and infrastructure investments; "pay for success." Encourage municipalities to reduce or eliminate minimum parking requirements in proximity to transit.
- **Analyze statewide workforce housing data:** Cities and villages with a population over 10,000 are required to prepare annual reports on implementation of the housing plans, progress toward meeting forecasted housing demands, and analyses of the cost of land development regulations on the price of housing. See 2017 Wis. Act 243. This data, however, is not required to be analyzed on a statewide basis to evaluate whether Wisconsin's workforce housing issues are being addressed at the local level. The state should prioritize analyzing these reports, providing educational materials to citizens, publishing best practices and innovative plans, and reporting on municipal compliance with reporting requirements.
- **Financing for workforce housing in rural areas and small communities:** The state should consider creating funds targeted toward support for new workforce housing construction and reinvestment in rural areas and small communities. Construction costs in rural areas and small communities are often as expensive as nearby cities, but rents and property prices would not support construction costs. Technical assistance and gap-financing to access USDA rural housing funds would help smaller communities respond to their housing challenges.
- **Provide additional incentives to local government to approve workforce housing:** For example, 2017 Wisconsin Act 243 allows municipalities that permit new housing on less than a quarter-acre lot and that sells for less than 80 percent of other new housing to increase levy limits for police, fire and EMS. The state could consider additional financial incentives to municipalities to produce workforce housing, including rental.
- **Workforce housing tax increment financing districts (TID):** Allow the use of tax-increment financing (TIF) for the construction of the infrastructure — roads, sewer and water — necessary to service new workforce housing developments. TIF uses the increase in property tax revenues generated from the new development to pay for infrastructure and other costs.



ROADMAP TO REFORM: GOAL 3
REBUILD & STRENGTHEN HOMEOWNERSHIP

Rebuilding homeownership by expanding homebuying opportunities to groups currently underserved in the market — younger families, first-time homebuyers, and African American and Hispanic households — is crucial to the long-term economic health of Wisconsin and our communities. Reducing racial disparities in homeownership will reduce racial disparities along other dimensions. In many of our cities and older neighborhoods, plenty of older houses for purchase exist, but there are not enough "purchase-ready" households.

In nearly every county in Wisconsin, a number of nonprofit and for-profit housing counseling organizations, homebuyer assistance programs, banks and financial institutions catering to first-time homebuyers currently exist. We already have the infrastructure of lenders and housing counselors, and state and federal programs to assist first-time homebuyers. But these programs need to be scaled up, promoted, coordinated and funded to achieve a statewide impact.

The African American homeownership rate in Wisconsin is currently at 24.5 percent, while the national African American homeownership rate is at 41.7 percent. If Wisconsin's black homeownership rate increased to the national average, which, of course, is still too low, the state would add at least 22,000 new homeowners.

Likewise, the Hispanic homeownership rate in Wisconsin is currently 40.2 percent, while the national Hispanic homeownership rate is 47.2 percent. If Wisconsin's Hispanic homeownership rate increased to the national average, which, of course, is still too low, the state would add nearly 8,000 new homeowners.

The homeownership rate for 25-34 year-old households in Wisconsin is 43.6 percent, while the average for our neighboring states is 48.8 percent. If Wisconsin's homeownership rates for 25-34 year-old households increased to the average of our neighbor states, we would add 18,000 new homeowners in this state.

Improving homeownership among these three underserved populations could result in about 48,000 new homeowners in Wisconsin. Such a goal is certainly within the financial and administrative capacity of the state.

Years of experience already tell us what works to move families into sustainable homeownership: mandatory housing counseling, including credit repair; plus financial assistance for down payments, either through down payment assistance programs or other savings vehicles; plus neighborhood property stability and neighborhood revitalization.

In short, we need to create more purchase-ready borrowers and purchase-ready homes. This connects to the next goal of reinvesting in our aging housing stock.

ROADMAP TO REFORM: GOAL 4

REINVEST IN OLDER HOUSING STOCK AND OLDER NEIGHBORHOODS



Wisconsin's aging housing stock and older neighborhoods provide great value and great places. But, like any physical infrastructure, homes need reinvestment and rehabilitation to maintain value. Many of our older homes are occupied by seniors, who may experience cash-flow difficulties in updating important house systems. Many older homes are not energy efficient, resulting in higher-than-needed electricity, heating and cooling costs for homeowners. Seniors in particular may live in older housing and may not be able to afford energy efficiency improvements, which can increase costs or leave them more vulnerable to extreme heat or cold events. For first-time homebuyers or buyers looking for housing in older neighborhoods, financing the necessary improvements along with the house purchase may be financially out of reach.

Wisconsin's older single-family housing stock can provide many opportunities for entry-level housing or move-down housing for seniors. However, over 60 percent of our single-family structures were built before 1980 and are often in need of substantial repair, modernization or energy-efficient investments.

Reinvesting in older housing stock and older neighborhoods pays off in the long run. Property values are stabilized, housing is made more efficient and sustainable, and communities are renewed. Although we clearly need to build more housing, as outlined in goal 1, the majority of our workforce and seniors in the next 20 years will live in already-built housing.

OVER 60 PERCENT OF OUR SINGLE-FAMILY STRUCTURES IN WISCONSIN WERE BUILT BEFORE 1980 **AND ARE OFTEN IN NEED OF SUBSTANTIAL REPAIR, MODERNIZATION OR ENERGY-EFFICIENT INVESTMENTS.**

Goal 3 Strategies: Rebuild and strengthen homeownership

- **Encourage cities, villages and counties to make funding available for Down Payment Assistance Programs (DPAP):** Statewide resources for DPAPs through WHEDA and the Federal Home Loan Bank of Chicago (FHLBC) already exist. Communities should design their programs to leverage and maximize these sources. For example, the FHLBC Downpayment Plus program provides matching funds, which could come from local banks, pools of employers, or a community development authority.
- **Create a first-time homebuyer savings account program:** Create incentives to help workers and families save enough money to purchase a home by providing a state tax deduction and a tax-advantaged savings vehicle for accumulation of a down payment for future homeowners. Matching contributions from employers, community organizations or financial institutions could be allowed. Currently, Colorado, Iowa, Minnesota, Mississippi, Montana and Wyoming offer some form of tax-advantaged first-time homebuyer savings accounts. The program could be enhanced by providing employers with financial incentives or tax credits for contributions to an employee's homebuyer savings account.



Goal 4 Strategies: Reinvest in older housing stock and older neighborhoods

- **Expand WHEDA's Transform Milwaukee Advantage program:** Expand WHEDA's Transform Milwaukee Advantage program to the entire city of Milwaukee and possibly expand to reinvestment in targeted areas in other older urban neighborhoods. WHEDA's Transform Milwaukee Advantage program partners with local housing counselors and community development groups to expand homeownership in underserved markets in a limited number of Milwaukee neighborhoods. Products like the Transform Milwaukee Advantage are particularly useful for acquisition and rehabilitation of single-family structures.
- **Create a state tax credit or other financial incentives for the rehabilitation of older housing in older neighborhoods:** Much of the workforce housing stock is located in older neighborhoods. Improvements to older, existing homes such as new windows or insulation add value to the house. Tax credits or low-interest loans could be provided to owners, including seniors, to rehab or improve their homes. Tax credits or other financial incentives could be directed to nonprofit housing agencies to acquire, rehabilitate, and then re-sell older housing at an affordable price.
- **Expand training and apprentice programs for displaced or underemployed workers:** Continue and expand partnerships with community colleges and the Department of Workforce Development (DWD) to expand training and apprenticeship programs for displaced or underemployed workers and at-risk youth to become skilled contractors in skilled trades in construction and rehabilitation of older housing. The shortage of construction workers for new construction also constrains rehabilitation and reinvestment in existing housing. Consider reduced tuition or financial incentives for students who take construction classes at technical college and enter the building trades.

ROADMAP TO REFORM: GOAL 5

MAKE HOUSING A PRIORITY!



Meeting Wisconsin's workforce housing challenge, expanding housing options for seniors and younger workers, and reinvesting in our communities will require leadership and effort at all levels. We need to think big — at a large enough scale to address the scale of our housing challenges.

Public statements from the governor and legislative leaders already indicate that making housing a priority is a bipartisan idea. Housing needs are present in all of our communities — big cities, small towns, suburbs and rural areas. Making housing a priority will mean legislative and administrative changes as well as new and expanded funding and financial incentives at the state level. But much of the implementation of strategies to meet our housing needs will mostly come from local governments and the private sector: developers, builders and lenders.

Making housing a priority will require a sustained partnership across all sectors, including leadership from statewide associations such as the Wisconsin REALTORS® Association, which has funded this report to highlight the critical housing needs in the state.

The proposals in this report are just a starting point for reform and modernization efforts, and we hope that ongoing conversations all across the state will continue to invent creative, innovative and flexible methods of expanding housing choices.

Goal 5 Strategies: Legislative, financial and administrative reforms

A key approach for these strategies is to leverage existing programs and structures for maximal advantage, and to provide opportunities for municipalities and the private sector to innovate and respond to new housing challenges.

Leverage, partnership and flexibility are important approaches to solving the housing crisis.

- **Target state incentives to build and preserve workforce housing in Opportunity Zones:** The state should leverage the Federal Opportunity Zone tax incentives from 2017 tax reform legislation to coordinate housing investments into designated Opportunity Zones in the state. The federal tax incentives will focus investment into new construction and new business creation in Opportunity Zones, but there will still be a need for preservation and reinvestment in existing rental and ownership housing. Preserving and upgrading the existing housing stock in these areas would benefit workforce housing, as workers in these new businesses can live near work.

  Specifically, the state could consider expanding the recently passed Affordable Housing Tax Credit (Act 176) to create a special pool of tax credits for investment preservation and/or rehabilitation of existing rental units in Opportunity Zones. These state credits would leverage federal tax credits and the housing bond program. Likewise, the state could target homebuyer assistance programs or loans to housing developers and/or nonprofits located within Opportunity Zones.

- **Expand state housing tax credit for rural areas:** The state could consider expanding the successful state housing tax credit program with additional funding designed for rural areas and small towns, including financial assistance and technical assistance to help deal with application and financing costs for many small buildings across a larger area. WHEDA's recent coordinated efforts in Barron County are a great example of this strategy.

- **Financial incentives for innovative models:** The state could consider special financing incentives for new or innovative models of housing supply and affordability. This could include, for example, lease-to-purchase programs, community land trusts, cooperative housing, and shared-equity programs. The state could also consider special financing incentives or programs for homeowners who want to develop an ADU on their property. Currently, it is difficult for existing homeowners to finance construction of an ADU on their property because of federal mortgage rules. State financing or credit guarantees could facilitate investment.

- **Coordinate housing programs:** Currently, many state housing programs and regulations are scattered across different state agencies. Executive and legislative action could bring all housing programs together in a centralized, coordinated way.

- **Technical and financial assistance for local governments:** Because local governments play such a critical role in shaping housing opportunities, the state should provide more technical assistance, training and grant funding to help communities plan for and meet their housing needs. This could take many forms, either through a state agency or through partnerships with the University of Wisconsin, UW-Extension or statewide associations.

- **Create a revolving loan fund for nonprofit and affordable housing developers:** Because land costs in many of our cities are so high, nonprofit and affordable housing developers often face difficulties in pre-development financing and land acquisition. The state should consider a revolving loan fund for these developers. California, Florida and the city/county of Denver all have financing programs worth considering.

- **Maintain and expand rental assistance programs:** Even though expanding housing choices and reducing regulatory barriers to supply will bring down housing costs, many working families, seniors and those with disabilities or special needs will continue to face housing affordability challenges in the private housing market. Maintaining and expanding rental assistance programs and fair housing enforcement will continue to be critical to meeting the needs of all our residents.

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