

# 2016 CITY OF MADISON

## HOUSING REPORT

### STUDENT HOUSING

DRAFT

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## STUDENT HOUSING - PRIORITIES

For the student housing market, the overarching goal is to ensure xxx. To achieve these goals, this report identifies xxx main priorities:

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**OVERSIGHT AND IMPLEMENTATION RESPONSIBILITIES**

	1a	1b	1c	1d	2a	2b	2c
<b>Common Council</b>							
<b>Community Development</b>							
<b>Economic Development</b>							
<b>Planning</b>							

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## STUDENT HOUSING - OVERVIEW

On the surface, the market for student housing does not seem that different from the overall rental housing market, and in parts of the city it is not uncommon to have students and non-students renting identical units next door to one another. However, there are clear supply and demand factors that make the market for student housing act very differently in practice than the larger rental market. Given the fact that roughly 20% of Madison's population is enrolled in higher education, this is a market that deserves special attention.

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## STUDENT HOUSING - DEMAND

While the US Census tracks the number of student enrolled in higher education and the institutions themselves release enrollment data, neither of these sources can give an accurate estimate of the number of households that are composed primarily of students. This presents a distinct challenge since a household where a student lives at home, a single student in a one bedroom unit, five students cohabitating, and a full-time employee with a family enrolled in night school all have very different factors driving their housing decisions. Because of this diversity, this chapter will focus primarily on full-time students enrolled at our largest institution, the University of Wisconsin - Madison.

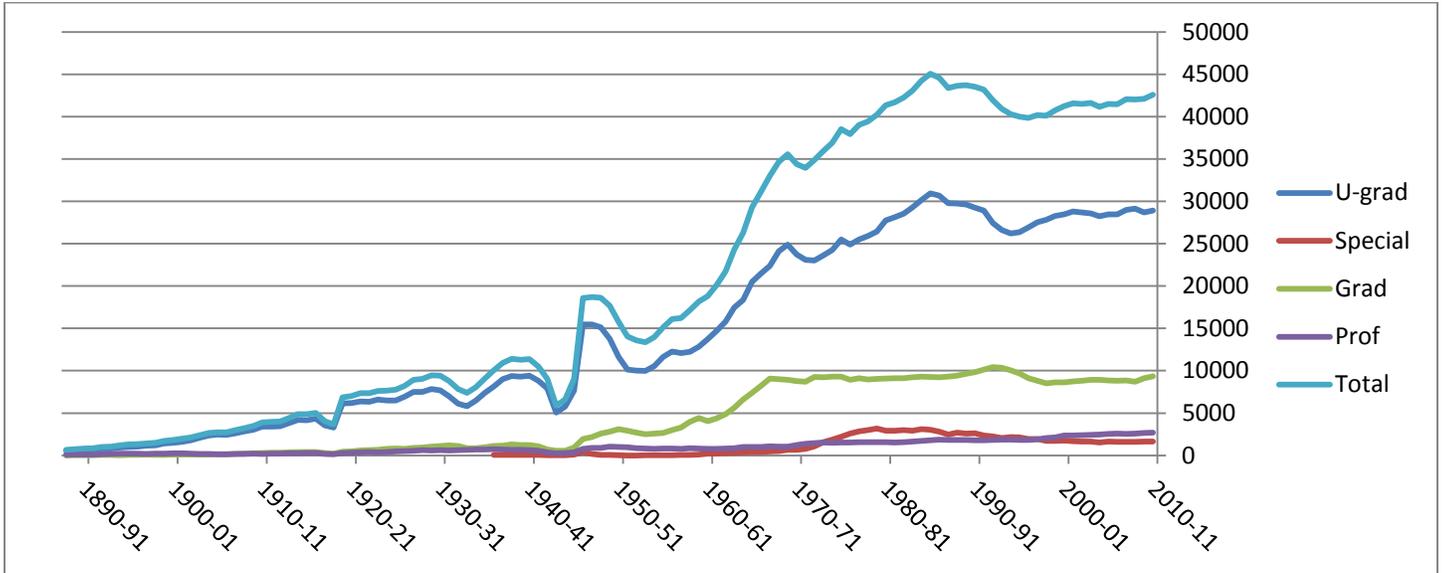
### ENROLLMENT

	Total	Percent of enrolled population	
		In public school	In private school
<b>College, undergraduate</b>	35,595	92.20%	7.80%
<b>Graduate school</b>	12,011	90.10%	9.90%
<b>Percent of age group in school --</b>			
<b>18 and 19 years</b>	94.70%	94.50%	5.50%
<b>20 to 24 years</b>	64.90%	93.60%	6.40%
<b>25 to 34 years</b>	21.50%	89.80%	10.20%
<b>35 years and over</b>	4.10%	78.90%	21.10%
<b>Population 18 years and over</b>	197,262		
<b>Enrolled in college or graduate school</b>	24.10%	91.70%	8.30%
<b>Population 18 to 24 years</b>	49,053		
<b>Enrolled in college or graduate school</b>	68.80%	93.90%	6.10%

Source: 5-year American Community Survey

- UW Madison
  - Undergraduate: 29,580
  - Graduate: 9,002
  - Special: 2,082
  - Professional: 2,725
  - On-Campus Residents: 7,400 undergraduate and 3,000 graduate students
- Edgewood College
  - Full-Time Undergraduate: 1600
  - Part-Time Undergraduate: 300
  - Graduate: 900
  - On-Campus Residents: 550
- Madison College
  - Full-Time: 5,392
  - Part-Time: 10,747
- Madison Media Institute
  - 480
- Total: ~60,996
- Total Full-Time ~47,000
- Total On-Campus ~11,000

UW-Madison students make up over 50% of the students housing market with over 40,000 students. This number grew steadily from the schools founding through World War II, which caused a dip and then subsequent boom as the GI Bill brought an influx of new students. Enrollment jumped again in the 1960s as the Baby Boomer generation hit college age. While graduate and professional enrollment then leveled, undergraduate enrollment peaked in the 1980s before leveling off. Total UW-Madison enrollment has been essentially flat since 2000.

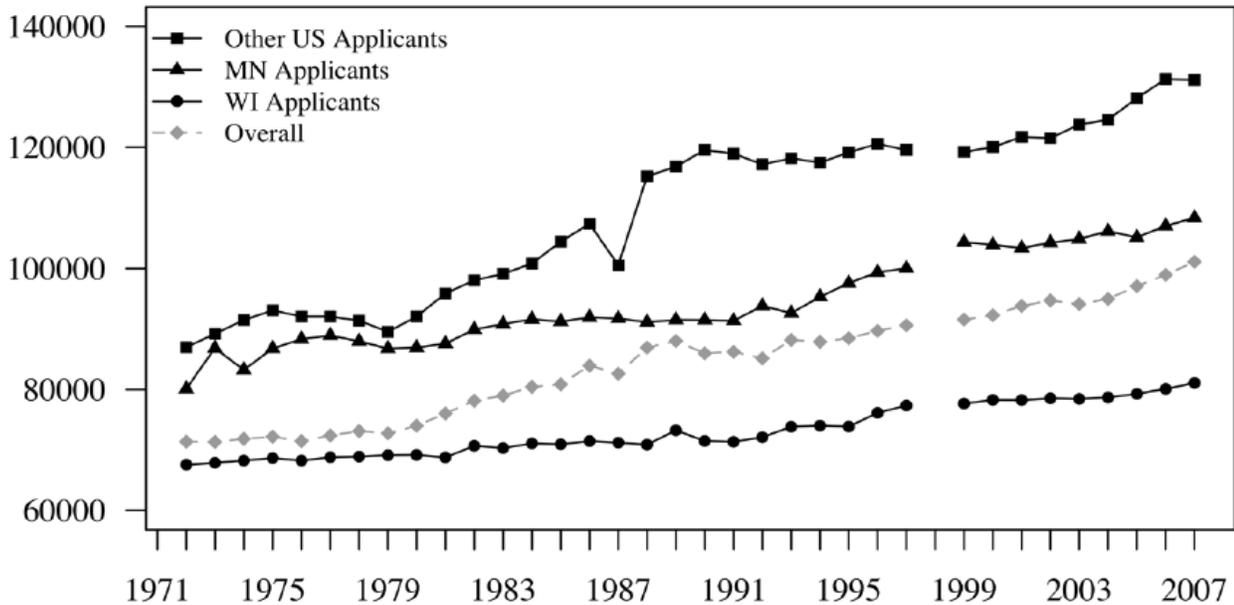


In 2015, UW –Madison policy was changed to accept more out-of-state undergraduates. The new rules guarantee that the incoming freshman class enrolls at least 3,600 Wisconsin residents, which would roughly maintain the university’s in-state averages in recent years. Previously, UW-Madison’s out-of-state enrollment could not exceed 27.5 percent of total enrollment.

## INCOME

Unlike most of the housing market, the income of student households does not tell us much about that household's ability to afford housing. Students often have little to no wage income. Rather, their source of funds to pay for housing come from support from their families, student loans, and grants. These sources do not reliably show up in Census data. What is clear is that **the income of student's families has been going up steadily for the last thirty years, implying that many students may have greater access to funds to afford more expensive housing.**

**Figure 2. Real Median Family Income of Applicants: 1972-2007, (2009 dollars)**



Source: "Is University of Wisconsin Education Becoming More Elite? A Partial Answer" Witte, Wolfe, Da-Hill Brown

Moreover, out-of-state students typically have much higher family incomes and they now comprise over a quarter of incoming undergraduates, representing a growing group of students with even greater potential to afford more expensive housing.

## PREFERENCES

## TRENDS

- Enrollment at UW-Madison is flat limiting demand for additional units
  - Family income of incoming students has been steadily rising
  - Out of state students with higher family income make up a greater proportion of income students
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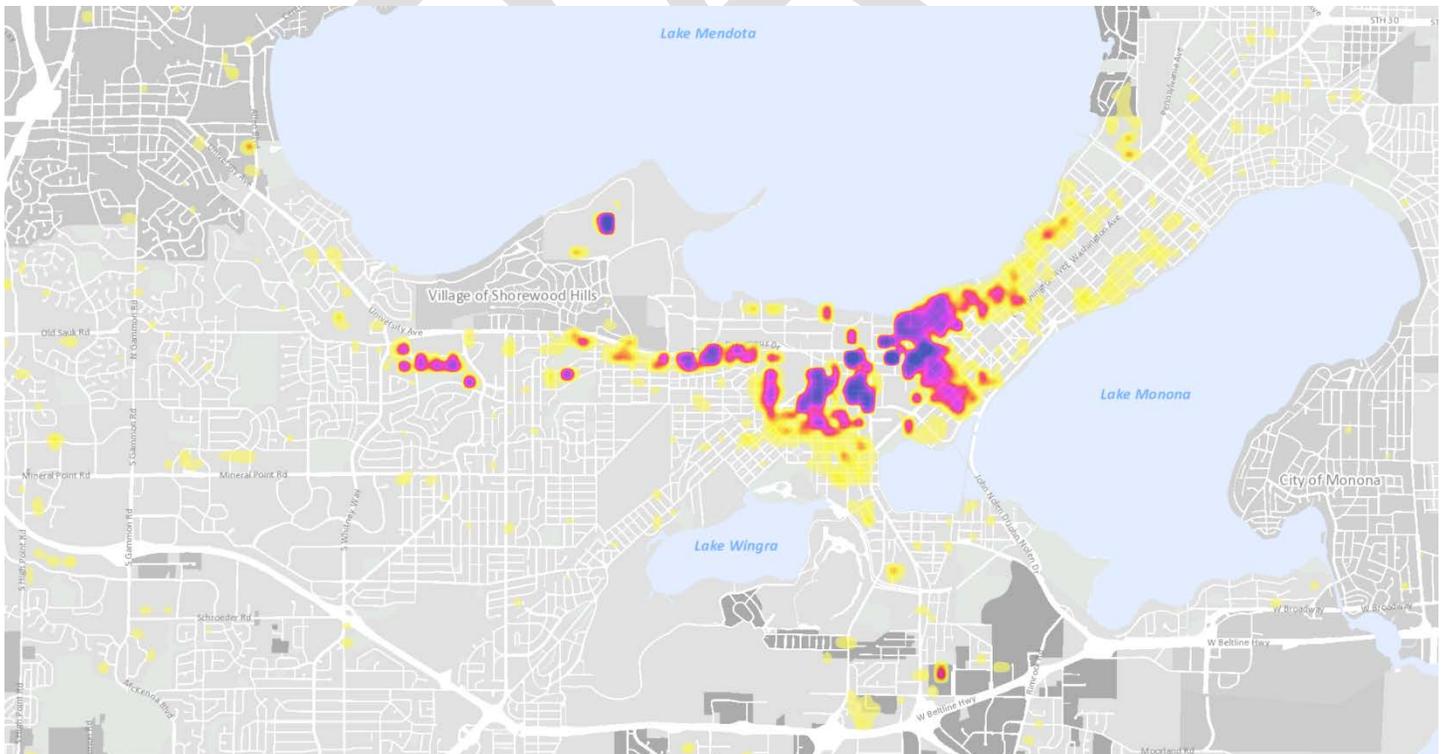
## STUDENT HOUSING - SUPPLY

The supply of student housing can be divided into three categories that operate in very different ways:

1. On-Campus Housing
  - a. Owned and operated by the college or university
  - b. Limited to renting units to only enrolled students
  - c. Primarily driven by University policy and budgets rather than market forces
2. Off-Campus Market
  - a. Owned and operated by private landlords
  - b. Student renters compete with non-students
  - c. Can be affirmatively marketed to students, but cannot discriminate
  - d. Driven by market factors (supply, demand, capital markets)
3. Other
  - a. A number of students have housing options that essentially let them opt out of the Student Housing Market
    - i. Living with parents
    - ii. Living with non-student significant other
    - iii. Living in a “Non-student” neighborhood

This report will focus primarily on the On-Campus and Off Campus markets, as the “Other” category is too diverse and driven by other forces beyond the scope of the report. Again, UW-Madison represent by far the largest source of students and will be the emphasis of the report.

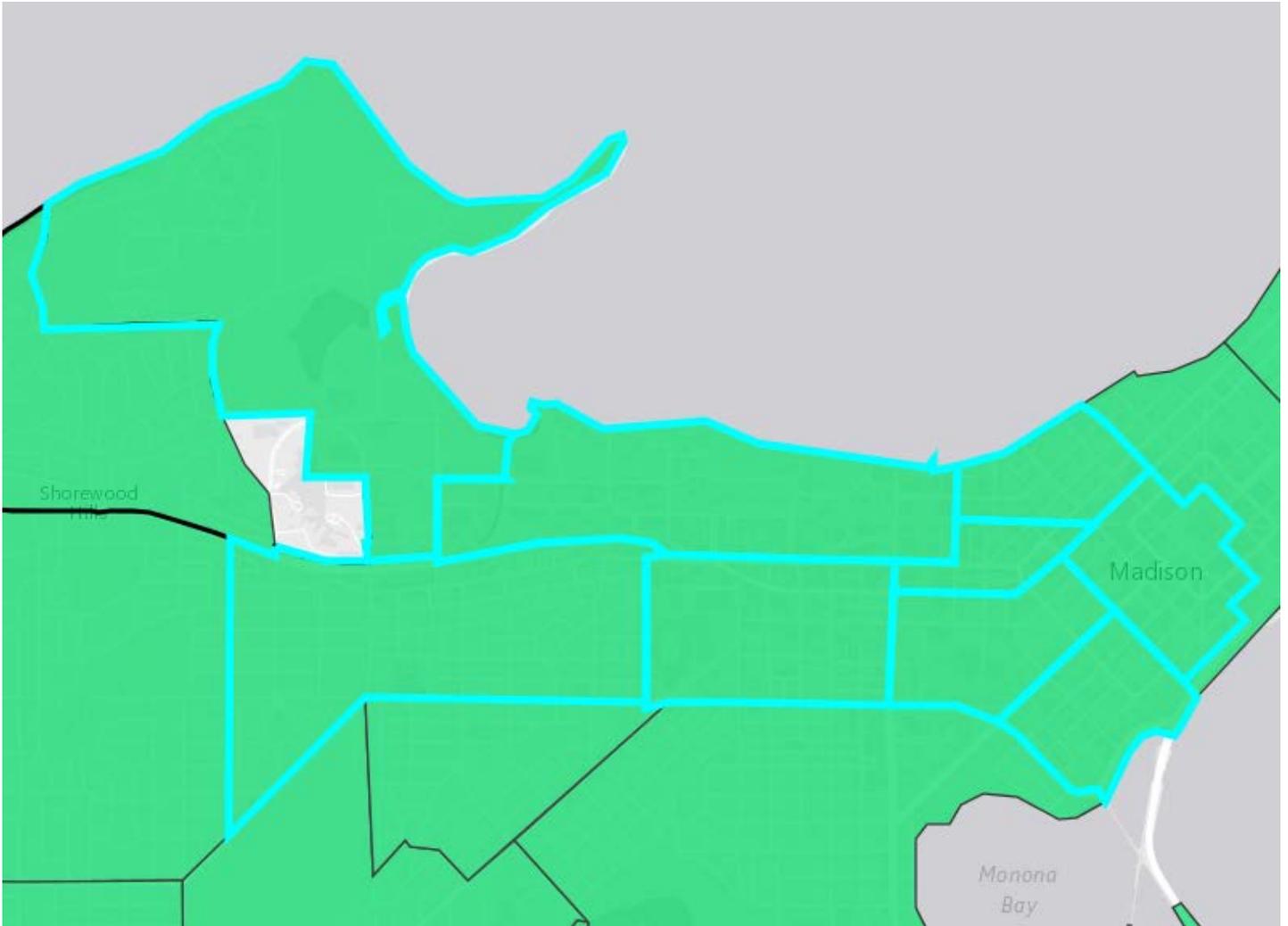
UW-Madison students are tightly concentrated in the areas between the Capital Square to the east, Greenbush Neighborhood to the south, and along University Avenue heading west. However, there are students scattered in throughout all corners of the city in the “Other” market.



Source: University of Wisconsin

The highest concentrations exist in the nine Census tracts closest to campus (highlighted in blue below). These tracts all demonstrate:

- Close proximity to the UW Madison campus
- High concentrations of renters with incomes under 30% of AMI
- High incidence of housing cost Burden



These tracts represent approximately:

- 12,000 Households
- 10,700 are renters
- 8,000 make less than 30% of AMI
- **6,500 are housing cost burdened renter households making less than 50% of AMI**



Likely  
Students

## HOUSING COST

While it is impossible to accurately measure housing costs as a portion of a student's financial means, UW-Madison does track housing cost as a portion of the total cost of living (over a 9-month school year). For an in-state student living on campus, housing is estimated to make up 30% of expenses, while Off Campus housing is estimated to be less expensive to rent but have higher food costs to make up the difference. For an out of state student, tuition is \$20,000, driving down relative portion spent on housing to only 16%. **Therefore, while the absolute cost of housing for students may seem high, it comprises a relatively small portion of the cost of living for students, especially out of state students.**

	Wisconsin Resident		Non Resident		Minnesota Resident	
	On Campus	Off Campus	On Campus	Off Campus	On Campus	Off Campus
<b>Tuition &amp; Fees</b>	\$10,436.26*	\$10,436.26*	\$32,685.94*	\$32,685.94*	\$13,402.90*	\$13,402.90*
<b>Books &amp; Supplies</b>	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
<b>Room</b>	\$7,796.00	\$6,814.00	\$7,796.00	\$6,814.00	\$7,796.00	\$6,814.00
<b>Board</b>	\$2,650.00	\$3,632.00	\$2,650.00	\$3,632.00	\$2,650.00	\$3,632.00
<b>Miscellaneous</b>	\$2,296.00	\$2,296.00	\$2,296.00	\$2,296.00	\$2,296.00	\$2,296.00
<b>Travel</b>	\$800.00	\$800.00	\$1,400.00	\$1,400.00	\$1,100.00	\$1,100.00
<b>Loan Fees</b>	\$64.00	\$64.00	\$64.00	\$64.00	\$64.00	\$64.00
<b>Total</b>	\$25,242.26	\$25,242.26	\$48,091.94	\$48,091.94	\$28,508.90	\$28,508.90

Source: University of Wisconsin Office of Student Financial Aid – Cost of Attendance 2016-17

Compared to peer institutions, housing costs at UW-Madison are also relatively inexpensive.

UW - Madison	UC-Berkeley	UM-Ann Arbor	UM-Twin Cities	UNC-Chapel Hill	UT-Austin	UI-Urbain Champagne	Ohio State
<b>\$8,804</b>	\$15,562	\$10,246	\$8,920	\$10,902	\$11,456	\$11,010	\$9,850

Source: College Board 2015-2016 Room and Board

## ON CAMPUS HOUSING

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At UW Madison, approximately 92% of incoming freshman opt to live in on-campus housing operated by UW Housing. This housing is marketed directly at students through the admissions process based on location, amenities, the “transition” to college, and the “college experience.” For this housing, there is virtually no vacancy and no waiting list. This housing has about a 15% retention rate after the first year, as students typically choose to move into off-campus citing cost as the primary driver.

On campus graduate student housing and housing for undergraduates with families is provided through UW Housing’s University Apartments. This housing serves approximately 1,200 student households, 65% of which are international students. Again these units are marketed directly to students through the admission process with a, emphasis on student success and high graduation rates. This housing has a very high retention rate and very long wait lists, implying demand that far exceeds supply.

As part of UW Housing’s Master Plan calls for major renovations of the largest developments in their portfolio but does not call for the creation of additional units.

## OFF CAMPUS HOUSING

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Mifflin-Basset Rents	
Average Per Bedroom for New Apartments	\$1,041
Average Per Bedroom for Old Apartments	\$694
Average Per Bedroom for Old Houses	\$512
Average Per Bedroom for Studio Units	\$884
Average Per Bedroom for 1 Bedroom Units	\$1,105
Average Per Bedroom for 2 Bedroom Units	\$789
Average Per Bedroom for 3 Bedroom Units	\$585
Average Per Bedroom for 4 Bedroom Units	\$657
Average Per Bedroom for 5 Bedroom Units	\$588

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## NEW SUPPLY

- \*Map new development
- \*Hub Case Study
- \*Interviews on amenities

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## TRENDS

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## STUDENT HOUSING - FINANCE/FUNDING

### NATIONAL

The majority of funding for student rental housing is in the form of traditional mortgages and owner equity. Large amounts of the student housing stock is owned by local developers and investors. However, there is a growing national trend for large national investment funds to own a portfolio of large student housing developments across a variety of cities.

- Real Estate Investment Trusts (REITs)
  - Publicly or privately owned investment fund that focuses on real estate investment
  - Often focus on a single asset class (student housing, industrial, retail)
  - National or regional portfolio of projects, but may use local management
  - Able to raise much larger amounts of capital than a typical local investor
  - Typically target larger developments

Many of the federal sources of funds typically used to support development are not allowed for student housing such as Section 42 tax credits.

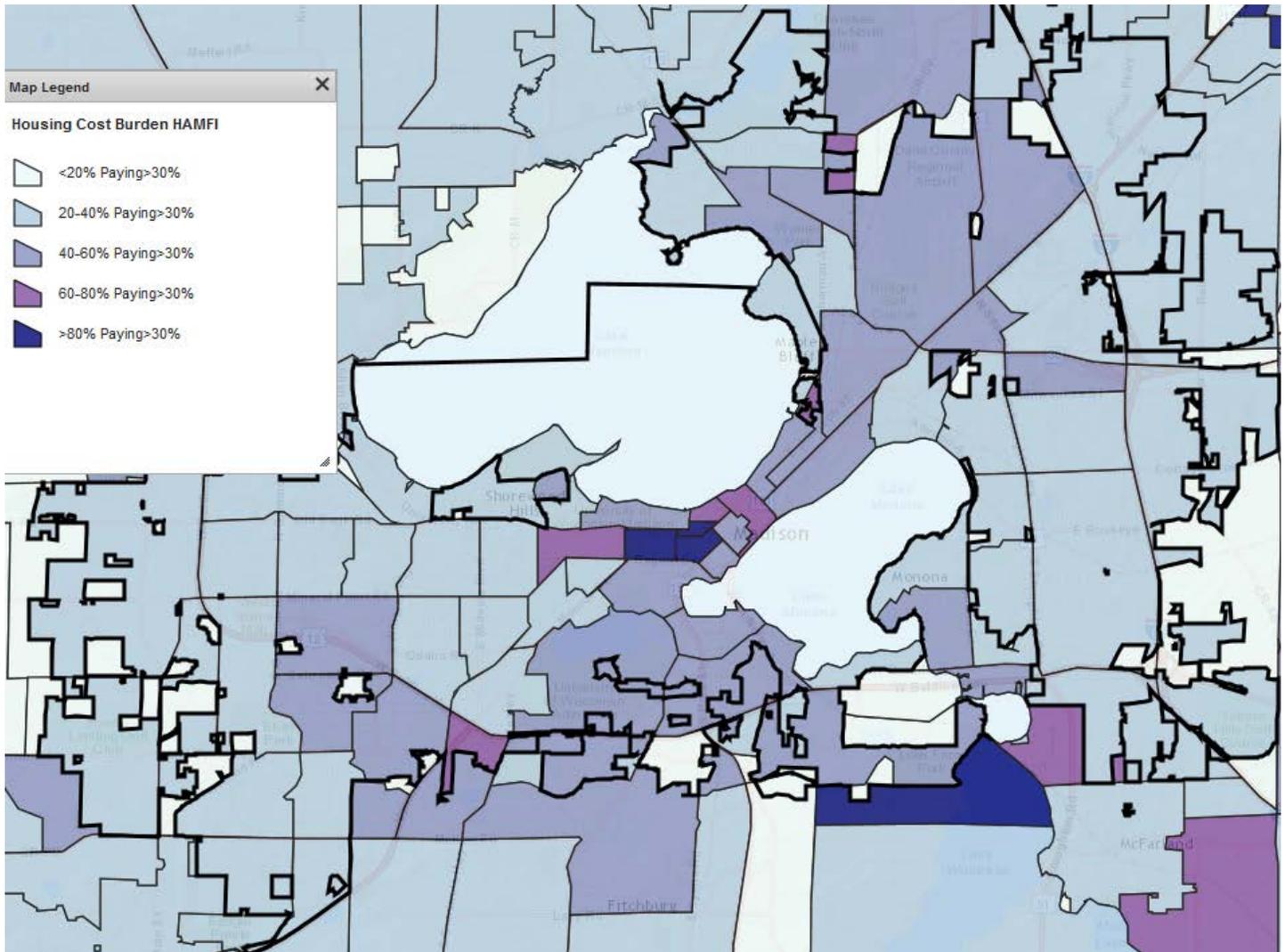
### LOCAL SOURCES

City of Madison TIF policy prohibits the use of tax incremental financing on student housing.

## STUDENT HOUSING - CHALLENGES

## AFFORDABILITY

Typically, challenges to the affordability of housing are viewed through the lens of what percentage of household income goes to pay for housing costs. Paying more than 30% results in being “Cost Burdened” and paying more than 50% in household income results in “Severe Housing Cost Burden.” In general, households comprised of students have little to no income from wages but live in areas of the city with relatively high housing costs. As a result, student households have extremely high levels of severe housing cost burden. Areas near campus have rates of housing cost burden that dwarf even our most challenged neighborhoods.



Housing cost burden is a poor measurement of the affordability housing to students because it does not factor the financial resources of the student’s family or their ability to use student loans to pay for living expenses at a relatively low subsidized interest rate. While the data does point to higher amounts of family income and greater access to student debt over time for UW Madison households which likely has allowed them to “afford” ever more expensive housing, there are certainly student households that are still struggling with cost of housing. The struggle with cost is part of what drives students to accept more roommates than are typical in the general rental market, willingness to living in lower quality housing than is typical in the market, and to live farther away from campus than in typical for other student renters.

## HOUSING QUALITY

## HOUSING DISCRIMINATION

# STUDENT HOUSING - SOLUTIONS

## LOCAL MODELS

- Madison Community Co-op

## NATIONAL MODELS

- Public Private Partnerships
  - The largest alliance may be Nicholson Gateway at Louisiana State University, which will be more than the planned 1,670 student housing beds. The 28-acre development across from Tiger Stadium is expected to include 30,000-50,000 square feet of retail, restaurants, study areas and meeting rooms. The entire project is slated for Fall 2018 completion.
  - American Campus Communities, one of the top student housing REITs, and RISE Real Estate, which built residence halls at several Louisiana schools, are the finalists for the LSU partnership. LSU decided in November to expand the partnership to include an opportunity to bid on replacing six residence halls built in the 1960s with 2,100 new beds, offering more student housing solutions.
  - Texas A&M University is partnering with Servatis, LLC to develop and manage the \$360 million, 3,400-bed Park West apartment property on campus, which is scheduled to open by Fall 2017. A newly created non-profit will own the development for the first 30 years of its life, after which ownership will revert back to the university. The project is expected to comprise three multistory buildings.
  - The University of South Florida and Capstone-Harrison Street are combining to build a \$133 million “residential village” that will replace several 1960s-era residence halls with 2,171 new beds. The net addition would be about 1,132 beds. Completion is slated for Fall 2018.
  - Eastern Kentucky University is establishing a P3 to build a \$75 million, 1,110-bed project. Grand Campus Properties and F2 Companies will split the private part of the partnership.
- Co-op Housing
- TIF