

# **INCLUSIONARY ZONING PROGRAM POLICY AND PROTOCOLS**

**Adopted by the Inclusionary Zoning Oversight Committee: April 17, 2009**

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Note: This document is intended to clarify policies of the inclusionary dwelling unit program, and should be read in tandem with the Inclusionary Zoning ordinance and other documents to be found at [www.cityofmadison.com/cdbg/iz](http://www.cityofmadison.com/cdbg/iz).

## **INTRODUCTION:**

This document includes all of the policies, procedures and ordinances for the implementation of the City of Madison's Inclusionary Zoning Program from January 2004 to January 2009. The intent of this document is to compile policies governing the administration of inclusionary zoning dwelling units, information on the effective project approval policies, copies of the effective ordinances, as well as the work of the Inclusionary Zoning Advisory Oversight Committee. Since there remain a number of IZ units that were approved prior to January 1, 2009, the Plan Commission will continue to review and improve these policies as it monitors the implementation of the program.

### **Inclusionary Zoning in Existing Projects**

Projects with final action taken by the Common Council after the sunset of the IZ ordinance are not bound by the ordinance requirements. Several sections of this policy document are no longer applicable, e.g. Sections I (A) – (C) which governed the review and approval procedures for new development projects.

Projects on which final action was taken by the Common Council prior to the January 1, 2009 sunset of the IZ ordinance are still bound by any IZ requirements included in their approval. The date that a project received final Common Council action determines which ordinance is applicable. Policy Sections I (D) through Section V govern the on-going administration of approved IZ units.

IZ requirements within projects approved prior to January 1, 2009 may only be changed through the following actions:

1. A modification to a zoning map (by standard rezoning, PUD-GDP, PUD-SIP),
2. A modification to an approved plat,
3. A Certified Survey Map amendment (with dedications) may be approved by the Common Council, or
4. A Certified Survey Map amendment (without public dedications) may be approved by the Plan Commission.

IZ requirements may not be altered administratively.

## **Sale of Inclusionary Zoning Dwelling Units**

Marketing of IZ units shall be bound by the version of the ordinance that applies to the development based on the date of its final approval. Decisions on exercising the City/CDA option to purchase will need to be determined by the Common Council or CDA as each unit becomes available. In the event that the option to purchase is not selected, any funds repaid to the City go into the IZ Special Revenue Fund, or any alternate fund designated by the Common Council. IZ units cannot be rented outside of the ordinance allowance.

### **Administration**

Future IZ policy and procedure decisions, and any revisions of this document, will be administered by the Plan Commission. Ongoing IZ implementation will continue to be administered by the CDBG Office. See "Post-IZ Questions" in Appendix for more information, or refer additional questions to City Staff.

On October 3, 2006 the Common Council of the City of Madison created an Inclusionary Zoning Oversight Advisory Committee by adoption of resolution id #04568, and delegated additional charges by adoption of resolution id #04926 accepting changes in the policies document. The purpose of the Committee is to:

- a) Evaluate housing needs studies;
- b) Evaluate gap analysis and waiver methodologies;
- c) Revise the policies document;
- d) Make recommendations regarding the marketing of the program;
- e) Seek public input and make recommendations for improvement in the program; and
- f) Report annually in July to the Common Council.

The Committee, following the sunset of the IZ Ordinance and the completion of its work, dissolved on April 17, 2009. The CDBG, Plan Commission, and CDA will be charged with administration, oversight, and sales/purchase of IZ units.

## **Part I: INCLUSIONARY DWELLING UNITS AND PLANS FOR DEVELOPMENT**

### **A: POLICIES RELATED TO THE DEVELOPER'S APPLICATION, THE INCLUSIONARY DWELLING UNIT PLAN, AND DEFINITIONS OF THE INCLUSIONARY DWELLING UNIT.**

In order to facilitate the development and sale of inclusionary dwelling units, the City will publish information needed for developers, lenders, realtors, and buyers of inclusionary dwelling units, and maintain this information on a web site ([www.cityofmadison.com/cdbg/iz](http://www.cityofmadison.com/cdbg/iz)). The "developers' toolbox" will include these policies and other items, such as expected sales prices, a chart of the development review process, sample forms and documents, and other items that may help

developers and buyers in understanding or using the City's inclusionary zoning program. This "Policies" document has been reviewed and approved by the Plan Commission.

## 1. Application Submittal Requirements

- a. The Developer/applicant shall submit an Inclusionary Dwelling Unit Plan to the Director of the Department of Planning and Community & Economic Development (hereafter the "Department") concurrent with the submittal of any other application required by M.G.O. Chapter 28 or any other applicable City ordinance. The City may reject the inclusionary dwelling unit plan if the proposal is incomplete, based on the information listed in 1b).

City staff shall send a copy of the proposed plan (including the proposed offsets) to the neighborhood association registered with the City of Madison for the area in which the development is proposed, if any, and to the alderperson for said area.

- b. The developer will provide the following materials as part of the general application and the Inclusionary Dwelling Unit Plan:
  1. Statement describing the general character of the intended development.
  2. Description of the total number of inclusionary and market-rate dwelling units that will be constructed, and the breakdown of unit size by number of bedrooms;
  3. Projected sales prices and targeted Area Median Income range for the inclusionary dwelling units, and a statement of the market value of the inclusionary units.
  4. Offsets sought from the City for the construction of the inclusionary dwelling units.

**Note:** The applicant/developer may submit a proposal seeking alternatives to on-site inclusionary dwelling units, including assignment of responsibility for inclusionary dwelling units, off-site units, and cash payment in lieu of producing the units or some combination of on-site, off-site, and cash payments. An applicant developer/developer may also seek a reduction in the proposed percentage of inclusionary dwelling units if they meet the requirements of "financial infeasibility". (See Section C: Waiver.)
  5. Physical plan or sketch of the proposed project showing sufficient detail to make possible the evaluation of the approval criteria, including the arrangement of buildings and their architectural character, and the location and distribution of the inclusionary dwelling units throughout the development.
  6. General outline of the intended organizational structure, agreements, bylaws, deed restrictions or covenants related to the property owners' association, condominium association or homeowners association, if applicable;
  7. Identification of the current owner, the proposed developer, and any entity that has an option to purchase or contractual interest in the property that is the subject of the application.
  8. Construction schedule indicating the approximate dates when construction of the project and each of its phases can be expected to begin and be completed, and within each phase the schedule for completion of the inclusionary dwelling units.
  9. Legal description of the property.

Note: It should also be noted that depending on the type of development approval requested, the level of detail for each of the items above might vary. For example, when the application submitted involves a plat and a zoning map amendment, depending on the type, the applicant may have insufficient information to fully comply with the submittal requirements. In these cases, the City will require compliance by recording deed restrictions against the lots rezoned and platted, with revisions to be made during the final land use approval process. The deed restrictions shall require compliance with the Inclusionary Zoning ordinance prior to City issuance of other permits, and will not be satisfied until the future land uses restriction agreement is recorded according to the revised final land use approvals.

## **2. Developer meetings with City staff regarding the Inclusionary Dwelling Unit Plan.**

The developer should discuss or meet with the Community Development Block Grant office staff (hereafter referred to as CDBG) to review the inclusionary zoning plan or other related issues prior to the submission of an inclusionary dwelling unit plan.

## **3. Definition of Terms**

The City will use the following definitions in its review of the application and inclusionary dwelling unit plan.

### **“Bedroom” as Distinct from a “Den”**

The City shall use the definition of a ‘bedroom’ by the minimum bedroom standards as required by the State of Wisconsin Building Codes, as indicated at SS and. MGO 24.... Factors to be considered include lighting, ventilation, and closets, and the Director of the Neighborhood Preservation and Building Inspection Division shall be the local authority on whether a room qualifies as a ‘bedroom’ for the purposes of these policies.

### **“Contiguous” Parcel (Section (26(c) 1 and 2)**

The city shall use a definition to include common ownership or substantial ownership participation by the same person or entity, of adjacent parcels or parcels even if separated by an alley, easement or street. “Ownership” includes land contract interests as well as fee simple ownership.

### **Covered Developments**

If an applicant seeks an amendment to an approved Planned Unit Development General Development Plan at the time the Specific Implementation Plan is submitted, then the Specific Implementation Plan will be subject to the inclusionary zoning requirements, provided that there is an increase in the number of dwelling units proposed or other modifications deemed to be major amendment by the Director of the Department. Factors considered in determining if a change is a minor alteration or a major amendment include:

- a) Increase in the number of dwelling units.
- b) Change in the mix between owner and rental housing,
- c) Major alterations to the street layout, the size and height of buildings, the size of lots and their location and the provision of public parklands and their locations.

However, if these modifications are consistent with the goals of the General Development Plan they shall not be considered major amendments to the General Development Plan. Small changes, such as changes in the address numbering system or the location of a small number of inclusionary units, may be approved through the minor modification process with the approval of the alder and Director of the Department

### **Family**

The Inclusionary Zoning ordinance is part of a broader City Ordinance M.G.O. 28 that defines ‘family’ in part as “an individual, or two or more persons related by blood, marriage or legal adoption, living together as a single housekeeping units in a dwelling unit. (See M.G.O. 28.03 for complete definition).

### **Similar**

In the Inclusionary Zoning Ordinance, the word “similar” is used to compare the market rate and inclusionary dwelling units in terms of the: appearance of inclusionary dwelling units, the proportion of attached and detached units to be provided, the mix of units based

on number of bedrooms, the proportion of rental and owner-occupied units, and the dispersion of units throughout the development. For the purpose of this ordinance, the term similar shall mean that the inclusionary dwelling units must be comparable to the market-rate units in all respects under each of these sections of the ordinance, unless approved as part of the Revenue Offset/Gap Analysis or Waiver. The Inclusionary Dwelling Unit Plan must document how the proposed development will comply with the provisions of the ordinance.

The physical exterior appearance of inclusionary dwelling units shall be similar to the market-rate units. Staff will use the type of building materials provided on the market-rate units and the inclusionary dwelling units to determine whether this requirement has been met. All architectural details will be included in this review, including entrance doors, lighting, window trim, siding, roof materials, front porches, columns, fascia and soffits.

#### **Similar Schedule**

The City will use this term to indicate that the pace of the construction of inclusionary dwelling units will be defined by the mix of inclusionary zoning and market rate units in each phase in which construction has begun according to the approved plan.

#### **Square Footage of Units**

The City will use the gross square footage (minus the garage, attic, and unfinished basement) to calculate the minimum dwelling size of inclusionary dwelling units

### **B: REVENUE GAP OFFSETS ANALYSIS**

The City requires a developer to provide 15% of the dwelling units as affordable units. The developer may seek City approval of some combination of on-site inclusionary units, off-site inclusionary units, and in-lieu payments sufficient to balance the offsets offered by the City, if the offsets do not cover at least 95% of the revenue differential gap as defined by the City during the revenue gap offset analysis process.

If the City agencies recommend against the approval of any offsets sought by the developer under this ordinance, the agency shall provide in writing the reasons for their recommendation.

The offsets may include such items as added density, extra floors, cash subsidy, park fee and park development credit, and expedited decision processes.

For the purposes of establishing an inclusionary zoning revenue gap, the City will use the following policy assumptions in the calculation of the 'Revenue Gap Offset Analysis':

1. Land as percentage of value: The City will use the following as a simplified method to value the cost of developed land: 21% of the projected sales price (or appraised value) for each additional bonus dwelling.
2. Margin on bonus unit: The City will use the assumption of 11.5% as the development's 'margin' for purposes of the gap/offset model.
3. Sharing of margin: The City will use the assumption of sharing the margin in the added density on a 50/50 basis with City and Developer, since both parties contribute to the added value of the margin.

If the analysis shows that the value of the offsets exceeds that of the revenue gap by 10%, the Plan Commission shall use the following procedure to prioritize the evaluation of incentives for potential removal:

1. Incentives for cash offsets (M.G.O. 28.04 (d) 2 e and f) will be reduced and park development fees will be restored to the point that the offsets cover no more than 105% of the revenue differential.
2. The Plan Commission will evaluate the following offsets to determine if they should be reduced or if the offsets should stay in place beyond 105% of the revenue differential because they achieve other goals of the City, and do not create excessive costs for the City of Madison:
  - a. Park Dedication requirements (MGO 28.04 (d) 2.c.)
  - b. Parking requirements (MGO 28.04 (d) 2.d)
  - c. Additional Story in downtown design zone (MGO 28.04 (d) 2.g)
  - d. 20% Inclusionary zoning free zones (MGO 28.04 (d) 2.h. and i.)
  - e. Residential parking permits (MGO 28.04 (d) 2.k)
  - f. Advanced neighborhood planning (MGO 28.04 (d) 2.n)
  - g. Expedited review (MGO 28.04 (d) 2.m)
  - h. Shifting commercial uses to residential (MGO 28.04 (d) 2.n.)
  - i. Reduced street widths (MGO 28.04 (d) 2. o)
  - j. Other (MGO 28.04 (d) 2.p.)
3. The density bonus (MGO 28.04 (d) 2.a.) and Inclusionary Zoning shift from single family to multi-family (MGO 28.04 (d) 2.j. offsets shall only be reduced in cases where they conflict with adopted City Plans or other stated City goals.

If the developer plans to provide inclusionary dwelling units off-site, the developer shall provide the units within one year of the date when they would have otherwise been provided consistent with the phasing approved in the Inclusionary Dwelling Unit Plan and the provision of off site units shall be proportional to the construction of the market units.

### **C: WAIVER STANDARDS AND WAIVER PROCESS POLICIES**

In developments where the revenue gap offset analysis shows that the City offsets do not cover at least 95% of the revenue differential, and where providing the inclusionary dwelling units on-site, off-site or a payment in lieu would still render providing the inclusionary dwelling units “financially infeasible” according to adopted City standards, a developer may request a waiver to reduce the percent or number of inclusionary units to the point where the project becomes financially feasible.

The developer must request a waiver as part of the submittal of the inclusionary dwelling unit plan or its revisions, and provide evidence regarding why this request for a waiver should be granted.

The City shall restrict or deny access to any record, as that term is defined under sec. 19.32(2) of the Wis. Stats., or portion of a record submitted to the City under MGO 28.04 if the applicant identifies the information as being confidential, and

- (a) The record contains information that is competitively sensitive to the person submitting the record requested and

(b) The City determines that restricting or denying access to the record or portion of a record outweighs the public interest in full access to the record or portion of the record involved.

CDBG staff will analyze this evidence and make a recommendation to the Plan Commission as to whether to grant a waiver as part of the Inclusionary Dwelling Unit Plan review.

Staff will select the offsets that the developer will use to base the claim of financial infeasibility and staff will select the combination of reduction alternatives (on-site, off-site or payment in lieu) for the purpose of the waiver analysis

The Plan Commission shall review the developer evidence, staff recommendations, and testimony taken at a public hearing to review a waiver request.

If the project meets the threshold criteria, and the revenue gap and the gross profit margin differential can be demonstrably linked to one of the criteria A through D outlined below, the Plan Commission may determine that all or part of the inclusionary dwelling unit component of the project is “financially infeasible” at the ordinance goal of 15% of the project’s units. If the Plan Commission makes such a finding, the Plan Commission may reduce the number of inclusionary dwelling units (on-site, off-site or payment in lieu) that must be achieved to the point where the project becomes financially feasible, according to the adopted City standards.

The Plan Commission shall consider the following in recommending a reduction in the required percentage of inclusionary units or their alternatives:

- A) Projected resident condo fee on the inclusionary dwelling unit, in addition to the regular payments for mortgage, taxes, and insurance would substantially exceed the inclusionary dwelling unit affordability standards of 30% of income due to high condominium fees; or,
- B) Site development costs of the project (excluding land acquisition costs) involve extraordinary site development costs such as contaminated soil or water drainage issues; or,
- C) Estimated marginal costs of on-site inclusionary dwelling units exceeds the overall revenue added to the total development through the value of the offsets provided by the City, including such items as added density, cash subsidy, park fee and park development credit, or expedited decision processes, or
- D) Acquisition and site development costs associated with sites available on the market or available to the developer cost more than the on-site project and exceed the value of the offsets offered by the City. Furthermore the developer must demonstrate a good faith effort to contact other developer/builders and arrange for the assignment of the obligation to provide the targeted number of comparable inclusionary dwelling units within the time frame outlined in the ordinance.

If the Plan Commission or Common Council denies an offset as part of the Inclusionary Dwelling Unit Plan, for which the developer is eligible under City ordinances and for which the City staff has recommended adoption, the Plan Commission or Common Council shall grant a reduction in the number of the inclusionary dwelling units to a point that makes the provision of inclusionary dwelling units feasible.

Once the Plan Commission makes its determination, the developer can either agree with the determination or appeal the determination to the Common Council. The Common Council will



consider the evidence that was put before the Plan Commission and decide whether to confirm the Plan Commission determination or not. If the Common Council does not confirm the Plan Commission determination the Council can make its own determination or refer the decision back to the Plan Commission for reconsideration.

Regardless of whether the Common Council confirms or modifies the determination of the Plan Commission, the developer can appeal to the Circuit Court.

#### **D: CITY MONITORING OF INITIAL DEVELOPER COMPLIANCE WITH THE INCLUSIONARY DWELLING UNIT PLAN**

The City will monitor the construction phases of the overall development, to verify progress in accordance with the zoning requirements, the Inclusionary Dwelling Land Use Restriction Agreement, and the subdivision improvement contract, where applicable. This monitoring shall include on-site visits as necessary. The Inclusionary Dwelling Land Use Restriction Agreement enforcing the City Council-approved Inclusionary Dwelling Unit Plan shall define the threshold requirements to move forward with each phase and shall outline requirements to be fulfilled prior to moving to the next phase of the development. The City may negotiate either deed restrictions or options to purchase undeveloped lots as a way to guarantee developer compliance with later phases of the Inclusionary Dwelling Unit Plan, but shall not impose a performance bond or letter of credit for such guarantee. If the inclusionary dwelling units are not built according to the approved Inclusionary Dwelling Unit Plan, the City may withhold approval of construction of the remainder of the project until the inclusionary dwelling units are provided or the marketing requirements are met.

The City will consider each phase that has been initiated when making a determination as to whether the developer is providing the appropriate proportion of inclusionary dwelling units and market rate units consistent with the approved plan. Any lots owned by the City will be considered complete regardless of the status of construction. The developer shall be responsible for guaranteeing that the units are provided as consistent with the Inclusionary Dwelling Unit Plan, including lots no longer under ownership by the developer.

The City may audit some inclusionary dwelling units on an annual basis to confirm that the household qualifying at the time of the last sale is indeed the occupant of the premises.

### **Part II: ELIGIBLE BUYERS**

Under the terms of the ordinance, the City uses the term “family” to include households of one person as well as households of two or more people.

#### **A: “FAMILIES” AND HOUSEHOLDS**

Annually, the Department will issue income guidelines associated with inclusionary dwelling units. These guidelines will publish the income levels by family size, note the comparable dwelling unit size to be associated with each family size solely used to determine the sales price as defined in MGO 28.04(26)(e)2, and articulate the method for calculation and documentation of income. The City will use Areas Median Income (AMI) data provided by the Federal Department of Housing and Urban Development (HUD) as the figures for the standard metropolitan area.

A certifying agency (developer, non-profit agency, or developer agent) may use either a) gross income from the previous tax year, or b) projected income for the current tax year based upon current earnings to qualify a family for purchase of an inclusionary dwelling unit.

The certifying agency shall include the household income of the parents, guardian or a trust for purposes of determining income eligibility of any person who is dependent for more than half of their income on their parents, guardian or trust.

The certifying agency shall collect documentation that includes a copy of the filed income tax forms from the previous year, or three current wage receipts, depending on the method used to qualify the family for eligibility.

The City will expect the certifying entity to collect and retain the documents needed to establish eligibility for at least a three-year period starting from the date the family receives an accepted offer for the inclusionary dwelling unit home.

## **B: NON-PROFIT AGENCIES**

The City will recognize a non-profit agency as an 'income eligible family' upon official review of the non-profit agency's application to the CDBG office for certification, and the determination that it meets the following conditions:

- a) Registered and in good standing with the State of Wisconsin as a not-for-profit organization with affordable housing as a stated objective;
- b) Applied for, and received Federal tax-exempt status;
- c) Demonstrates two years of continuous operation in housing development, property management or housing counseling;
- d) Commits to providing a full accounting of its finances either through an annual audit or a public financial statement;
- e) Demonstrates willingness to enter into an option to purchase with the City to provide affordable housing under the terms of the ordinance; and.
- f) States its intention to either rent or purchase an inclusionary dwelling unit for the purpose of renting or selling the unit itself to an income-eligible family.

A non-profit agency may apply to the CDBG office for City certification as an income-eligible family at any time during the year, but need become certified only once unless it changes its basic qualifying characteristics.

Note: The Madison Community Development Authority (hereafter the CDA) is named in the ordinance as an "eligible family" for the purposes of the inclusionary zoning ordinance.

## **Part III: SALES PRICE, PURCHASE, RESALE AND REFINANCING POLICIES FOR INCLUSIONARY DWELLING UNIT OWNERS**

### **A: INITIAL SALES PRICE TARGETED FOR OWNER UNITS**

The City will calculate the maximum household share of the sales price of the inclusionary dwelling unit based upon the average household's ability to pay 30% of their family income for principal, interest, taxes, insurance, and, if applicable, homeowner or condo fees. The City will base this calculation on the following sources:

- 1) Applicable family income by household size, using HUD area median income figures
- 2) Principal and interest: average 30-year mortgage low rate published by Freddie Mac each January 1, April 1, July 1, or October 1 or soon thereafter;
- 3) Calculation of taxes based upon the average fair market value, as determined by the City Assessor using the mill rate set annually as of January 1 of each calendar year;
- 4) Calculation of insurance for a similar size and type of property, as determined by the City Risk Manager x/\$1000, or as adjusted by staff for specific developments based on insurance coverage included in the condominium or resident association fee.
- 5) 5% down payment and the correlating private mortgage insurance
- 6) Condo or homeowner resident association fee (excluding any component already covered above) that is applicable to the inclusionary dwelling unit home, (such as building structure insurance if included in the condo fee). Condo fees will only count for the portion of the condo fees that are for housing costs as defined in the ordinance, and exclude such items as maintenance fees or utilities or supportive services for the resident. Homeowner association fees for detached housing will be counted as housing costs.

In determining the initial sales price (and later sales price) of a home, the City will use the definition of dwelling unit in Chapter 28 that includes a full kitchen facility (including at a minimum a stove and refrigerator) in the targeted sale price of the unit. The costs of additional appliances, a higher level of finish or landscaping, or optional upgrades, (such as an additional parking stall in a condo development where the parking is sold separately for non-IZ units) and that may increase the purchase mortgage amount, shall not be considered as part of the IZ target price.

## **B: REFINANCING**

For inclusionary dwelling units where the owner wishes to refinance the property, the owner will notify the Director of the Department or assignee of the amount and term, the interest rate, the refinancing fees and the lending institution that will approve the terms of the refinance agreement.

If there is a refinance where the homeowner does not withdraw any equity from the home, the Director of the Department must be notified. If there is a refinance where the homeowner does withdraw equity, the Director of the Department shall determine if the homeowner has sufficient equity to offset the refinance amount and any related costs, will inform the lending institution the maximum amount of equity available to the homeowner, and approve such a request. It is the seller's responsibility to provide proof of improvement equity if they want to receive improvement equity.

## **C. FORECLOSURE**

In case of foreclosures involving an inclusionary dwelling unit, the City will review the notice of foreclosure required of the family by the City's exclusive option to purchase agreement. The CDBG staff would determine whether to exercise its option to buy or transfer the property to the CDA or a non-profit agency, or forego its interest in the property, based upon the criteria in E. The City's lead contact shall be the CDBG office.

## **D. RESALES**

The seller of an inclusionary dwelling unit, where the City (and its assignees) has refused to exercise its option to purchase, must sell the unit/property at no less than the assessed value to a bona fide disinterested party, unless the seller receives a written determination from the Director of the Division of Economic and Community Development that the inclusionary dwelling unit could be sold at less than current City assessed value. These circumstances will be narrowly confined to cases of hardship for the seller, such as short-notice job transfers outside of Dane County, a sudden drop in value not recognized in the official Assessor's figures, or unanticipated events outside of the control of the seller (such as rising medical bills).

## **E. SALES PROCEDURE AND CITY OPTION TO PURCHASE**

The City shall exercise its option to purchase an inclusionary dwelling unit offered for resale unless one of the following occurs:

- a) The value of the city's share of equity in the inclusionary dwelling unit is less than 95% of the funds needed to keep the unit affordable to the subsequent buyer at the same AMI% as the current owner. Or
- b) The value of the City's share of equity in the inclusionary dwelling unit is at least 95% of the funds needed to keep the unit affordable to the subsequent buyer at the same AMI% as the current owner, but existing funding sources are insufficient to cover the shortfall amount needed, or
- c) The home is nearing the end of its useful life or the physical condition of the unit is such that it makes more sense to capture the City's equity share before the value of the home stagnates, keeping the home affordable through market forces, or
- d) The value of the property has increased disproportionately to the value of the surrounding properties and the value of the equity share could be better used to create additional housing units.

The Council has authorized CDBG staff to exercise the option to purchase on behalf of the CDA or a qualifying non-profit agency. If staff determines that the City (or its assignees) should not purchase the property offered by sale, then the CDBG office will report its determination to the Common Council. The CDBG office may assign the City the option to purchase a unit to a qualified non-profit or to the CDA.

## **Part IV: CITY PLAN FOR PURCHASE OF INCLUSIONARY UNITS**

The City's role in purchasing inclusionary zoning lots or dwelling units will be to facilitate transfer to an income eligible family. The City does not intend to own and operate the inclusionary dwelling units on a long-term basis.

The City, working with the CDA, will produce a purchase plan for how many units the CDA and other certified nonprofit agencies can purchase in a year. (Example: The CDA may establish a goal to purchase at least 10% of the available inclusionary zoning owner units.) The plan shall include the number of units proposed to be purchased for homeownership and the criteria for determining where the units will be purchased including how this meets the goals of the City of Madison Fair Share and Diversity Plan.

The City shall expect that any inclusionary dwelling units abide by the covenants and restrictions of the particular condo or resident association. The CDA or another qualified non-profit may occasionally arrange a lease-purchase sale if permitted by the particular condo or residence association, if applicable.

For CDA owned inclusionary zoning properties, the CDA shall pay a payment in lieu of taxes (PILOT) to the City of Madison. If the CDA does not have the resources to purchase the units, the City will designate particular agencies as “eligible families.”

The City may arrange with the developer, as part of the Inclusionary Dwelling Unit Plan review, to purchase a set number of units or parcels for residential use, which will be stipulated in the approved Inclusionary Dwelling Unit Plan. Lots would be purchased for transfer to the CDA or certified non-profit agencies. The City will exercise its initial option to purchase lots or newly built inclusionary dwelling units during the appropriate development phase.

## **Part V: ANNUAL REPORT**

The Director of the Department shall submit, within six months after the end of the calendar year, a summary memo on the remaining IZ units to be reviewed by the Housing Committee, Plan Commission, CDA, CDBG, Common Council, and related city policy bodies.

### APPENDIX

- Original Ordinance (ID#34421, adopted January 2004)
- Original Policy Document: February 4, 2004
- Final Ordinance (ID#03588, adopted July 2006)
- IZ Annual Report (September 2008)
- “Post-IZ Questions” Document (February 11, 2009)

**POST-IZ QUESTIONS TO ANSWER FOR "FINAL" POLICIES & PROCEDURES  
DOCUMENT**

Approval Date Determination: What official action determines the applicable ordinance, if any, for purpose of Inclusionary Zoning Issue in a development project? Council approval? **Final approval body.**

A. For Existing Approvals with IZ components:

1. What if a phased development, that is partially completed, requests a replat?
  - a. Could the IZ requirement be modified or removed at the SIP Stage? **Depends on whether staff determines whether such a change should be done via an amended GDP. Not all developments are PUDs. Most are not. A zoning map amendment approved by the Common Council could remove the IZ requirements.**
  - b. What would happen with condos within one building that are partially occupied? **(don't understand the question)**
  - c. Could Lot lines be re-drawn? **If a replat is done, lot lines could be redrawn.**
  - d. Would Plan Commission have to decide these issues? **If Plan Commission is an approval/recommendation body for any changes proposed, then it would consider the item. For Plats and Zoning Map amendments, the final decision making body is the Common Council.**
2. Are there any other zoning changes or site modifications that can happen administratively that, if approved, might remove the IZ requirements? **No.**
3. Could IZ be removed by a minor modification to the Plat? **No.**
4. Clarify marketing obligations when approved IZ units have yet to be built. **Whichever version of the ordinance applies to the development will determine which marketing requirements apply.**

B. For Projects "in the pipeline" before sunset but no approval or action taken by January 2, 2009:

1. How is it determined whether IZ ordinance(s) apply to a given project? **If final approval occurred prior to sunset date, the ordinance applies.**

C. Sale of IZ Units:

1. Will the City/CDA consider exercising its option to purchase? **Will be determined by Common Council or CDA as each unit becomes available.**
  - a. Does it make a difference whether the unit is occupied or for sale by the developer? **(don't understand question)**
2. If the City/CDA chooses not to buy?
  - a. What happens to the funds repaid to the City? **According to the ordinance, all funds go into the IZ Special Revenue Fund**
  - b. Can all IZ Special Reserve Funds be deposited into the Affordable Housing Trust Fund? **If the Common Council specifies.**
3. Could an IZ unit that cannot bump out of its sale requirement under IZ, due to all the market rate units not having been sold, be turned into an affordable rental unit to be monitored by City at the request by developer(s) until there is an IZ buyer for the unit? **There is no provision in an ordinance for the City to monitor a rental unit in this context, so new legislation would be necessary.**

D. Rental IZ Units:

1. How are these units (built before the rental element of the IZ ordinance was invalidated) being administered? Need clarification from City Attorney. **Not sure what 'being administered' means. The requirements for rental projects approved prior to the Court decision are still in place. Like all zoning requirements, if a complaint regarding a rental unit is received, zoning staff would act as it would for any other complaint of a zoning violation.**

E. Other issues

1. If future policy questions arise regarding existing IZ units or developments who provides direction to staff or the Plan Commission? **Not sure what type of policy questions are of concern, however, in the past, staff and the OCA have discussed issues of interpretation of the ordinance or the policy manual.**
2. How will current IZ status of developments or units be codified or tracked? **The implementation of the ordinance is the joint responsibility of the CDBG Office, the Zoning Administrator and the Planning Division. The tracking of projects subject to IZ has been the responsibility of these offices.**

**AGENDA # \_\_\_\_\_**  
Copy Mailed to Alderpersons \_\_\_\_\_

**CITY OF MADISON, WISCONSIN**

AN AMENDED 2ND SUBST. ORDINANCE \_\_\_\_\_

creating Section 28.04(25) of the Madison General Ordinances to provide for inclusionary dwelling units.

Drafted by: Katherine C. Noonan  
Assistant City Attorney

Date: January 21, 2004

Fiscal Note: See separate report of the Comptroller.

SPONSORS: Mayor Cieslewicz, Aids. Konkel, King, Webber, Verveer, Benford, Olson, MacCubbin, Sloan, Brandon, Golden, Markle, and Holtzman

PRESENTED July 15, 2003  
(TITLE ONLY)  
REFERRED Plan Comm.; Housing  
Comm., Board of Estimates; Comptroller; EDC;  
CCOC; CDA  
REREFERRED Plan Comm., Hsg. Comm.,  
BOE, Comp., EDC, CCOC, CDA, CDBG, C,  
Transit Genl. Mgr., CC Mtg. 10-7-03 (8/5/03);  
Plan Comm., Hsg. Comm., BOE, Comp., EDC,  
CCOC, CDA, CDBG, Transit Genl. Mgr., CC  
Mtg. 12-2-03 (10/7/03); Plan Comm., Hsg.  
Comm., BOE, Comp., EDC, CCOC, CDA,  
CDBG, Transit Genl. Mgr., CC Mtg. 10-7-03  
(8/5/03); Plan Comm., Hsg. Comm., BOE,  
Comp., EDC, CCOC, CDA, CDBG, Transit  
Genl. Mgr., CC Mtg. 1-6-04 (12/2/03); CC Mtg.  
1-20-04 (1/6/04)  
REPORTED BACK 8/5/03, 10/7/03, 12/2/03,  
1/6/04

ADOPTED  X  POF \_\_\_\_\_  
RULES SUSP. \_\_\_\_\_ TABLED \_\_\_\_\_  
PUBLIC HEARING \_\_\_\_\_

\*\*\*\*\*

MAYOR SIGNED \_\_\_\_\_  
PUBLISHED \_\_\_\_\_

\*\*\*\*\*

APPROVAL OF FISCAL NOTE IS NEEDED  
BY THE COMPTROLLER'S OFFICE  
Approved By  
\_\_\_\_\_  
Comptroller's Office

\*\*\*\*\*

AMENDED 2ND SUBSTITUTE  
ORDINANCE NUMBER 13501  
ID NUMBER 34421

The Common Council of the City of Madison do hereby ordain as follows:

Subsection (25) entitled "Inclusionary Housing" of Section 28.04 entitled "General Provisions" of the Madison General Ordinances is created to read as follows:

Approved as to form:

/s/   
James M. Voss, Acting City Attorney



"(25) Inclusionary Housing.

(a) Statement of Purpose. The purpose of this ordinance is to further the availability of the full range of housing choices for families of all income levels in all areas of the City of Madison. A full range of housing options promotes diverse and thriving neighborhoods, schools, and communities. It also aids the recruitment and retention of local businesses and their workforce, which are essential to the economic welfare of the City. This purpose can be accomplished by providing dwelling units for families with annual incomes less than the area median income.

(b) Definitions.

Area Median Income (AMI). The median annual income figures, adjusted for family size, calculated annually by the U.S. Department of Housing and Urban Development (HUD) for the metropolitan area that includes the City of Madison.

Improvement Equity. The increase in value of an inclusionary dwelling unit due to cash improvements made by the seller, except those that increase the square footage of the unit, unless necessary for accessibility.

Inclusionary Dwelling Unit. A dwelling unit for rental or sale to a family with an annual median income at or below the income in (d)(3).

Income eligible family. A family whose annual income qualifies the family to rent or purchase an inclusionary dwelling unit. For purposes of this ordinance, the City of Madison Community Development Authority (CDA) is an income eligible family and the City may designate a non-profit entity that provides housing as an income eligible family.

Market Equity. The increase in value of an inclusionary dwelling unit as determined by the difference between the purchase price and the sale price.

Paid Equity. The amount of down payment and mortgage principal that the owner of an inclusionary dwelling unit has paid during the period of ownership, except for any amount withdrawn as part of additional financing.

Period of affordability. The time, specified in a recorded deed restriction, land use restriction agreement, and/or ground lease during which a rental inclusionary dwelling unit shall be rented only to an income eligible family. The period of affordability for rental inclusionary dwelling units begins on the date the certificate of occupancy is issued.

(c) Provision of Inclusionary Dwelling Units.

1. Rental. All development as defined in Sec. 28.03(2), with ten (10) or more rental dwelling units on one or more contiguous parcels that requires a zoning map amendment, subdivision or land division, except development receiving Section 42 low income housing tax credits or tax-exempt bonds, shall provide a number of inclusionary dwelling units equal to no less than fifteen percent (15%) of the total dwelling units in the development.
2. Owner-Occupied. All development as defined in Sec. 28.03(2), with ten (10) or more owner-occupied dwelling units on one or more contiguous parcels shall provide a number of inclusionary dwelling units equal to no less than fifteen percent (15%) of the total dwelling units
3. Individual Parcels. Once a development has met its requirement for inclusionary dwelling units, no parcel in that development shall be included in any other development for the purpose of calculating a requirement to provide inclusionary dwelling units. A parcel that has not been designated for an inclusionary dwelling unit, however, may be used as an off-site parcel for inclusionary dwelling units for another development.
4. Existing General Development Plans and Plats. This ordinance applies to all development subject to (c)1. and 2. above, for which completed applications for development approval are submitted on or after the effective date of this ordinance. Notwithstanding the above, this ordinance does not apply to development with an approved plat or an approved General Development Plan as of the date this ordinance becomes effective, unless:
  - a. an application is submitted for a zoning map amendment, ~~other than to a planned development district,~~ on or after the date this ordinance becomes effective other than one submitted in b. below or one based on a requirement for R2S, R2T, R2Y or R2Z zoning that is a condition of approval for a plat approved prior to the effective date of the ordinance, or
  - b. a Specific Implementation Plan is submitted on or after the effective date of this ordinance that requires a major amendment to the General Development Plan,

- in which case, this ordinance shall apply to the development covered by the submitted Specific Implementation Plan, ~~or~~
- ~~e. a plat approved prior to the effective date of this ordinance requires rezoning to the R2Y and/or R2Z District as a condition of approval.~~
5. The City of Madison CDA or a non-profit entity designated by the City may purchase a parcel that has been designated for an inclusionary dwelling unit. The initial purchase price shall be the cost of the land plus the cost of preparing the parcel for the inclusionary dwelling unit, including but not limited to, engineering costs, costs to install utilities, and costs to install public rights of way.
6. Waiver.
- a. The Plan Commission may waive the requirement to provide inclusionary dwelling units on-site (in the development) if the applicant can establish by clear and convincing financial evidence that providing the required inclusionary dwelling units on-site shall render providing the required number of affordable dwelling units financially infeasible.
- b. If a waiver is granted, the requirement to provide inclusionary dwelling units shall be met by providing some or all of the inclusionary dwelling units off-site by assigning the obligation to provide some or all of the inclusionary dwelling units to another person, by making a payment into the Affordable Housing Trust Fund (or another fund designated by the Common Council), or any combination of the above.
- c. A waiver for providing the inclusionary dwelling units on-site shall be granted for no more dwelling units than is necessary to make the development financially feasible.
- d. If inclusionary dwelling units are provided off-site, the number of off-site inclusionary dwelling units shall be between 1.0 and 1.25 times the difference between the total number of inclusionary dwelling units that are required and the number provided on site.
- e. Off-site inclusionary dwelling units shall be new construction and shall be located within a one (1) mile radius of the edge of the proposed development, if feasible.
- f. If the obligation to provide inclusionary dwelling units is assigned, the units shall be provided within one (1) year of when they would have been provided under the requirements of Subdivision (g)6.
- g. Payment to the Affordable Housing Trust Fund, or another fund designated by the Common Council, for a waiver of owner-occupied inclusionary dwelling units shall be in an amount equal to ten percent (10%) of the average sale price of the owner occupied units in the development for each owner-occupied inclusionary dwelling unit that will not be provided.
- h. Payment to the Affordable Housing Trust Fund, or another fund designated by the Common Council, for a waiver of rental inclusionary dwelling units shall be 1.1 times the difference between the cost to provide a market rate rental dwelling unit and the cost to provide a rental inclusionary dwelling unit for an income eligible family at the specified AMI.
- i. The Plan Commission may reduce the number of inclusionary dwelling units required for the development if the applicant can establish by clear and convincing financial evidence that it is not financially feasible to provide the required number of inclusionary dwelling units on-site, off-site, by assignment of the obligation, by payment of the required amount into the Affordable Housing Trust Fund (or another fund designated by the Common Council), or any combination of the above.
- j. The applicant for the waiver and/or reduction in the number of inclusionary dwelling units or the Alderperson of the district in which the development is proposed may appeal the determination on a request for a waiver and/or reduction in the number of inclusionary dwelling units to the Common Council by filing a request with the Secretary of the Plan Commission within twenty (20) days of the determination of the Plan Commission. The Secretary of the Plan Commission or her/his designee shall transmit such appeal to the City Clerk who shall file such appeal with the Common Council. The Common Council shall fix a reasonable time for the hearing of the appeal, and give public notice thereof as well as due notice to the parties in interest, pursuant to MGO 28.12(10)(e). In addition, notice shall be provided to a neighborhood association registered with the City that serves the area in which the proposed development is located and the Common Council shall decide the same

within a reasonable time. The action of the Plan Commission shall be upheld unless the Common Council, by a favorable vote of the majority of the members of the Common Council reverses or modifies the action of the Plan Commission.

Appeal of the determination of the Common Council shall be by commencement of an action for certiorari within thirty (30) days of the Common Council's determination.

7. Option to purchase. After the initial sale, all owner-occupied inclusionary dwelling units shall be subject to an exclusive option for the City to purchase the unit. The option to purchase may be assigned by the City to the City of Madison CDA or a designated non-profit organization. The purchase price to exercise the option shall be the assessment at the time the City receives notice of intent to sell. The City or assignee has ninety (90) days from the date the City receives written notice of the intent to sell to finalize the purchase of the inclusionary dwelling unit. Within thirty (30) days from the date the City receives written notice of the intent to sell, the City or assignee shall determine whether or not to exercise the option to purchase. A determination by the City to exercise the option to purchase is not final until a resolution authorizing the purchase of the property is adopted by the Common Council. If the City or assignee declines to exercise the option to purchase, the option to purchase shall expire, unless the owner has not sold the inclusionary dwelling unit within one (1) year from the date on which the City was notified of its right to exercise the option, in which case, the option to purchase shall continue. ~~For any sale of a building containing sixteen (16) or fewer dwelling units that includes one (1) or more rental inclusionary dwelling units, for the initial sale at the end of the period of affordability, the City shall have an option to purchase the building at market price and the City may assign that option to the CDA or a non-profit designated by the City.~~

(d) Incentives.

1. The applicant shall receive one or more incentives for providing inclusionary dwelling units or cash in lieu of inclusionary dwelling units. As set forth in 3. below, each development will receive a number of points. The incentives available for a development shall be based on the number of points for the development and the incentive guidelines in 5. below.
2. A development shall provide the required fifteen percent (15%) inclusionary dwelling units for income eligible families at one or more AMI level. No more than ten percent (10%) of the dwelling units shall be provided for income eligible families with an annual income at eighty percent (80%) AMI for owner-occupied inclusionary dwelling units and sixty percent (60%) AMI for rental inclusionary dwelling units, except that developments with forty-nine (49) or fewer detached dwelling units or ~~more than four (4) or more~~ stories and at least seventy-five percent (75%) of parking is provided underground may provide all inclusionary dwelling units at the above AMI levels.
3. As set forth in Subparagraphs a. through d. the number of incentive points for a development will be determined by the percentage of units, in increments of five percent (5%), that are provided for families at specific AMI levels, as well as the number of AMI levels for which units are provided, and the applicable interest rate.

a.

**INCENTIVE POINTS FOR OWNER OCCUPIED DWELLINGS UNITS**

Percent of Dwelling Units	80% AMI	70% AMI	60% AMI	50% AMI
5%	0	1	2*	3*
10%	1	2	3*	4*
15%	2	3	4*	5*
20%	3	4	5*	6*

b.

**INCENTIVE POINTS FOR RENTAL DWELLINGS UNITS**

Percent of Dwelling Units	60% AMI	50% AMI	40% AMI	30% AMI
5%	0	1	2*	3*
10%	1	2	3*	4*
15%	2	3	4*	5*
20%	3	4	5*	6*

- c. A development shall receive an additional point for providing inclusionary dwelling units for families at more than one (1) AMI level.
- d. A development shall receive an additional point for an increase in the applicable interest rate above seven percent (7%), limited to one (1) point for any fractional change between whole percentages, i.e., an interest rate of seven and one quarter percent (7.25%) has a value of 1 point; an additional point is not available until the interest rate exceeds eight percent (8%).
- 4. All development shall receive expedited review if eligible pursuant to 7. below. No points need be used for eligible development to receive expedited review.
- 5. Each of the incentives below has a value of 1 point. The applicant may select an incentive, or combination of incentives, according to the points received for the development and the guidelines in Subparagraphs a. through j. below. If the Director of the Department of Planning and Development determines that any incentive(s) selected by the applicant should not be provided to the development, the reasons for such determination shall be provided to the Plan Commission in the report of the Planning Unit.
  - a. Density Bonus – a ten percent (10%) bonus, unless a development has more than four (4) or more stories and at least seventy-five percent (75%) of parking is provided underground or has thirty (30) forty-nine (49) or fewer detached dwelling units in which case, each point provides a twenty percent (20%) bonus. No more than three (3) points may be used for a density bonus.
  - b. A reduction in Park Development fees for on-site inclusionary dwelling unit, pursuant to the requirements in Sec. 20.16. No more than one (1) point may be used to reduce Park Development fees. A park developed to City of Madison standards prior to the time it would be developed under City of Madison plans shall be maintained for up to five (5) years by the applicant.
  - c. A reduction in Park dedication requirements, pursuant to the requirements in Sec. 16.23(8)(f). No more than one (1) point may be used to reduce Park dedication requirements.
  - d. Twenty-five percent (25%) reduction in Parking Requirements, if approved, pursuant to Sec. 28.11(8)(2)(c). No more than one (1) point may be used to reduce Parking Requirements.
  - e. Non-City provision of street tree landscaping.
  - e-f. A cash subsidy from the Affordable Housing Trust Fund disbursed pursuant to Sec. 4.22, Tax Incremental District funds, disbursed pursuant to adopted policies, or another fund designated by the Common Council, disbursed pursuant to the rules of that fund of ten thousand dollars (\$10,000) per unit for up to 50% of inclusionary dwelling units that are provided for families with an AMI denoted by an asterisk in 3. above. No more than two (2) points may be used for a cash subsidy.
  - f-g. A cash subsidy from the Affordable Housing Trust Fund, disbursed pursuant to Sec. 4.22, Tax Incremental District funds, disbursed pursuant to adopted policies, or another fund designated by the Common Council, disbursed pursuant to the rules of that fund of five thousand dollars (\$5,000) for up to fifty percent (50%) of on-site inclusionary dwelling units for developments with forty-nine (49) or fewer detached dwelling units or developments with more than four (4) or more stories and at least seventy-five percent (75%) of parking is provided underground. No more than two (2) points may be used for a cash subsidy. The subsidy shall be adjusted annually based to the Consumer Price Index and shall be subject to availability of monies in any of the above funds.





commences within ten (10) days of the beginning of the marketing period. The owner or lessor also shall provide the sale or rental price of the inclusionary dwelling unit and shall notify the City when the inclusionary dwelling unit is sold or rented. If the owner or lessor has provided notice of marketing as required in (e)5. and has extended the marketing period two (2) times, the owner or lessor may rent or sell the inclusionary dwelling unit at market rate.

- (f) Inclusionary Dwelling Unit Plan. Following required meetings with staff, an Inclusionary Dwelling Unit Plan shall be submitted to the Director of the Department of Planning and Development. The Inclusionary Dwelling Unit Plan shall be in addition to any other plan or agreement submitted as a requirement by this or any other ordinance and shall be reviewed and approved as part of the applicable land use approval process. The Inclusionary Dwelling Unit Plan shall include: the total number of inclusionary and market rate dwelling units that will be provided; of that total, a projection of the number that will be rental inclusionary dwelling units and the number that will be owner-occupied inclusionary dwelling units; the breakdown of dwelling unit size by number of bedrooms and square footage; the distribution pattern of the inclusionary dwelling units throughout the development; the schedule for the provision of market rate and inclusionary dwelling units; and the incentives sought from the City for provision of the inclusionary dwelling units. The Plan shall be recorded at the same time as any required deed restrictions, land use restriction agreement, ground lease, or other documents requiring recording under this or any other ordinance.
- (g) Standards for Inclusionary Dwelling Units.
1. The size need not be the same as market rate dwelling units in the development, except that the size of the inclusionary dwelling units shall not be less than the following:
    - a. Multi-family buildings
      - Efficiency – 400 square feet
      - 1 Bedroom – 500 square feet
      - 2 Bedroom – 650 square feet
      - 3 Bedroom – 850 square feet
      - 4 Bedroom – 1050 square feet
      - 5 Bedroom – 1300 square feet
    - b. Detached units and duplexes – 950 square feet
  2. The exterior appearance of the inclusionary dwelling units shall be similar in general style to the market rate dwelling units, consistent with the Inclusionary Dwelling Unit Plan.
  3. The proportion of attached and detached units shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.
  4. The mix of dwelling units, based on the number of bedrooms, shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.
  5. The proportion of rental and owner-occupied dwelling units shall similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.
  6. The inclusionary dwelling units shall be dispersed throughout the development and shall be provided on similar schedules as the market rate dwelling units, and shall be consistent with the Development Plan.
  7. The period of affordability for all rental inclusionary dwelling units shall be no less than fifty (50) years, and shall be documented by a recorded deed restriction, ground lease, or land use restriction agreement.
  8. Prior to approval by the Zoning Administrator that is necessary to obtain a building permit to provide an inclusionary dwelling unit, the Director of the Department of Planning and Development shall certify that the above standards have been met.
- (h) Distribution of proceeds from sale of an owner-occupied Inclusionary Dwelling Unit.
1. After the initial sale of an owner-occupied inclusionary dwelling unit, the proceeds from additional sales that will accrue to the seller shall be an amount that represents the seller's paid equity, plus the seller's market equity plus any applicable improvement equity.

2. The seller's market equity is a percentage of the total market equity and is dependant on the length of the seller's ownership. No market equity is available to the seller until the end of two (2) years. The percentage of market equity available to the seller increases at the end of each subsequent calendar year as follows:

<u>Length of Ownership</u>	<u>Seller's Market Equity</u>
Less than 1 year	0%
1 Year	0%
2 Years	5%
3 Years	10%
4 Years	15%
5 Years	20%
6 Years	25%
7 Years	30%
8 Years	35%
9 Years	40%
10 Years	45%
11 Years	50%
12 Years	45%
13 Years	40%
14 Years	35%
15 Years	30%
16 Years	25%
17 Years	20%
18 Years	15%
All following years	15%

3. The seller's improvement equity is the total improvement equity adjusted for the age of the improvement. The age adjustment shall be calculated using the depreciation schedules in the Internal Revenue Code.
  4. Any proceeds of a sale that are remaining after the seller's share shall be deposited in the Affordable Housing Trust Fund, or another fund designated by the Common Council.
  5. The Director of the Department of Planning and Development shall be notified before significant improvements, as set forth in the Inclusionary Zoning Program Policies and Protocols, are made to an inclusionary dwelling unit.
  6. The seller cannot offer the inclusionary dwelling unit for sale at a price below the assessed value unless approved by the Director of the Department of Planning and Development.
  7. The Director of the Department of Planning and Development shall be notified before an inclusionary dwelling unit is refinanced.
- (i) No owner shall rent an inclusionary dwelling unit constructed as owner-occupied for more than a total of twelve (12) months in any seven (7) year period of ownership by one owner. Notice to the Department of Planning and Development shall be given prior to renting any such dwelling unit for any period of time and the inclusionary dwelling unit shall be rented to an income-eligible family with an annual income at or below the AMI level of the owner at the time of the owner's purchase with the exception of the Madison CDA.
  - (j) The owner of any inclusionary dwelling unit for which a judgment of foreclosure has been granted shall provide notice of the judgment to the Department of Planning and Development within thirty (30) days of the judgment.
  - (k) Administration and Enforcement. This ordinance shall be administered and enforced by the Department of Planning and Development. The Department shall prepare the Inclusionary Zoning Program Policies and Protocols, which shall be guidelines to be adopted by resolution by the Common Council for the determination of area median income, verification of family median income, the determination of rental and sales prices and interest rates, the applicability of condominium and homeowner association fees, the designation of a non-profit entity as an income eligible family, rental and sales procedures for inclusionary dwelling units, ongoing monitoring of the inclusionary dwelling units, and other policies as are necessary for the



implementation of this ordinance. Prior to adoption by the Common Council, the guidelines shall be reviewed by the Plan Commission. The Plan Commission shall recommend the Common Council that the guidelines be approved as submitted, approved with modifications, referred for further modifications, or disapproved.

- (l) Severability. It is hereby declared to be the intention of the Common Council of the City of Madison that the provisions of any part of this ordinance are severable. If any court of competent jurisdiction shall adjudge any provision of this ordinance to be invalid, such judgment shall not affect any other provision of this ordinance not specifically included in the judgment. If a court of competent jurisdiction shall adjudge invalid the application of any provision of this ordinance to a particular property, building or structure, such judgment shall not affect the application of said provision to any other property, building or structure not specifically included in said judgment.
- (m) This ordinance shall be effective February 15, 2004."

# **INCLUSIONARY ZONING PROGRAM POLICY AND PROTOCOLS**

**ADOPTED: February 3, 2004**

## **Contents:**

### **Part I: Creating the Development and the Inclusionary Dwelling Units**

**Section A: Developer's Steps in the Inclusionary Zoning Process**

**Section B: Certification Process for a Non-Profit Agency**

**Section C: Use of the Incentive Matrix**

### **Part II: Sale, Rental, and Continuing Affordability for the Inclusionary Dwelling Units**

**Section D: Certification and Application Process for a Family**

**Section E: Sales price, Rental procedures for Inclusionary Dwelling Units**

### **Part III: Interpretation of Terms and Annual report**

**Section F: Definitions and Interpretations of Terms**

**Section G: Annual Report**

**This set of policies and protocols is presented in three major parts:**

**PART I - Sections A through C seek to outline the steps in the Inclusionary Zoning process for creation of the Inclusionary Dwelling Units.**

**PART II - Sections D and E describe the sales and rental procedures for the Inclusionary Dwelling Units.**

**PART III - Sections F and G expand on the use of particular terms and the Annual Report.**

### **Section A: DEVELOPER'S STEPS IN THE INCLUSIONARY ZONING PROCESS**

In order to facilitate the development, sale, or rental of inclusionary dwelling units, the City will publish quarterly a list of figures needed for the inclusionary dwelling units, such as current expected rent levels or sales prices affordable to households at particular income levels. The City will also maintain a website that will be a "developer's toolbox and handbook", that will include sample documents, required price or rent levels, a chart of the development review process, and other items that may help developers in understanding or using the City's inclusionary zoning program. The City of Madison will maintain a "Project Development Guide" which provides a summary of the development review processes for all major approvals required as part of the development process. This guidebook will be updated to incorporate the procedures in this policy document.

The general inclusionary zoning process for a developer/owner will entail 9 steps:

#### **1. Pre-application Conference for Concept Development**

Prior to the acceptance of any zoning map amendment, land subdivision, subdivision plat or Inclusionary Dwelling Unit Plan required by Madison General Ordinance 28.04 (inclusionary zoning ordinance), the applicant shall meet with the Planning Unit, Community Development Block Grant Office and Zoning Unit staff to review and discuss aspects of the proposal. This pre-application conference shall include, but not be limited to:

- a) the site and the relationship between the site and its surroundings
- b) potential impacts of the project,
- c) initial design direction,
- d) plans to meet with the neighborhood and the alderperson, and
- e) all elements required to be included in the Inclusionary Dwelling Unit Plan.

This phase is intended to provide an opportunity for the applicant to discuss issues related to the preparation of an application and the Inclusionary Dwelling Unit Plan prior to the expenditure of significant resources in the detailed development of the proposal. The City's lead contact for the purpose of setting up the initial meetings shall be the designated Planning Unit staff person. More than one meeting may be necessary following the initial meeting. It is also recommended that the applicant meet individually with the Community Development Block Grant Office to

discuss the details of the Inclusionary Dwelling Unit Plan and other agencies, as is currently the case.

## **2. Developer Presentation of Pre-Application to a City Inter-Agency Staff Review Team**

During the pre-application meetings, the applicant shall submit a development concept for review by an inter-agency staff review team at an informational meeting. City staff shall send the materials to the neighborhood association registered with the City of Madison for the area in which the development is proposed, if any and the alderperson for said area.. The concepts submitted shall include major characteristics of the proposal including, but not limited to

- a) the site and its context,
- b) potential impacts of the project,
- c) initial design direction,
- d) any responses to input gathered as a result of meetings with the neighborhood and the alderperson for the area,
- e) and all elements required to be included in the Inclusionary Dwelling Unit Plan.

The applicant shall schedule a meeting through the Planning Unit lead staff person, with the inter-agency staff review team to discuss submittal requirements and the proposed concept plan prior to the submittal and acceptance of any Inclusionary Dwelling Unit Plan application for a zoning decision. The Inter-agency staff review team includes, but is not limited to representatives of the: Planning Unit, Community and Economic Development Unit, City Engineering, Traffic Engineering, Madison Metro, Inspection Unit, Parks Division, Fire Department, Police Department, CDBG, Water Utility, and the Office of Business Assistance. The City's Lead Contact shall be the Planning Unit staff person.

The applicant should submit draft application materials to the Planning Unit for distribution to the Inter-agency staff review team that adequately addresses the submittal requirements outlined in Section 3. The intent of this requirement is to ensure that there is a clear understanding between the applicant and staff concerning the proposed elements included in the Development Concept Plan, the Inclusionary Dwelling Unit Plan, and the incentives, which are being sought from the City.

Following this interagency staff team meeting, the applicant/developer will contact the neighborhood association registered with the City that serves the area in which the proposed development is located, if any and the alderperson of the district to arrange for communication regarding the Inclusionary Dwelling Unit Plan and incentives sought from the City, and a possible meeting to discuss the proposal.

## **3. Application Submittal Requirements**

- a. The Inclusionary Dwelling Unit Plan shall be submitted in a form acceptable to the Director of the Department of Planning and Development concurrent with the submittal of any other application required by the Inclusionary Zoning Ordinance (MGO 28.04) or any other City ordinance. City staff shall send the application to the neighborhood association registered with the City of Madison for the area in which the development is proposed, if any and the alderperson for said area. Rejection would be based on incomplete information. Checklists will be developed to assist in determining if all of the information has been provided.

b. As part of any application for the approval of an Inclusionary Dwelling Unit Plan, the developer will provide the following materials. This list is intended to describe those components essential to an Inclusionary Dwelling Unit Plan, which would be submitted as part of the general application. It should also be noted that depending on the type of development approval being requested, the level of detail for each of the items below might vary. For example, when the application submitted involves a preliminary plat and a zoning map amendment, the applicant will likely have insufficient information to fully comply with the submittal requirements related to 5 through 10. In these cases, the requirements of the ordinance will require compliance by recording deed restrictions against the individual lots created through the preliminary platting and final platting process. The deed restrictions shall require compliance with the inclusionary zoning ordinance prior to the issuance of other permits such as conditional use permits and building permits. It is anticipated that staff will recommend this procedure for multi-family lots created through the subdivision platting and zoning process for which detailed building and Inclusionary Dwelling Unit Plans are not yet available.

1. A statement describing the general character of the intended development.
2. A plan of the proposed project showing sufficient detail to make possible the evaluation of the approval criteria.
3. A general outline of the intended organizational structure, agreements, bylaws, provisions, deed restrictions or covenants related to any of the following, if applicable:
  - a. The property owners' association, condominium association or homeowners association,
  - b. Private provision for common services, common areas or other facilities, and the continued protection of the development.
4. An identification of the current owner, the proposed developer, and any entity that has an option to purchase or contractual interest in the property that is the subject of the application. The application shall include an identification of all individuals and companies and proportionate share of interests in all corporations including, but not limited to, limited liability corporations, limited liability partnerships, etc. in a form acceptable to the Director of the Department of Planning and Development.
5. A construction schedule indicating the approximate dates when construction of the project and each of its phases can be expected to begin and be completed, and within each phase the schedule for completion of the inclusionary dwelling units.
6. The arrangement of buildings and their architectural character. \*
7. The total number of inclusionary and market-rate dwelling units that will be constructed; and of that total, the number of rental inclusionary dwelling units and the number of owner-occupied inclusionary dwelling units.
8. The breakdown of unit size by number of bedrooms. \*
9. The location and distribution of the inclusionary dwelling units throughout the development.
10. The projected sales and rental prices for the inclusionary dwelling units. \* (Note: the applicant/developer will need to indicate the target AMI level at the time of

application in order to seek a range of appropriate incentives, but the specific sale and rental prices won't be determined until the bedroom size is determined.

11. The incentives sought from the City for the construction of the inclusionary dwelling units.
12. The applicant/developer may submit a proposal seeking alternatives to on-site inclusionary dwelling units including assignment of responsibility for inclusionary dwelling units, off-site units, cash payment in lieu of producing the units or some combination of on-site, off-site, cash payments or a reduction in the proposed percentage of inclusionary dwelling units. (See Phase 6: Waiver and appeal for reduction.)

\* Those items marked with an asterisk may not be completed in the early discussion stages of the General Development Plan or Inclusionary Dwelling Unit Plan, but would be completed as part of the Specific Implementation Plan or later phases of the development processes. The Inclusionary Dwelling Unit Plan shall designate the specific lots that are designated as the inclusionary dwelling unit lots. The developer may work with the Community Development Block Grant Office and Planning Unit to relocate the inclusionary zoning lots in subsequent phases. For multifamily lots the units will be determined in the Specific Implementation Plan. Details will be outlined in the subdivision improvement agreement.

#### **4. Staff Review and Recommendations to the Plan Commission**

Following the submittal of a formal application under this ordinance, the application will be circulated to several City reviewing agencies. This circulation will now include the Community Development Block Grant Office which will review the Inclusionary Dwelling Unit Plan, with assistance from the Community and Economic Development Unit if there is a request for a waiver or a reduction under the ordinance. City agencies will also be responsible for reviewing the incentives sought by the developer from the City as outlined in the ordinance. City agencies will provide a recommendation to the City's Plan Commission and the Common Council on the application and the requested incentives and compliance with the requirements of the ordinance. These recommendations will also be provided to the applicant. If City agencies recommend against the approval of any incentives sought by the developer under the ordinance, the agency shall provide, in writing, the reason for their recommendation. The applicant will have a one-week notice prior to the Plan Commission meeting where their application will be considered if the staff will not support the incentive request. The Applicant may then submit a request for waiver or reduction of the 15% target inclusionary dwelling units based upon staff recommendation for a denial of particular proposed incentives. The final decision on the granting of any incentives rests with the City's Plan Commission and Common Council. If staff recommends an incentive but the Plan Commission or Common Council denies the incentive, the Plan Commission or Common Council shall consider a reduction in the number of required inclusionary dwelling units proportional to the value of the denied incentive.

The Community Development Block Grant Office will make a recommendation to the Plan Commission and Common Council whether the inclusionary dwelling units are dispersed throughout the development.

#### **5. City Policy Group Review and Approval of the Inclusionary Dwelling Unit Plan**

The City's Plan Commission will review the Inclusionary Dwelling Unit Plan and other related materials at a scheduled Plan Commission meeting. The approval by the Plan Commission and

Common Council will generally include conditions of approval, which must be met prior to the final sign-off by City agencies. The conditions of approval attached to the project by the Plan Commission and Common Council shall be provided to the applicant in writing by the Planning Unit. The applicant is required to comply with the conditions of approval prior to requesting final sign-off on the plans by City agencies. Once the revised plans and all conditions of approval have been met, City agencies will sign off on the plans, after which the City's Zoning Administrator will record the approved Inclusionary Dwelling Unit Plan at the Dane County Register of Deeds Office with any required deed restrictions, land use restriction agreements, ground leases, subdivision plats, certified survey maps, Planned Development District documents, or other documents required. The City's Lead Contact shall be the Zoning Administrator.

## **6. Waiver Process**

A developer will be expected to provide 15% of the dwelling units as affordable units except where providing the inclusionary dwelling units would render providing the inclusionary dwelling units financially infeasible. In such a case, a developer may request a waiver to provide the units off-site, assign the obligation to provide the units to another party, or pay cash in lieu of the units, or any combination of the above. If provision of the inclusionary dwelling units through the waiver is still financially infeasible, the developer may seek a reduction in the percent of units to the point where the project becomes financially feasible.

If the developer wants to request the waiver, the developer conveys that request to City staff during the application process. Staff will select the incentive that the developer will use to base the claim of financial infeasibility and staff will select which one of the four waiver options the developer will seek. Those four alternatives to providing the units on-site are:

- a) off-site provision of units,
- b) assignment of responsibility to a third party,
- c) cash payment in lieu of the units,
- d) or a combination of any of the three.

If staff chooses the combination option, then staff will establish the target percentage of each option that the developer will use in proving financial infeasibility.

If the developer wants to request a waiver the developer should provide evidence regarding why this request should be granted. The evidence that the developer should provide is outlined in the section that deals with criteria for determining financial infeasibility.

This evidence will be presented to Planning Unit staff for inclusion in the Plan Commission Packets and will be part of the Inclusionary Dwelling Unit Plan. The City shall restrict or deny access to any record, as that term is defined under sec. 19.32(2) of the Wis. Stats., or portion of a record submitted to the City under MGO 28.04 if the applicant identifies the information as being confidential, and

- (a) the record contains information that is competitively sensitive to the person submitting the record requested and
- (b) the City determines that restricting or denying access to the record or portion of a record outweighs the public interest in full access to the record or portion of the record involved.

Staff will review the evidence provided and make a recommendation to the Plan Commission regarding the granting of the wavier.

The Plan Commission will make one determination based on the evidence provided, staff recommendations and public testimony taken at the Plan Commission meeting. Based upon clear and convincing evidence concerning "financial feasibility", the Plan Commission may reduce the number of inclusionary dwelling units required for the development after the developer proves they cannot provide the required number of inclusionary dwelling units off-site, by assignment of the obligation, by payment of cash in lieu of providing the units or some combination thereof. The Plan Commission may reduce the number of inclusionary dwelling units that must be provided to the point where the project becomes financially feasible.

Once the Plan Commission makes its determination the developer can either agree with the determination or appeal the determination to the council. The Common Council will consider the evidence that was put before the Plan Commission and decide whether to confirm the Plan Commission determination or not. If the Common Council does not confirm the Plan Commission determination the Council can make their own determination or refer the decision back to the Plan Commission for reconsideration.

Regardless if the Common Council confirms or modifies the determination of the Plan Commission the developer can appeal to the circuit court.

#### **7. Developer Compliance with the Approved Inclusionary Dwelling Unit Plan**

The applicant has certain responsibilities for implementing the provisions of the inclusionary zoning ordinance, including but not limited to construction and standards for inclusionary dwelling units, notification of availability of units to the City, marketing to target income groups, establishment of price points or rent levels and other changes to the Inclusionary Dwelling Unit Plan. These responsibilities will be outlined in the Inclusionary Dwelling Unit Plan and Subdivision Improvement Contract (where applicable).

The developer must initially give notice (90 days prior to its actual availability for rental units, or 120 days for ownership) to the City of the impending availability of the inclusionary dwelling unit. If the landlord does not accept a qualified applicant within ninety (90) days then the landlord may notify the City of those circumstances and begin to market the unit to the next range of higher income families. If the applicant does not receive a qualified offer to purchase from a qualified income-eligible family within one hundred twenty (120) days of the initial notice to the City, then the developer may notify the City of those circumstances and begin to market the unit to the next range of higher income families. The applicant developer or landlord will provide proof of the marketing period to the City prior to marketing to the next higher income range of families. Proof of marketing is defined as a dated copy of the publication in which the marketing period begins.

#### **8. City Review and Monitoring of Initial Developer Compliance with the Inclusionary Dwelling Unit Plan**

The City will monitor the construction phases of the overall development, including Building Inspection Unit and the Public Works Department staff site visits to verify progress in accordance with the zoning requirements, the Inclusionary Dwelling Unit Plan, and the subdivision



improvement contract, where applicable. Phasing of the IDUP will be enforced through deed restriction language that prohibits transfer of ownership of parcels, which will be released as proof of compliance is provided. The subdivision improvement contract (where applicable) will be enforced using currently adopted procedures.

The City may arrange with the applicant/developer, as part of the Inclusionary Dwelling Unit Plan review, to purchase a set number of units or parcels for residential use and a timeline for those transfers. Lots would be purchased for transfer to the CDA or a non-profit agency. The City will exercise its option to purchase during the development phase.

The City's Lead Contact for the construction phase for the inclusionary dwelling unit plan shall be the Engineering Department with assistance from the Building Inspection Unit staff and the Community Development Block Grant Office.

When determining if inclusionary dwelling units are being provided on the same schedule as the market rate units in order to move on to the next phase of the project, the Engineering Division and Building Inspection staff will count the units at the point where the foundation is complete. A complete foundation means the foundation has been dug, poured, stripped and backfilled. Each phase that has begun will be considered when making a determination if an that the appropriate proportion of inclusionary dwelling units and market rate units are being provided based on the approved plan. Any lots owned by the city will be considered complete regardless of the status of construction. The developer shall be responsible for guaranteeing that the units are provided as determined in the Inclusionary Dwelling Unit Plan, including lots no longer under ownership by the developer.

The Inclusionary Dwelling Unit Plan agreement shall define the threshold requirements to move forward with each phase and shall outline requirements to be fulfilled prior to moving to the next phase of the development. The City may negotiate either deed restrictions or options to purchase for undeveloped lots as a way to guarantee developer compliance with later phases of the Inclusionary Dwelling Unit Plan, but shall not impose a performance bond or letter of credit for such guarantee. If the inclusionary dwelling units are not built according to the approved Inclusionary Dwelling Unit Plan, the City may withhold approval of construction of the remainder of the project until the inclusionary dwelling units are provided. In order to facilitate the development, sale, or rental of inclusionary dwelling units, the City will publish quarterly a list of figures needed for the inclusionary dwelling units, such as current expected rent levels or sales prices affordable to households at particular income levels. The City will also publish brochures, and maintain a website that will be a "homebuyer's and renter's toolbox and handbook", that will include sample documents, required price or rent levels, a chart of the purchase or rental processes, and other items that may help owners and residents in understanding or using the City's inclusionary zoning program. The City's Lead Contact shall be the Community Development Block Grant Office staff person.

#### **9. City Review and Monitoring of Continuing Compliance with the Inclusionary Conditions for Resale or Rentals**

After the initial sale, for units that are currently owner-occupied, the owner shall notify the City at least 90 days in advance of offering the unit for sale on the open market. This notification will begin the 30-day period the City has to provide a notice of intent to exercise the City Option to Purchase. If the City says it will not exercise its option, then the owner may place the

inclusionary dwelling unit on the open market. If the City says yes, then the City will plan to close on the property subject to a physical inspection and Council approval within 90 days of the date of the owner notification to the City. The City may exercise its option to purchase the inclusionary dwelling unit at a price based upon the assessed value of the property, may transfer its option to the City of Madison Community Development Authority or a non-profit agency, or may decide to not exercise its option.

The Common Council will presume purchase of the unit unless the inclusionary dwelling unit meets one of the criteria outlined under the "Sales Procedure under City Option to Purchase" in the definitions section of this policy document.

The Council will authorize City staff to exercise the option to purchase through the City of Madison Community Development Authority or a qualifying non-profit agency. If staff determine that the City (or its assignees) should not purchase the property offered by sale, then Department of Planning and Development will report their determination to the Common Council.

For rental units, the City will expect the owner to notify the City at least 60 days in advance of offering the unit for rental on the open market.

In circumstances where the homeowner desires to rent their home, the homeowner will notify the Community Development Block Grant Office 45 days in advance of offering the inclusionary dwelling unit for rent. The property manager for rental properties should notify the City 45 days in advance of subletting the rental inclusionary dwelling unit.

For inclusionary dwelling units where the owner wishes to refinance the property, the owner will notify the Director of the Department of Planning and Development of the amount and term, the interest rate, the refinancing fees and the lending institution that will approve the terms of the refinance agreement.

If there is a refinance where the homeowner does not withdraw any equity from the home, the Director of Planning and Development must be notified. If there is a refinance where the homeowner does withdraw equity the Director of Planning and Development shall determine if the homeowner has sufficient equity to offset the refinance amount and any related costs and will inform the lending institution the maximum amount of equity available to the homeowner and approve such a request. It is the seller's responsibility to provide proof of improvement equity if they want to receive improvement equity.

In case of foreclosures involving an inclusionary dwelling unit, the City will review the notice of foreclosure required of the family by the City's exclusive option to purchase agreement. The City would determine whether to exercise its option to buy or transfer the property to the City of Madison Community Development Authority or a non-profit agency, or forego its interest in the property, based upon the criteria outlined earlier. The City's Lead Contact shall be the Community Development Block Grant Office staff person.

The City will audit 5% of the rental inclusionary dwelling units on an annual basis. Checking the units will include review of property management's procedure to document verification of family

incomes and conformance with the Inclusionary Dwelling Unit Plan. Acceptable documentation by the property manager will be documentation that is similar to information required under the HOME program. The City will provide checklists and best practices to property managers to assist in complying with this program.

For owner-occupied units, the City will audit 5% of the owner inclusionary dwelling units on an annual basis for determination that the household qualifying at the time of the last sale is indeed the occupant of the premises. Additionally, when monitoring the sales price of the homes, the base price of the home must meet the targeted sales price as determined by the appropriate AMI and the costs of appliances, landscaping and optional upgrades that increase the mortgage amount shall not be considered.

### **Section B: Certification Process for Non-Profit Agency**

A non-profit agency may apply to the CDBG Office for City certification as an income-eligible family at any time during the year, but need become certified only once unless it changes its basic qualifying characteristics.

The non-profit agency should register with the City of Madison Community Development Block Grant Office and become certified so that the City may notify the non-profit agency when an inclusionary dwelling unit becomes available, and developer/owners/managers may recognize the non-profit agency as an eligible family.

See definition under “Non-profit Agency Certification as Eligible Family”.

### **Section C: Use of the Incentive Matrix**

This section summarizes the use of the Incentive Matrix and the selection or use of the incentives offered by the City as part of the Inclusionary Zoning program.

If the proposed incentives are not approved there may be a reduction in the number of required inclusionary dwelling units by the Plan Commission. Staff will report to the Plan Commission the compelling reasons why particular incentives are either not available or not applied to particular developments.

In reviewing the request for incentives, City staff shall make a recommendation to the Plan Commission and Common Council to approve, deny or modify the incentives being requested. The staff shall include a written rationale for the recommendation.

### **Procedure and Standards for Expedited Review, the Application for the Additional Story, Consistency with Neighborhood Plans and Other Related Items**

The ordinance allows developers to request permission to build one additional story within Downtown Design Zones (not to exceed the Capitol View Preservation Limits or the height limits within the Downtown Design Zones). The Downtown Design Zones apply to all Planned Unit Development zoning map amendments within these zones. These standards do not allow developers to automatically build to the maximum height allowed in these districts. Developers

must submit proposals that comply with all of the criteria within the ordinance in order to justify building the maximum allowed in these districts. Developers will be able to request permission to build an additional story within those zones that allow bonus stories to be approved and will be able to cite the inclusion of affordable housing as the basis for the request. Developers will still need to comply with all of the other ordinance requirements.

In order to be eligible for expedited review under Section (d) Incentives Subsection 7 Expedited Review, the development proposal must be reasonably consistent with adopted City plans. Factors which will be used to determine consistency include the mix of attached and detached dwelling units, the densities proposed, the location of proposed parks, the location of all local, collector and arterial streets, the location and sizing of stormwater management facilities, etc.

#### **Procedure to Receive RP3 Permits**

If the Plan Commission approves a Inclusionary Dwelling Unit Plan where the Developer seeks residential parking permits, the City of Madison Parking Utility will issue the approved number of vouchers for the development which the developer/owner may issue to tenants of the development and meet the standard terms of the ordinance and current policies for these permits. The developer/owner/manager shall distribute these vouchers in a manner that gives preference to the tenants of the inclusionary dwelling units. The tenant receiving such a voucher must then apply to the City through the current administrative process to obtain the permit and comply with the requirements as follows:

1. Live in an area shown on the Residential Parking Permit Boundaries map.
2. Have a properly registered vehicle at the applicant's permanent home address.
3. Have no outstanding parking tickets. Outstanding tickets must be resolved before application for a residential parking permit
4. Bring the following information when applying for a permit
  - a. Vehicle registration form.
  - b. Driver's license
  - c. Proof of residence that could be either a lease signed by applicant and landlord, a utility bill or bank statement that shows a date as well as name and current address.
5. Vehicle must be owned by occupant, occupant's child, parent, legal guardian, spouse or registered domestic partner or be a leased or company vehicle, which is assigned to the occupant.

#### **Procedure to Obtain Support for Applications to Other Funding Bodies**

If the Plan Commission approves a Inclusionary Dwelling Unit Plan where the Developer seeks City support of an application to external funding bodies, the head of the CDBG Office shall arrange for letters, technical assistance or other qualifying and supportive actions to facilitate Developer support for the funding.

#### **Procedure to Obtain Advanced Neighborhood Planning**

The ordinance allows developers to pay for the preparation of neighborhood plans for those areas within the Central Urban Service Area that are contiguous to existing development, but for which no neighborhood development plans exist. Developers will need to request permission to fund the neighborhood development plan in writing. The Department of Planning and Development will

assess the availability of staff to develop Request for Proposals to hire a consulting firm to prepare the neighborhood development plan, and the availability of staff to manage the planning process. The Department of Planning and Development will respond to the developer in writing and recommend a timeline for the preparation of the neighborhood development plan if staff is available to manage the process. If it is determined that staff is not available, the Department of Planning and Development will notify the developer and provide an estimate of when staff will be available. The Director of the Plan Unit shall forward the request to the City Plan Commission with a recommendation. If the Plan Commission supports the request, the Planning Unit will draft a resolution for consideration by the Common Council to authorize the preparation of the plan, which includes a report on anticipated cost to the developer and the City as well as the anticipated timeline for the planning. The City of Madison would then hire a planner with the funds provided by the developer.

The Madison Common Council, following a recommendation from the Plan Commission and the Board of Estimates will determine whether the funding of the neighborhood development planning process by the developer will be approved, as well as the timeline for the planning process.

#### **Procedure to Secure Park Dedication Credits and Park Development Fee Credits**

The applicant must submit this request as part of the Inclusionary Dwelling Unit Plan. The application must include a sufficient level of description of the design, phasing and maintenance requirements as needed by the Parks Division in order to determine whether the park would meet public park standards, and how much credit the Parks Division can provide. The Parks Division would review the development plan and issue its decision on park credit within 30 days after the submission of a complete park development element within the development plan application. This process should be administrative and would not require the Park Commission to vote on each development once a clear policy is established.

The planning and policy guidelines for parkland and facilities are established in the Park and Open Space Plan (1997) and the Needs Assessment for Park Dedication and Development Impact Fees (2002). These set forth the basic park facilities which are to be supported by park dedication or fees in lieu of dedication, and supported by park development impact fees. Credits given under Inclusionary Zoning shall meet the requirements of MGO Chapters 16 and 20.

Approximately half of the park dedication/fees and park development fees are used to provide the local land and facilities for neighborhood use. The other half are to provide community parks and playfields that are usually outside of the immediate plat. Credits may be given if the private land and facilities provided would replace land and facilities that the city would otherwise have to provide and are available for public use without restriction. Credit may not be given if the land and facilities are an extra amenity for the neighborhood that does not reduce the need for the land and facilities that the city has to provide. Credit may also be given for improvements to the public parks that are installed by the developer, if these facilities meet the basic needs requirement (as opposed to being extra amenities that do not reduce the city burden to meet basic needs).

Credit for land is based on the square footage that qualifies as meeting the basic park needs. Credit for improvements is based on the lowest cost that the city expects for such an improvement, based on recent staff construction or public low-bidder construction.

Some of the criteria that will be considered:

1. It must be stated in a legal document that these private open space areas are open to all of the public that would be expected to use them, such as residents of adjacent developments or visitors.
2. Areas must be high quality useable open space, including active recreation and sports areas, not unusable or undevelopable environmental corridors such as steep slopes, wetlands, required drainage ways, infiltration, buffers, etc.
3. Greater consideration will be given to spaces with prominent street frontage and public access, as opposed to backyard spaces with limited access.
4. The park dedication need must be met for all parks according to the park and open space plan and the neighborhood plan. The total package of public and private open space must meet the needs specified in the park and open space plan and the neighborhood development plan. The full public dedication will be taken where it is needed for any type of public parkland, even though the proposed private open space may otherwise qualify for credit.
5. There must be a property owner's association legally required to develop and maintain all private open space sites, whether credit is given or not, to ensure that the sites will be perpetually maintained and cannot revert to public maintenance responsibility.
6. There must be a commitment to a development and management plan for the private open space site, with some understanding that the facilities may change in the future to meet changing neighborhood needs. There may need to be a provision for public trail systems.
7. For conservation open space to be considered for credit, it must be a high quality natural community, and there must be a guarantee that necessary restoration and management will be conducted.
8. The reduction of fees for a promise of improvements must be supported by a bond or letter of credit that provides for fee payment or public construction of those improvements if the developer does not complete them. For subdivisions, the park fees are assessed with the subdivision improvement contract for each phase of the plat. The park credits, public and private park improvements, and bond/letter of credit can also be implemented with the contract for each phase.
9. When the developer installs improvements to new public parks ahead of the budgeted schedule for operating those parks, the developer shall agree to maintain the park until the Parks Division operating budget is increased to operate them (not to exceed five years). Such maintenance shall include mowing, plowing snow, garbage collection, playground/facility inspection and maintenance, vandalism, etc. Liability insurance coverage shall be provided listing the city as also insured.

**Procedure and Standards for a Cash Subsidy under the Inclusionary Zoning Ordinance (formerly the Affordable Housing Trust Fund)**

As part of the application and the Inclusionary Dwelling Unit Plan process, the Developer may seek subsidy payments from this special revenue fund as one of a set of incentives earned with points from the matrix. These points are earned based upon the proposed percentage of inclusionary dwelling units and the sales or rental rates based upon the targeted income levels for those units.

The ordinance lists the amounts and circumstances for these subsidy payments.

Per the ordinance, if the special revenue fund has no available and uncommitted dollars at the time of the application, the Developer will not receive a commitment of funds and will need to seek another incentive as part of the Inclusionary Dwelling Unit Plan process.

#### **Procedure and Standards for Developer Installation of Street Trees**

Developers wish to install street trees to coordinate these plantings with the phasing and marketing of their subdivisions. The City is responsible for the perpetual care and replacement of the trees, so they have a great interest in the long-term health and survival of the trees.

Developers may install street trees in new subdivisions at their own expense, as opposed to the current practice of the City Forestry section installing the trees and assessing the cost to the owner (developer or homebuyer). The planning and policy guidelines for street trees are established in the Street Tree Policies of the Madison Forestry Section, as adopted and periodically revised by the Madison Tree Board and the Madison Park Commission. These Policies set forth criteria for tree species and varieties, size, number, time of planting, spacing, locations, terrace widths, driveways, sign locations, etc. The City of Madison Standard Specifications for Public Works Construction, as periodically updated shall be the criteria for actual planting materials and methods.

The following criteria shall also be used:

1. A permit shall be required to plant any tree on public right-of-way. The permit fee shall be based on the cost of Forestry staff time to administer the developer planting, costs which are now recovered as part of the assessment.
2. Plans shall follow city specifications and Forestry section planting policies, as determined or approved by the City Forester.
3. Nursery stock shall be from within 200 miles of Madison, and selected or approved by City Forestry staff.
4. The developer shall provide a two-year guarantee for survival, and for any future damage by construction. Replacements shall be of the same size as the original plantings with an additional two-year warranty.
5. The developer shall provide a performance bond or letter of credit that provides for City installation if the developer does not perform the agreed plantings. The agreement for the tree planting and the performance shall be included in the subdivision improvement contract for each phase of the development.

#### **Section D: Application, Certification, Purchase or Rental Process for a Family**

Under the terms of the ordinance, the City uses the term "family" to include households of one person as well as household of two or more people.

A family seeking to rent an inclusionary dwelling unit may apply directly to the builder/developer of the unit, the City of Madison Community Development Authority or a City-certified non-profit agency (in their role as an owner or manager of their own inclusionary dwelling unit).

**Eligibility for “Income Eligible Families”, Student Status and Asset Tests.**

Each April 1, the Department of Planning and Development will issue income guidelines to developers, builders, realtors, and property managers associated with inclusionary dwelling units. These guidelines will set forth the income levels by family size, not the comparable dwelling unit size to be associated with each family size solely used to determine the sales price as defined in MGO 28.04(25)(e)2., and the method for calculation and documentation of income.

The method for calculation of income eligibility will involve the use of gross income from the previous tax year or the projected income for the current tax year based upon current earnings. Documentation shall be collected that includes a copy of the filed income tax forms from the previous year, or three current wage receipts.

The Department of Planning and Development will use an ‘asset’ test in order to assure that scarce inclusionary dwelling units will be made available to those families with relatively greater need. A suggested ‘asset’ test is that a family would qualify for an inclusionary dwelling unit only if they meet two conditions:

- a) The family is income eligible defined as the family income does not exceed the maximum income based on the associated family size for the number of bedrooms included in the purchased dwelling unit. For example, a three bedroom dwelling unit will establish a maximum qualified income using a 4.5 person family for that associated median income. In 2003 the maximum qualified income for a three bedroom dwelling unit based on a 80% AMI for a 4.5 person family income is \$58,750.
- b) The family has liquid (cash) and real estate assets no greater than 20% of 80% of the area median income, after subtracting the amount needed for down-payment and closing costs, or security deposit. For a family of four in 2003, the maximum assets would total approximately \$11,200. The City will not count dedicated college accounts, retirement accounts such as IRA’s, or the value of personal property such as a car in this calculation.

The City will include the household income of the parents, guardian or trust for purposes of determining income eligibility of any person who is dependent for more than half of their income on their parents, guardian or trust.

Resources for the family:

In order to facilitate the purchase/sale or rental of inclusionary dwelling units, the City will publish quarterly a list of figures needed for the inclusionary dwelling units, such as current expected rent levels or sales prices affordable to households at particular income levels. The City will also maintain a library, brochures, and a website that will amount to a ‘residents’ toolbox, that will include sample documents, an income eligibility calculator, required price or rent levels, charts of the sales or rental processes, and other items that may help residents in understanding or using the City’s inclusionary zoning program.

Developer/Builder/Manager: Certification Measures

The City will expect the certifying entity (developer, non-profit agency or property manager) to collect and retain the documents needed to establish eligibility for at least a three-year period starting from the date the family purchases or rents the unit.



The landlord shall annually recertify that the occupants of the inclusionary dwelling units are income qualified.

## **Section E: Sales Price and Purchase procedures for Inclusionary Dwelling Units**

### **Inclusionary Dwelling Unit Plan**

In addition to the items listed in Section A, step 3, the Inclusionary Dwelling Unit Plan will specify all of the inclusionary dwelling units that will be used to meet the requirements of the ordinance.

The City may arrange with the developer, as part of the Inclusionary Dwelling Unit Plan review, to purchase a set number of units or parcels for residential use, which will be stipulated in the approved Inclusionary Dwelling Unit Plan. Lots would be purchased for transfer to the CDA or non-profit agencies. The City will exercise its initial option to purchase lots or newly built inclusionary dwelling units during the development phase.

The City's role in purchasing inclusionary zoning lots or dwelling units will be to facilitate transfer to an income eligible family. The City does not intend to itself own and operate the Inclusionary dwelling units on a long-term basis.

The City, working with the City of Madison Community Development Authority, will produce a plan for how many units the City of Madison Community Development Authority and other non-profit agencies can purchase in a year. (Example: The City of Madison Community Development Authority may establish a goal to purchase at least 10% of the available inclusionary zoning owner units.) The plan shall include the number of units proposed to be purchased for rental and homeownership and the criteria for determining where the units will be purchased including how this meets the goals of the City of Madison Fair Share and Diversity Plan. The CDA will abide by the covenant and restrictions of that associated neighborhood. A rent-to-own program shall be considered homeownership, not rental for purposes of meeting owner-occupied restrictions in the covenants and restrictions. For City of Madison Community Development Authority owned properties the Community Development Authority shall pay a payment in lieu of taxes (PILOT) to the City of Madison. If the City of Madison Community Development Authority does not have the resources to purchase the units, the City will designate particular agencies as 'eligible families'. The City of Madison Community Development Authority may purchase single-family homes intended to be owner-occupied and rent them to income eligible families.

For rental units, the City of Madison Community Development Authority and non-profit agencies may either serve as referral agents to the developer/owner, or secure a sublease for the units.

The City will make every effort to move as quickly as possible and not take a full 90 days to exercise their option to purchase.

### **Initial Sales Price Targeted for Owner Units**

The City will calculate the maximum household share of the sales price of the inclusionary dwelling unit based upon the average family's ability to pay 30% of their family income for principal, interest, taxes, insurance, and if applicable, homeowner or condo fees. The City will base this calculation on the following sources:

- a) Applicable family income by family size: HUD area median income figures
- b) Principal and interest: average 30-year mortgage low rate published in the Wisconsin State Journal each March 1, June 1, September 1 or December 1 or soon thereafter;
- c) Calculation of taxes based upon the average comparable sales, as determined by the City assessor using the mill rate set annually as of January 1 of each calendar year;
- d) Calculation of insurance for a similar sized property, as determined by the City risk manager x/\$1000.
- e) 5% down payment and the correlating private mortgage insurance

For the purposes of the determining the initial sales price of a home, the definition of dwelling unit in Chapter 28 includes a full kitchen facility, however, a refrigerator and stove shall not be required in the cost of the unit.

#### **Sales Price for Resales of Owner-occupied Inclusionary Dwelling Units under City Option to Buy**

For purchase of owner-occupied inclusionary dwelling units the City will use the current assessed value of the property as determined by the City Assessor, and recorded in the City's database, as the basis for the City purchase price of the owner unit.

Subsequent sales prices where the City (or its assignees) exercises the City's option to purchase the dwelling unit(s) will be based upon the assessed value then in effect. In addition, the inclusionary zoning ordinance provides specific steps to determine the value of particular improvements made during the affordability period. (See also the definitions of 'market equity' and 'paid equity' in the ordinance and the interpretations of those terms in this section.)

The seller of an inclusionary dwelling unit, where the City (and its assignees) has refused to exercise its option to purchase, must sell the unit/property at no less than the assessed value to a bona fide disinterested party, unless the seller receives a written determination from the Director of the Department of Planning and Development that the inclusionary dwelling unit could be sold at less than current City assessed value. These circumstances will be narrowly confined to cases of hardship for the seller, such as short-notice job transfers outside of Dane County, a sudden drop in value not recognized in the official Assessor's figures, or unanticipated events outside of the control of the seller (such as rising medical bills).

#### **Sales Procedures and the City Option to Purchase**

The City shall exercise its option to purchase an inclusionary dwelling unit offered for resale unless one of the following occurs:

- a) The value of the city's share of equity in the inclusionary dwelling unit is less than 95% of the funds needed to keep the unit affordable to the subsequent buyer at the same AMI% as the current owner.

- b) The value of the City's share of equity in the inclusionary dwelling unit is at least 95% of the funds needed to keep the unit affordable to the subsequent buyer at the same AMI% as the current owner, but existing funding sources are insufficient to cover the shortfall amount needed.
- c) The home is nearing the end of its useful life or the physical condition of the unit makes more sense to capture the City's equity share before the value of the home stagnates, keeping the home affordable through market forces
- d) The value of the property has increased disproportionately to the value of the surrounding properties and the value of the equity share could be better used to create additional housing units.

## **Part THREE: Interpretation of Terms and Annual Report**

### **Section F: Definitions and Interpretations of Terms**

The City will use the following definitions in its implementation of the inclusionary zoning program.

#### **Area Median Income**

The City will continue to use Housing and Urban Development (HUD)-provided Area Median Income (AMI) that serves as the figures for the standard metropolitan area until such time that the City may obtain reliable data for income levels for Dane County or the City of Madison. Each year around March, the City Department of Planning and Development will issue area median income figures to be used in the calculation of sale price and rent level for the inclusionary dwelling units.

#### **"Bedroom" as Distinct from a "Den"**

The Building Inspection Unit defines a 'bedroom' by minimum room standards as required by the State of Wisconsin Building Codes.

#### **Cash Improvements**

"Cash Improvements" means monetary expenditures and specifically excludes sweat equity. Monetary expenditures include cost of materials, contracted labor and supplies. Landscaping costs are included as expenditures. Cash improvements will be documented through receipts provided to the city. Significant improvements (meaning improvements equal to 3% or more of the value of the house) trigger a notification requirement to the Director of the Department of Planning and Development.

#### **Condo and Homeowner Association Fees**

Condo fees will only count for the portion of the condo fees that are for housing costs as defined in the ordinance, and exclude such items as maintenance fees or utilities or supportive services for the resident. Homeowner association fees for detached housing will be counted as housing costs

**“Contiguous” Parcel (Section (25)(c) 1. and 2.)**

The city will use a definition to include common ownership or substantial ownership participation by the same person or entity, of adjacent parcels or parcels even if separated by an alley, easement or street. “Ownership” includes land contract interests as well as fee simple ownership.

**Covered Developments**

If a applicant seeks an amendment to an approved Planned Unit Development General Development Plan at the time the Specific Implementation Plan is submitted, then the Specific Implementation Plan will be subject to the inclusionary zoning requirements, provided that there is an increase in the number of dwelling units proposed or other modifications deemed to be major amendment by the Director of the Department of Planning and Development. Factors considered in determining if a change is a minor alteration or a major amendment include, an increase in the number of dwelling units, a change in the mix between owner and rental housing, major alterations to the street layout, the size and height of buildings, the size of lots and their location and the provision of public parklands and their locations. However, if these modifications are consistent with the goals of the General Development Plan they shall not be considered major amendment to the General Development Plan.

**Improvement Equity**

Improvement equity is the value of any major improvements to the Inclusionary Dwelling Unit financed or built by the owner. The City will use the IRS guidelines (as cited in Publication 527) for the adjusted, straight-line depreciation value of the eligible improvements. See definition of cash improvements. In order to qualify the addition of square footage to an owner-occupied unit to count toward improvement equity, the owner must demonstrate that an occupant of the home has a disability. The definition of disability is as defined by relevant State and federal law.

**Non-profit Agency Certification Criteria as an Eligible Family**

The City will recognize a non-profit agency as an ‘income eligible family’ upon official review of the non-profit agency’s application to the CDBG Office for certification, and the determination that it meets the following conditions:

- a) Registered with the State of Wisconsin as a not-for-profit organization with affordable housing as a stated objective;
- b) Applied for, and received Federal tax-exempt status;
- c) Demonstrates two years of continuous operation in housing development, property management or housing counseling;
- d) Commits to providing a full accounting of their finances either through an annual audit or a public financial statement;
- e) Demonstrates willingness to enter into a long-term agreement with the City to provide affordable housing under the terms of the ordinance; and.
- f) States its intention to either rent or purchase an inclusionary dwelling unit for the purpose of renting or selling the unit itself to an income-eligible family.

**Off-site Provision of Inclusionary Dwelling Units**

If the obligation to provide inclusionary dwelling units are off-site, the units shall be provided within one year of the date one which they would have otherwise been provided in accordance with the Inclusionary Dwelling Unit Plan and consistent with approved phasing. The schedule for

providing inclusionary dwelling units under this section shall be defined in the Inclusionary Dwelling Unit Plan. Developers providing units under this section shall be given one year to build the units from the date of the issuance of the first occupancy permit for market-rate units within the relevant phase of the development.

#### **Paid Equity**

The City will determine the amount of paid equity by using data provided by the first mortgage lender.

#### **Similar**

In the Inclusionary Zoning Ordinance, the word “similar” is used to compare the market rate and inclusionary dwelling units in terms of the: appearance of inclusionary dwelling units, the proportion of attached and detached units to be provided, the mix of units based on number of bedrooms, the proportion of rental and owner-occupied units, and the dispersion of units throughout the development. The ordinance requires the inclusionary dwelling units shall be similar to the market-rate units in this case. For the purpose of this ordinance, the term similar shall mean that the inclusionary dwelling units must be comparable to the market-rate units in all respects under each of these sections of the ordinance. The Inclusionary Dwelling Unit Plan must document how the proposed development will comply with each of these sections of the ordinance.

The interpretation of the term “similar” in reference to “exterior appearance” as required in the physical standards for an inclusionary dwelling unit shall be reviewed with reference to such physical features as exterior materials, roof overhangs, front porches, columns, window and door trim, and lighting features.

The appearance of inclusionary dwelling units shall be similar to the market-rate units. Staff will use the type of building materials provided on the market-rate units and the inclusionary dwelling units to determine whether this requirement has been met. All architectural details will be included in this review, including entrance doors, lighting, window trim, siding, roof materials, fascia and soffits.

#### **Similar Schedule**

The City will use this term to indicate that the pace of the construction of inclusionary dwelling units will be defined by the mix of inclusionary zoning and market rate units in each phase in which construction has begun according to the approved plan.

#### **Square Footage of Units**

The City will use the gross square footage (minus the garage, attic, and unfinished basement) to calculate the minimum dwelling size of inclusionary dwelling units.

#### **Utilities Calculation for Rentals**

The City will use the same HUD formula for utility allowance as used for the Section 8 rental assistance program currently administered by the City of Madison Community Development Authority and the HOME program administered through the Community Development Block Grant Office.

## Waiver

### **Waiver Criteria for “Financially Infeasible” Inclusionary Zoning Component and Request for Waiver to Provide On-Site Units, Off-Site Units, Assignment or a Cash Payment in Lieu of Providing Inclusionary Dwelling Units**

The Plan Commission may determine that all or part of the inclusionary dwelling unit component of the project is infeasible on-site and that a project qualifies for the waiver of the on-site requirements if:

- a) The projected resident condo fee on the inclusionary dwelling unit, in addition to the regular payments for mortgage, taxes, and insurance would substantially exceed the inclusionary dwelling unit affordability standards of 30% of income due to high condominium fees; or,
- b) The developer can demonstrate that the site development costs of the project (excluding land acquisition costs) involve extraordinary site development costs such as contaminated soil or water drainage issues; or,
- c) The estimated cost of an on-site inclusionary dwelling unit exceeds the value of the incentives provided by the City, including such items as added density, cash subsidy, park fee and park development credit (Refer to the full range of incentives listed within the ordinance at subsection 25, 7. d. Incentives.); or,
- d) The developer can demonstrate that the acquisition and site development costs associated with sites available on the market or available to the developer cost more than the on-site project and exceed the value of the incentives offered by the City; or,
- e) The developer can demonstrate a good faith effort to contact other developer/builders and arrange for the assignment of the obligation to provide the targeted number of comparable inclusionary dwelling units within the time frame outlined in the ordinance.

If the Plan Commission or Common Council denies an incentive as part of the Inclusionary Dwelling Unit Plan, for which the developer is eligible under City ordinances and for which the City staff has recommended adoption, the Plan Commission or Common Council shall automatically grant a reduction in the number of the inclusionary dwelling units to a point that makes the provision of inclusionary dwelling units feasible.

If the Plan Commission determines the inclusionary dwelling unit component of the project is infeasible, the Plan Commission should then determine to what extent a reduction in the expected percentage of the inclusionary dwelling units within the development proposal would make the inclusionary dwelling unit component of the project feasible.

Footnote for information purposes only:

Staff will develop measures, benchmarks and standards for determining financial infeasibility in conjunction with the development industry, which may include an independent third party consultant for presentation to the Plan Commission on or before March 1 for approval by Plan Commission and Common Council.

### **Waiver Criteria Concepts: Request for Reduction of Percentage of Inclusionary Dwelling Units for a “Financially Infeasible” Inclusionary Zoning Component**

The Plan Commission may determine that all or part of the inclusionary dwelling unit component of the project is infeasible at the ordinance goal of 15% of the project’s units, even with the use

of off-site or cash payments or assignment of the off-site inclusionary component, and that a project qualifies for a reduction of the inclusionary dwelling units if it meets one of the criteria outlined above and if, the estimated combination of on-site and off-site inclusionary dwelling units and the option for a cash payment exceeds the value of the incentives provided by the City, including such items as added density, cash subsidy, park fee and park development credit. (Refer to the full range of incentives listed within the ordinance at subsection 25, 7. d. Incentives.)

Footnote for information purposes only:

Staff will develop measures, benchmarks and standards for determining financial infeasibility in conjunction with the development industry, which may include an independent third party consultant for presentation to the Plan Commission on or before March 1 for approval by Plan Commission and Common Council.

## **Section G: ANNUAL REPORT**

### **Annual Report**

The Department of Planning and Development will prepare an annual report six months after the end of the calendar year for review by the Common Council and related city policy bodies, such as the Board of Estimates, the Plan Commission, the Housing Committee, the CDBG Commission, the Parks Commission, and the Community Development Authority. The report will include a comprehensive evaluation of all aspects for the Inclusionary Zoning ordinance and process. The first report shall not be due until July 2005.

CITY OF MADISON, WISCONSIN

AN AMENDED SUBSTITUTE ORDINANCE \_\_\_\_\_

PRESENTED May 2, 2006  
REFERRED Plan Commission

Amending Section 28.04(25) to add a sunset provision, creating new Section 28.04(26) to set out a new inclusionary housing program, and renumbering current Section 28.04(26) to (27) of the Madison General Ordinances.

RULES SUSPENSION \_\_\_\_\_  
PUBLIC HEARING PC 6-5-06  
CC 6-20-06

Drafted by: Katherine Noonan

Date: July 13, 2006

SPONSORS: Mayor Cieslewicz; Aids. Golden & Konkel

DRAFTER'S ANALYSIS: These amendments add a sunset provision to the existing inclusionary housing provisions that will apply to development already in the approval process. A new inclusionary housing ordinance is created with changes to the equity model used when inclusionary zoning units are sold; replacement of the incentives point system with a revenue offset system to make application of the ordinance revenue neutral; changes to the waiver process; and changes to the marketing requirements.

The Common Council of the City of Madison do hereby ordain as follows:

1. Subdivision (n) of Subsection (25) entitled "Inclusionary Housing" of Section 28.04 entitled "General Provisions" of the Madison General Ordinances is created to read as follows:

"(n) This ordinance shall have no effect when all developments to which it applies have been granted or denied all final approvals."

2. Subsection (26) entitled "Inclusionary Housing" of Section 28.04 entitled "General Provisions" of the Madison General Ordinances is created to read as follows:

"(26) Inclusionary Housing.

(a) Statement of Purpose. The purpose of this ordinance is to further the availability of the full range of housing choices for families of all income levels in all areas of the City of Madison. A full range of housing options promotes diverse and thriving neighborhoods, schools, and communities. It also aids the recruitment and retention of local businesses and their workforce, which are essential to the economic welfare of the City. This purpose can be accomplished by providing dwelling units for families with annual incomes less than the area median income.

(b) Definitions.  
Area Median Income (AMI). The median annual income figures, adjusted for family size, calculated annually by the U.S. Department of Housing and Urban Development (HUD) for the metropolitan area that includes the City of Madison.  
Inclusionary Dwelling Unit. A dwelling unit for rent to a family with an annual median income at or below sixty percent (60%) of the Area Median Income (AMI), for sale to a family with an annual median income at or below eighty percent (80%) of the Area Median Income (AMI), or for other residential occupancy for a family with an annual median income at or below sixty percent (60%) of the Area Median Income (AMI).

Approved as to form:



Income eligible family. A family whose annual income qualifies the family to rent or purchase an inclusionary dwelling unit. For purposes of this ordinance, the City of Madison Community Development

Authority (CDA) is an income eligible family and the Director of the Department of Planning and Development may designate a non-profit entity that provides housing as an income eligible family.

Qualifying Sale. The sale of an inclusionary dwelling unit to an income eligible family. An qualifying sale shall not include a sale of a lot to a builder who intends to construct an inclusionary dwelling unit.

Leased Residential Space Occupancy. Those residential arrangements whereby space in all dwelling units in a building is leased individually to each of the tenants in a dwelling unit.

Other Residential Occupancy. Those residential arrangements other than rental or owner-occupied, including but not limited to, continuing care contracts, agreements known as 'life leases', 'continuum of care agreements', or any other agreement whereby the resident of a dwelling unit makes some payment other than or in addition to a periodic occupancy payment, but does not obtain fee title to a residential unit.

Period of affordability. The time, specified in a recorded deed restriction, land use restriction agreement, and/or ground lease during which a rental or other residential occupancy inclusionary dwelling unit shall be provided only to an income eligible family.

(c) Provision of Inclusionary Dwelling Units.

1. Rental. All development as defined in Sec. 28.03(2), with ten (10) or more rental dwelling units on one or more contiguous parcels that requires a zoning map amendment, subdivision or land division, shall provide a number of inclusionary dwelling units equal to no less than fifteen percent (15%) of the total dwelling units or leased residential spaces in the development.

Notwithstanding the above:

- a. Development that contains only rental dwelling units financed by Section 42 low income housing tax credit shall not be subject to this ordinance.
- b. Development with at least fifteen percent (15%) rental dwelling units financed by Section 42 low income housing tax credit and/or qualified housing revenue bonds and in which those dwelling units are dispersed throughout the development per Subdivision (g)6 of this ordinance, shall not be subject to this ordinance.
- c. Development that contains fewer than fifteen percent (15%) rental dwelling units financed by Section 42 low income housing tax credit and/or qualified housing revenue bonds are subject to this ordinance and the number of rental dwelling units receiving low income tax credits that count toward the total number of inclusionary dwelling units required shall depend on the dispersion of the inclusionary dwelling units in the development per Subdivision (g)6.

2. Owner-Occupied. All development as defined in Sec. 28.03(2), with ten (10) or more owner-occupied dwelling units on one or more contiguous parcels shall provide a number of inclusionary dwelling units equal to no less than fifteen percent (15%) of the total dwelling units

3. Other Residential Occupancy. All development as defined in Sec. 28.03(2), with ten (10) or more other residential occupancy dwelling units on one or more contiguous parcels shall provide a number of inclusionary dwelling units equal to no less than fifteen percent (15%) of the total dwelling units.

4. AMI Levels. A development shall provide the required fifteen percent (15%) inclusionary dwelling units for income eligible families at one or more of the AMI levels in (d)2. No more than ten percent (10%) of all the dwelling units in the development shall be provided for income eligible families with an annual income at eighty percent (80%) AMI for owner-occupied inclusionary dwelling units and sixty percent (60%) AMI for rental inclusionary dwelling units or other residential occupancy dwelling units, except that developments with forty-nine (49) or fewer detached dwelling units or four (4) or more stories and at least seventy-five percent (75%) of parking is provided underground may provide all inclusionary dwelling units at the above AMI levels.

5. Individual Parcels. Once a development has met its requirement for inclusionary dwelling units, no parcel in that development shall be included in any other development for the purpose of calculating a requirement to provide inclusionary dwelling units. A parcel that has not been designated for an inclusionary dwelling unit, however, may be used as an off-site parcel for inclusionary dwelling units for another development.

6. Existing General Development Plans and Plats. This ordinance applies to all development subject to (c)1. and 2. above, for which completed applications for development approval are

submitted on or after the effective date of this ordinance. Notwithstanding the above, this ordinance does not apply to development with an approved plat or an approved General Development Plan as of the date this ordinance becomes effective, unless:

- a. an application is submitted for a zoning map amendment, on or after the date this ordinance becomes effective other than one submitted in b. below or one based on a requirement for R2S, R2T, R2Y or R2Z zoning that is a condition of approval for a plat approved prior to the effective date of the ordinance, or
- b. a Specific Implementation Plan is submitted on or after the effective date of this ordinance that requires a major amendment to the General Development Plan, in which case, this ordinance shall apply to the development covered by the submitted Specific Implementation Plan.

7. Qualifying Sale To CDA or Non-Profit Entity. The City of Madison CDA or a non-profit entity designated by the Director of the Department of Planning and Development may purchase a lot that has been designated for an inclusionary dwelling unit. The purchase price shall be the cost of the land plus the cost of preparing the parcel for the inclusionary dwelling unit, including but not limited to, engineering costs, costs to install utilities, and costs to install public rights of way.

8. Waiver.

- a. If a waiver is requested under Sec. 28.04(26)(d)4., the Plan Commission may reduce the number of inclusionary dwelling units required for the development if the applicant can establish by clear and convincing financial evidence that it is not financially feasible to provide the required number of inclusionary dwelling units on-site, off-site, by assignment of the obligation, by payment of the required amount into the Inclusionary Zoning Special Revenue Fund, or any combination of the above.
- b. The applicant for the waiver for a reduction in the number of inclusionary dwelling units or the Alderperson of the district in which the development is proposed may appeal the determination on a request for a waiver for a reduction in the number of inclusionary dwelling units to the Common Council by filing a request with the Secretary of the Plan Commission within twenty (20) days of the determination of the Plan Commission. The Secretary of the Plan Commission or her/his designee shall transmit such appeal to the City Clerk who shall file such appeal with the Common Council. The Common Council shall fix a reasonable time for the hearing of the appeal, and give public notice thereof as well as due notice to the parties in interest, pursuant to MGO 28.12(10)(e). In addition, notice shall be provided to a neighborhood association registered with the City that serves the area in which the proposed development is located and the Common Council shall decide the same within a reasonable time. The action of the Plan Commission shall be upheld unless the Common Council, by a favorable vote of the majority of the members of the Common Council reverses or modifies the action of the Plan Commission. Appeal of the determination of the Common Council shall be by commencement of an action for certiorari within thirty (30) days of the Common Council's determination.

9. Option to purchase.

- a. With the exception of b. below, after the qualifying sale, all owner-occupied inclusionary dwelling units shall be subject to an exclusive option for the City to purchase the unit. The option to purchase may be assigned by the City to the CDA or a designated non-profit entity. The purchase price to exercise the option shall be the appraised value at the time the City receives notice of intent to sell from the owner.
  - i. If the Common Council has budgeted or appropriated funds to the Inclusionary Zoning Special Reserve Fund for the purchase of inclusionary dwelling units and these funds are sufficient to exercise the option, the Department of Planning and Development has ~~thirty (30)~~ fifteen (15) days from the date the City receives notice of the intent to sell an inclusionary dwelling unit to determine whether or not to exercise the option to purchase, making an offer to purchase to the owner at that time.
  - ii. If the City has assigned the option to purchase, the assignee has ~~thirty (30)~~ fifteen (15) days to determine whether or not to exercise the

- option to purchase, making an offer to purchase to the owner at that time.
- iii. ~~If funds sufficient to purchase the inclusionary dwelling unit have not been budgeted or appropriated to the Inclusionary Zoning Special Reserve Fund, the City has thirty (30) days from the date the City receives written notice of the intent to sell from the owner to determine whether or not to exercise the option to purchase and ninety (90) days from the date the City receives written notice of the intent to sell to finalize the purchase of the inclusionary dwelling unit. The City or assignee has thirty (30) days from the date the City receives notice of the intent to sell an inclusionary dwelling unit to close the sale of the property unless extended by the owner.~~
- b. If the qualifying sale of an owner-occupied inclusionary dwelling unit is to the CDA or a non-profit entity that has a buy-back provision as part of its specific program operation, that has been approved by the Director of the Department of Planning and Development, the unit shall not be subject to an exclusive option to purchase by the City until such time as the CDA or non-profit entity determines not to buy back the unit. This provision applies to other residential occupancy inclusionary dwelling units administered by a non-profit. If the non-profit entity has no buy-back provision, the income eligible family that purchases the unit shall be subject to the option requirements in a, above. At that time, the purchase price to exercise the option to purchase and the procedure for exercising or declining to exercise the option shall be as in a. above.
- c. The option agreement shall contain the following provision:  
"Judicial Foreclosure, Deed in Lieu of Foreclosure, and Trustee's Sale." The provisions of Sec 28.04(25), MGO are subordinate to any deed of trust or mortgage that is granted by the owner and secured in the first priority position by the inclusionary dwelling unit to the extent that any party, successor, or assign who receives title to the inclusionary dwelling unit through a trustee's sale, judicial foreclosure sale or deed in lieu of foreclosure with respect to such aforementioned deed of trust or mortgage or any private mortgage insurance company that obtains title to an inclusionary dwelling unit shall receive title free and clear of any resale restriction of this ordinance. The owner of any inclusionary dwelling unit shall provide notice to the Department of Planning and Development of any foreclosure action that is filed involving the inclusionary dwelling unit within thirty (30) days of the date on which the owner of the unit was served in the foreclosure action. At no time may the City or assignee exercise its option to purchase an inclusionary dwelling unit from the holder of a mortgage or deed of trust in first priority position for less than such holder's debt on the inclusionary dwelling unit. The City or its assignee shall have the right of first refusal that must be exercised within ninety (90) days after the property is listed for sale.
- (d) Revenue Offsets.
1. The applicant may request offsets equal in value to the difference between the revenues generated by development without any inclusionary zoning units and those generated by a development that provides inclusionary dwelling units. The Director of the Department of Planning and Development shall review the valuation of the offsets.
  2. The applicant may request offsets from the list below equal in value to the revenue differential determined in (d)1.
    - a. Density Bonus. An increase in the base densities set out in Sec. 28.04(26)(d)5.
    - b. A reduction in Park Development fees for on-site inclusionary dwelling units, pursuant to the requirements in Sec. 20.16. A park developed to City of Madison standards prior to the time it would be developed under City of Madison plans shall be maintained for up to five (5) years by the applicant.

- c. A reduction in Park dedication requirements, pursuant to the requirements in Sec. 16.23(8)(f).
- d. A reduction in Parking Requirements, if approved, pursuant to Sec. 28.11(8)(2)(c).
- e. A cash subsidy from the Inclusionary Zoning Special Revenue Fund of up to five thousand dollars (\$5,000) per inclusionary dwelling unit provided for families with an AMI lower than fifty percent (50%) for owner-occupied units, forty percent (40%) for rental inclusionary dwelling units and forty percent (40%) for other residential occupancy inclusionary dwelling units. The City also may provide a cash subsidy from Tax Incremental District funds approved and disbursed pursuant to adopted policies. The subsidy shall be adjusted annually based on the Consumer Price Index and shall be subject to availability of monies in any of the above funds and shall be granted only when all other reasonable offsets have been granted.
- f. A cash subsidy from the Inclusionary Zoning Special Revenue Fund of two thousand five hundred dollars (\$2,500) per inclusionary dwelling unit. The City also may provide a cash subsidy from Tax Incremental District funds approved and disbursed pursuant to adopted policies. The subsidy shall be only for on-site inclusionary dwelling units for developments with forty-nine (49) or fewer detached dwelling units or developments with four (4) or more stories and at least seventy-five percent (75%) of parking is provided underground. The subsidy shall be adjusted annually based to the Consumer Price Index, shall be subject to availability of monies in any of the above funds, and shall be granted only when all other reasonable offsets have been granted.
- g. One additional story for development in Downtown Design Zones, not to exceed the requirements of Sec. 28.04(14) or the height limits of the Downtown Design Zones in Sec. 28.07(6)(e).
- h. Reservation of up to twenty percent (20%) of the total floor area in multi-family dwellings for market rate units. Floor area reserved for market rate units may include dwelling units on more than one (1) floor.
- i. Reservation of up to twenty percent (20%) of the net residential lot area for single-family or two-family dwellings for market rate units.
- j. Up to seventy-five percent (75%) of required single-family inclusionary dwelling units may be provided in two-family or multi-family dwellings with no more than eight (8) units and no more than two (2) units sharing an entry. These units shall be dispersed among or immediately adjacent to single-family dwelling units. If these inclusionary dwelling units are provided in multi-family dwellings with between five (5) and eight (8) dwelling units, no more than fifty percent (50%) of the dwelling units in any building may be inclusionary dwelling units.
- k. Eligibility for a number of residential parking permits equal to the number of inclusionary dwelling units in Planned Development Districts, if the provisions of Sec. 12.138 are met.
- l. For development that is located in the Central Urban Service Area and is contiguous to existing development, but for which no Neighborhood Plan exists, the preparation of a

Neighborhood Plan may be funded by non-City sources upon approval of the Common Council.

- m. Expedited review is available as follows:
    - i. For development that is consistent with adopted City plans, as determined by the Director of the Department of Planning and Development, is located in the Central Urban Service Area, and is contiguous to existing development, the preliminary and final platting processes may be combined if:
      - A. The applicant agrees in writing that the Common Council shall have ninety (90) days to act on the completed application, and
      - B. The ninety (90) day period may be extended pursuant to Sec. 16.23(5)(b)3.
    - ii. For development that is consistent with adopted city plans, as determined by the Director of the Department of Planning and Development, the Planned Unit Development District or Planned Commercial Development District General Development Plan and Specific Implementation Plan may be combined.
    - iii. Following approval of the development, revised documents may be routed concurrently to City agencies for final review and sign off.
  - n. Consideration of modifications to city plans, to allow residential development in areas currently identified for other uses.
  - o. Reduced street widths pursuant to Sec. 16.23(8).
  - p. Other offsets specific to the development requested at the time of application.
3. In the event the offsets do not cover ninety-five percent (95%) of the revenue differential in (d)1., the applicant may request:
- a. Provision of inclusionary dwelling units off-site or assignment of the obligation to provide some or all of the required inclusionary dwelling units to another person if:
    - i. Off-site inclusionary dwelling units are located within a one (1) mile radius of the edge of the proposed development or within the same elementary school attendance area in the City of Madison, if feasible, are comparable in quality to inclusionary dwelling units that would have been on-site, and if the obligation to provide inclusionary dwelling units is assigned, the units shall be provided within one (1) year of when they would have been provided under the requirements of Subdivision (g)6.
    - ii. The number of off-site inclusionary dwelling units equals the difference between the total number of inclusionary dwelling units that are required and the number provided on site or some greater number determined by the Plan Commission;
  - and/or
  - b. Making a payment into the Inclusionary Zoning Special Revenue Fund if:
    - i. Payment to the Inclusionary Zoning Special Revenue Fund, for a waiver of owner-occupied inclusionary dwelling units is an amount equal to ten percent (10%) of the average sale price of the owner-occupied units in the development for each owner-

- occupied inclusionary dwelling unit that will not be provided.
    - ii. Payment to the Inclusionary Zoning Special Revenue Fund for a waiver of rental inclusionary dwelling units is ten percent (10%) of the appraised value of the average unit times the number of units waived.
    - iii. Payment to the Inclusionary Zoning Special Revenue Fund for a waiver of other residential occupancy dwelling units is an amount equal to ten percent (10%) of the appraised value of the average rental unit multiplied by the number of required, but not provided, inclusionary dwelling units.
- 4. In the event that offsets, provision of off-site inclusionary dwelling units, assignment of the obligation, and/or payment to the Inclusionary Zoning Special Revenue Fund do not cover ninety-five percent (95%) of the revenue differential in (d)1., the applicant may request a waiver in (c)8. to reduce the number of inclusionary dwelling units required.
- 5. In the event the offsets exceed five percent (5%) of the revenue differential in (d)1., the offsets may be reduced by the Plan Commission.
- 6. Density Bonus. The density used to calculate the density bonus shall be based on the existing zoning as shown below in a. However, if the existing zoning is agricultural or for lands to be annexed to the City of Madison and a Neighborhood Plan exists for the area, the density used to calculate the density bonus shall be as shown in b. If development is located in the Downtown Districts, as shown on Maps 2-3 of Vol. 2, City of Madison Comprehensive Plan, the density used to calculate the density bonus will be determined by the Director of the Department of Planning Development, based on consideration of the existing zoning designation, Historic or Urban Design District designation, and in a manner consistent with the intent and integrity of existing Neighborhood or Special Area Plans, and the existing development neighborhood pattern.

a.	<u>Existing Zoning</u>	<u>Density to Use as Basis for Density Bonus</u>
	R1	5.44 units/acre
	R1-R	0.6 units/acre
	R2	7.26 units/acre
	R2T	8.72 units/acre
	R2S	10.89 units/acre
	RS	5.44 units/acre
	R3	10.88 units/acre
	R4/R4A/R4L	21.78 units/acre
	R5	33.50 units/acre
	R6/R6H	72.60 units/acre
	Conservancy	5.44 units/acre
	Planned Unit Development	The density specified in the zoning text.
	Planned Community Development	The density specified in the zoning text.
	Planned Community Mobile Home Park	The density specified in the zoning text.
	OR	72.60 units/acre
	O1	21.78 units/acre
	O2	21.78 units/acre
	C1, C2, C3, C4	38 units/acre
	C3L, M1, M2, PSM, SM	5.44 units/acre

- b. Agricultural or Lands to be Annexed:
  - a. Low Density                      Seventy-five percent (75%) point of the density range in Neighborhood Development Plan

- b. Low-Medium Density
- c. Medium Density
- d. Medium-High Density
- e. High Density

(e)

Midpoint of density range in-Neighborhood Development Plan  
Midpoint of density range in-Neighborhood Development Plan  
Midpoint of density range in-Neighborhood Development Plan  
Midpoint of density range in-Neighborhood Development Plan  
Price of Inclusionary Dwelling Units.

1. Rental Inclusionary Dwelling Units. The monthly rental price for rental inclusionary dwelling units or leased residential spaces shall include rent and utility costs and shall be no more than thirty percent (30%) of the monthly income for the applicable AMI.
2. Owner-Occupied Inclusionary Dwelling Units. The qualifying sale price of an owner-occupied inclusionary dwelling unit or a lot that is designated for an owner-occupied inclusionary dwelling unit shall be calculated by the City based on a monthly payment that includes property taxes, homeowner's insurance, private mortgage insurance, homeowner's or condominium association fees (if applicable), monthly ground rent, and the principal payment and interest on a mortgage based on the available fixed-rate thirty (30) year mortgage. The sales price of a lot shall be not more than twenty-five percent (25%) of the qualifying sales price of an owner-occupied inclusionary dwelling unit. The monthly payment that is used to calculate the qualifying sale price shall be no more than thirty percent (30%) of the monthly income for the applicable AMI. The applicable interest rate for establishing a sale price shall be the rate, as determined quarterly by the Department of Planning and Development, that is available as of the date on which the building permit for the inclusionary dwelling unit is issued or the date on which marketing of the unit begins. With the exception of a refrigerator and stove, major appliances in the home and landscaping shall be considered as optional amenities. If the owner-occupant of an inclusionary dwelling unit wishes to finance these optional amenities as part of the home mortgage, their cost should not be considered part of the purchase price of the unit.
3. Other Residential Occupancy Inclusionary Dwelling Units. The price of another residential occupancy residency inclusionary dwelling unit shall not exceed thirty percent (30%) of the monthly income for the applicable AMI and shall include all occupancy fees, utility costs and, if applicable, any monthly payment for the financing of the cost to enter into an agreement for such unit. The monthly payment shall be calculated in the same manner as a monthly payment under (e)2. above.
4. Dwelling Unit/Family Size. For purposes of calculating rental and sales prices, the following relationship between family size and dwelling unit size shall apply:
  - a. Leased residential space - One bed in a two-bed bedroom - .5 of a one (1) person family.
  - b. Leased residential space - One bedroom in a multi-bedroom unit - .66 of a one (1) person family.
  - c. Efficiency dwelling unit - 1 person family.
  - d. One bedroom dwelling unit - Average AMI of a 1 and 2 person family
  - e. Two bedroom dwelling unit - 3 person family.
  - f. Three bedroom dwelling unit - Average AMI of a 4 and 5 person family
  - g. Four bedroom dwelling unit - 6 person family.
  - h. Five bedroom dwelling unit - Average AMI of a 7 and 8 person family
  - i. Six bedroom dwelling unit - 9 person familyThe median income for a family of 1.5 is the average of median income for a 1 and 2 person family. The median income for a family of 4.5 is the average of the median income for a 4 and 5 person

family. The median income for a family of 7.5 is the average of the median income for a 7 and 8 person family.

5. Tenants. Rental inclusionary dwelling units shall be rented only to income eligible families during the period of affordability. An income eligible family may remain in a rental inclusionary dwelling unit for additional rental periods as long as the income of the family does not exceed one hundred twenty-five percent (125%) of the applicable AMI.

6. Failure to Rent or Sell During Marketing Period. For all inclusionary dwelling units, marketing begins on the date when at least one (1) dwelling unit has been sold (closed) or rented and a completed unit is available to walk through or view in a virtual presentation and the Director of Department of Planning and Development receives notice that the completed unit is available for to walk through or viewing in a virtual presentation:

- a. Owner-Occupied Inclusionary Dwelling Units. After one hundred eighty (180) days of marketing, a number of inclusionary dwelling units may become market rate units by one of the following mechanisms:

- i. if the percentage of market rate units in a phase of development that have sold is more than the percentage of inclusionary dwelling units in the development phase that have sold, a number of inclusionary dwelling units may become market rate units, The sum of the number of inclusionary dwelling units that become market rate dwelling units and the number of inclusionary dwelling units that have sold shall be a percentage of inclusionary dwelling units in a development phase that is no more than the percentage of market rate units in the development phase that have sold. Every ninety (90) days thereafter, owner-occupied inclusionary dwelling units may become market rate units following the above process.

or

- ii. The builder or developer has submitted a marketing plan for review and approval by the Director of the Department of Planning and Development. Such plans shall include, but not be limited to, how marketing will be conducted and how the units will be advertised, as well as how documentation of completions will be delivered. Upon certification of the completion of the marketing plan the remaining inclusionary dwelling units may become market rate units.

If an owner-occupied inclusionary dwelling unit becomes a market rate unit, the owner shall return to the City fifty percent (50%) of the difference between the sales price as a market rate unit and the price for which it was marketed as an inclusionary dwelling unit. These funds shall be deposited in the Inclusionary Zoning Special Revenue Fund.

- b. Rental, Other Residential Occupancy, and Leased Residential Space Inclusionary Dwelling Units. These units are subject to the same procedure as in a. above, using rentals rather than sales, except that no funds shall be returned to the City for inclusionary dwelling units that are rented or leased as market rate units and when a new family occupies such a unit, it must be offered to a family with the



AMI required under the restriction for that inclusionary dwelling unit.

- (f) Inclusionary Dwelling Unit Plan. Following required meetings with staff, an Inclusionary Dwelling Unit Plan shall be submitted to the Director of the Department of Planning and Development. The Inclusionary Dwelling Unit Plan shall be in addition to any other plan or agreement submitted as a requirement by this or any other ordinance and shall be reviewed and approved as part of the applicable land use approval process. The Inclusionary Dwelling Unit Plan shall include: the total number of inclusionary and market rate dwelling units that will be provided; of that total, a projection of the number that will be rental inclusionary dwelling units inclusionary dwelling units and other residential occupancy inclusionary dwelling units; the breakdown of dwelling unit size by number of bedrooms and square footage; the distribution pattern of the inclusionary dwelling units throughout the development; the schedule for the provision of market rate and inclusionary dwelling units; the offsets sought from the City for provision of the inclusionary dwelling units. A land use restriction agreement, or ground lease agreement shall be prepared that includes the provisions of the Plan and shall be recorded with other documents requiring recording under this or any other ordinance. The Plan may be amended to reflect changes in the above information or to add required information that may not have been available at the time of Plan approval. Any such amendments shall be approved by the Plan Commission, however, the Director of Planning and Development may approve minor amendments that are compatible with the concept approved by the Common Council and consistent with the provisions of this ordinance. All amended Plans shall be reflected in an amended land use restriction agreement that shall be recorded and shall supersede previously recorded Plans and agreements.
- (g) Standards for Inclusionary Dwelling Units. The following standards shall apply to all inclusionary dwelling units except that par. 7 shall not apply to those units financed by Section 42 low income housing tax credit and/or qualified housing revenue bonds
1. The size need not be the same as market rate dwelling units in the development, except that the size of the inclusionary dwelling units shall not be less than the following:
    - a. Multi-family buildings
      - Efficiency – 400 square feet
      - 1 Bedroom – 500 square feet
      - 2 Bedroom – 650 square feet
      - 3 Bedroom – 850 square feet
      - 4 Bedroom – 1050 square feet
      - 5 Bedroom – 1300 square feet
    - b. Detached units and duplexes -- 950 square feet
  2. The exterior appearance of the inclusionary dwelling units shall be similar in general style to the market rate dwelling units, consistent with the Inclusionary Dwelling Unit Plan. Two-family and multi-family dwellings provided under (d)2.j. shall be complementary in general style and character to the single family market rate and inclusionary dwelling units in the development.
  3. Except as permitted pursuant to Sec. 28.04(26)(d)2.j., the proportion of attached and detached units shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.
  4. The mix of dwelling units, based on the number of bedrooms, shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.
  5. The proportion of rental and owner-occupied dwelling units shall be similar for inclusionary and market rate dwelling units and shall be consistent with the Inclusionary Dwelling Unit Plan.

6. The inclusionary dwelling units and leased residential spaces shall be dispersed throughout the development and shall be provided on similar schedules as the market rate dwelling units, and shall be consistent with the Development Plan. More than one (1) leased residential space may be located in the same dwelling unit.
7. The period of affordability for all rental inclusionary dwelling units shall be no less than fifty (50) years, and shall be documented by a recorded deed restriction, ground lease, or land use restriction agreement. The period of affordability begins on the date the certificate of occupancy is issued.
8. Prior to approval by the Zoning Administrator that is necessary to obtain a building permit to provide an inclusionary dwelling unit, the Director of the Department of Planning and Development shall certify that the above standards have been met.

(h) Distribution of proceeds from sale of an owner-occupied Inclusionary Dwelling Unit.

1. At the time of the qualifying sale of an owner-occupied inclusionary dwelling unit, the income eligible family shall provide the City with a promissory note, secured by a second mortgage, for an amount that is the percentage difference between the appraised value of the unit, determined within thirty (30) days prior to the sale, and the sales price of the unit. The resulting City percentage share of the value of the inclusionary dwelling unit shall be the percentage of the total value represented by the difference between the appraised value and the sales price divided by the appraised value of the inclusionary dwelling unit.
2. At the time of the sale of an inclusionary dwelling unit, the amount of the sale proceeds paid to the City shall be the City's percentage share of ninety-five percent (95%) of the sales price of the inclusionary dwelling unit. This provision applies to all inclusionary dwelling units sold by income eligible families before or after the effective date of this amendment.
3. Any proceeds of a sale that are remaining after the seller's share shall be deposited in the Inclusionary Zoning Special Revenue Fund.
4. The seller cannot offer the inclusionary dwelling unit for sale at a price below the assessed value unless approved by the Director of the Department of Planning and Development.

(i) No owner shall rent an inclusionary dwelling unit constructed as owner-occupied for more than a total of twelve (12) months in any seven (7) year period of ownership by one owner. Notice to the Department of Planning and Development shall be given prior to renting any such dwelling unit for any period of time and the inclusionary dwelling unit shall be rented to an income-eligible family with an annual income at or below the AMI level of the owner at the time of the owner's purchase with the exception of the Madison CDA.


(j) The owner of any inclusionary dwelling unit for which a judgment of foreclosure has been granted shall provide notice of the judgment to the Department of Planning and Development within thirty (30) days of the judgment.

(k) Administration and Enforcement. This ordinance shall be administered and enforced by the Department of Planning and Development. The Department shall prepare the Inclusionary Zoning Program Policies and Protocols, which shall be guidelines to be adopted by resolution by the Common Council for the determination of area median income, verification of family median income, the determination of rental and sales prices and interest rates, the applicability of condominium and homeowner association fees, the designation of a non-profit entity as an income eligible family, rental and sales procedures for inclusionary dwelling units, ongoing monitoring of the inclusionary dwelling units, and other policies as are necessary for the implementation of this ordinance. Prior to adoption by the Common Council,

the guidelines shall be reviewed by the Plan Commission. The Plan Commission shall recommend the Common Council that the guidelines be approved as submitted, approved with modifications, referred for further modifications, or disapproved.

- (l) Any completed application for development submitted to the City prior to the effective date of this ordinance shall be subject to the provisions of Sec. 28.04(25), except that the proceeds of the sale of an owner-occupied inclusionary dwelling unit shall in all cases be subject to Sec. 28.04(26)(h). An applicant who has submitted a completed application for development prior to the effective date of this ordinance may withdraw the application prior to approval and resubmit it subject to Sec. 28.04(26).
- (m) Severability. It is hereby declared to be the intention of the Common Council of the City of Madison that the provisions of any part of this ordinance are severable. If any court of competent jurisdiction shall adjudge any provision of this ordinance to be invalid, such judgment shall not affect any other provision of this ordinance not specifically included in the judgment. If a court of competent jurisdiction shall adjudge invalid the application of any provision of this ordinance to a particular property, building or structure, such judgment shall not affect the application of said provision to any other property, building or structure not specifically included in said judgment."
- (n) This ordinance shall have no effect after January 2, 2009. The Council shall be notified of this provision by City staff at least 120 days prior to this date."


3. Current Subsection (26) entitled "Home Occupations" of Section 28.04 entitled "General Provisions" of the Madison General Ordinances is hereby renumbered to Subsection (27).



# Inclusionary Zoning Annual Report

And Proposals for Improvements to the Inclusionary Zoning  
Program

September 2008  
City of Madison, Wisconsin  
Inclusionary Zoning Advisory Oversight Committee



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## **Executive Summary**

One of the six Common Council charges to the Inclusionary Zoning Advisory Oversight Committee (hereinafter the Committee) is to "Report annually in July to the Common Council on issues related to the implementation of the Inclusionary Zoning program (hereinafter IZ)." This annual report, for the year ended July 31, 2008, records the activities of the Committee, summarizes the production and sales activity for the program and responds to an additional request from Mayor Cieslewicz for proposals to improve the IZ program.

Significant accomplishments of the Committee in the last year include commissioning a consultant report on the supply and demand for affordable housing in the City of Madison; a qualitative survey with feedback from key participants; adoption of new policies and procedures, including the revenue gap analysis methodology; a report with proposals to improve marketing; and a menu of proposals regarding the program.

In the last year, 5 developments have been approved with 1274 homes, 64 of which were affordable under the inclusionary zoning program. In the last year, 14 IZ homes have been sold and currently there are contracts pending for 3. Since the program was launched on Feb. 14, 2004, 48 developments have been approved with 2075 homes, 173 of which were affordable under the inclusionary zoning program, and 33 IZ units have been sold to date. See chart on page 6.

### The Quest to Develop Proposals

Responding to the Mayor's additional request to provide proposals to improve the program was difficult and remains an unresolved charge. There continue to be significant differences of opinion among committee members as to whether the proposed ideas contained in this report are sufficient, effective or viable. Not only is the issue of inclusionary zoning complex, but the timeframe proved to be insufficient to adequately propose, examine and weigh each proposal.

Nevertheless, the Committee employed the following methodology:

1. Members were invited to recommend proposals for improvement for the full committee's consideration.
2. These proposals were voted on, with little to no discussion on some items, and more discussion on other items.
3. The votes were taken over the course of three meetings and are presented, with the votes they received, in a chart on pages 10-12.

Despite the diversity and wide ranging nature of the proposals, the recommendations generally fell into at least one of four groups:

- Homebuyer Assistance;
- City's Role;
- Current Ordinance Issues; and
- Issues outside IZ.

The Committee is comprised of diverse stakeholders who devoted a significant amount of time and effort to reviewing the program and many improvement opportunities. The Committee did not have enough time to complete the task of making a single coordinated package of improvements for the IZ program, and it is unclear that even with additional time that the Committee would be able to come to agreement. While the following list does not represent a comprehensive or even compatible list of proposals, the Committee was able to reach consensus on the following proposals through the process described above. It is important to note that the following list should not be viewed as a checklist of things to be completed, as the Committee does not feel that the following list alone would resolve the many issues discussed. However, the following list of proposals, grouped by topic, could contribute to creating more affordable housing in our community, and in some cases, improving the IZ program.

#### Issues Outside Inclusionary Zoning

1. Mobilize Affordable Housing Trust Fund (hereinafter AHTF) to support and expand existing programs.
2. At least annually, the City shall collect the data and report on home ownership rates and historical trends among the target markets and entire population.
3. Expand city-wide dedication to affordable housing through the expansion of yearly general funds committed to the Affordable Housing Trust Fund. (Note: It was unclear whether the recommendation included funding for rental.)
4. Make the AHTF available before it reaches the \$10 million mark, thereby making more money available for more uses.
5. Allow TIF 10% housing set-aside to be used for same things as AHTF.
6. Allow down payment loans sufficient to avoid private mortgage insurance.
7. Preserve TIF workforce housing capabilities in both "base" as well as 10% housing set-aside; use TIF housing funds for housing.

#### Current Ordinance Issues

8. Evaluate the offset model formulas.
9. The City of Madison should participate more actively in the First Time Home Buyers Round Table and proactively market the Inclusionary Zoning Program

10. The City of Madison should educate professionals in the real estate and banking industry about IZ.
11. The Mayor should have a designated staff person participate in negotiating offsets with developers. This person should be instructed to place a priority on creating affordable housing with substantive offsets provided from various departments including Fire, Parks, Engineering, Planning and other departments as appropriate.
12. The lead negotiator for the City should encourage a discussion about the use of MGO 28.04(26)(d)2.p., which allows offsets for "Other offsets specific to the development".
13. Analyze the AMI levels that are targeted in IZ and compare to current lending practices and available housing stock; consider either lowering or raising the targeted AMI levels as appropriate. (Item #23 in Proposals Chart.)

#### Areas of Disagreement

Because of the diverse interests represented by committee members and the fact that each voting meeting was attended by different members, the committee cannot present a unified package of proposals. It is important to note that the committee did not reach consensus on other important items such as:

- whether the program should be mandatory or voluntary;
- whether every development must have affordable homes; and
- whether to improve the program or discontinue it through sunset or repeal.



## **Purpose of Inclusionary Zoning**

As stated in the IZ ordinance:

Statement of Purpose. The purpose of this ordinance is to further the availability of the full range of housing choices for families of all income levels in all areas of the City of Madison. A full range of housing options promotes diverse and thriving neighborhoods, schools and communities. It also aids the recruitment and retention of local businesses and their workforce, which are essential to the economic welfare of the City. This purpose can be accomplished by providing dwelling units for families with incomes less than the area median income.

## **Charges of the Inclusionary Zoning Advisory Oversight Committee**

The ordinance creating it states that the Committee shall:

- a. Evaluate the housing needs study and recommend changes to the Inclusionary Zoning program as a result of such study and identify any additional information needed to further evaluate the Inclusionary Zoning program.
- b. Evaluate the "Gap Analysis" and Waiver methodologies and make proposals to staff and the Plan Commission regarding such methodology.
- c. Evaluate and make proposals to the Plan Commission and Common Council to revise the policy and procedure manual.
- d. Make proposals to the staff and Common Council regarding marketing the Inclusionary Zoning Program.
- e. Seek public input regarding issues and concerns regarding the Inclusionary Zoning program and make proposals for further changes and regularly report findings to the Plan Commission for review.
- f. Report annually in July to the Common Council on issues related to the implementation of the Inclusionary Zoning program.

## **Members of the Inclusionary Zoning Advisory Oversight Committee**

Marianne Morton, Chair (Housing Advocate); Executive Director, Common Wealth Development, a non-profit developer

Brian A. Munson, Vice Chair (Periphery Developer); Principal, Vandewalle & Associates, land planners

Natalie L. Bock, (Downtown Developer); Development Project Manager, The Alexander Company, urban developer

Judith A. Bowser, (Plan Commission Member); Executive Director (retired), American Society of Preventive Oncology, former District 19 alder

Curtis V. Brink, (Housing Committee Member); President, Curt Vaughn Brink, LLC, real estate development company

Lauren Cnare, (Plan Commission Member); Third District Alder

Nancy E. Fey, (Plan Commission Member and Chair)

Thomas E. Hirsch, (Housing Committee Member and Chair); Principal, Hirsch Group, LLC, architect

Brenda K. Konkel, (Common Council Member), Second District Alder; Executive Director, Tenant Resource Center

Matt Miller, (Realtor); Division Manager for commercial and large projects, The Stark Company Realtors, real estate brokerage.

Alex Saloutos, (Mayor's Designee); Principal, The Office of Alex Saloutos, management consultant to homebuilders and developers.

David Simon, (Alternate – Periphery Developer); President, Veridian Homes, builder and developer.

Marsha Rummel (Neighborhood Association Member, August 2006 through April 2007), current Sixth District Alder.

## City Staff

Hickory Hurie, Community Developments Grants Supervisor. Hickory Hurie provided enthusiastic, highly professional and, when it was needed, wry humorous and warm emotional support to the IZ Committee until he retired in April 2008. The Committee is deeply indebted to him for his outstanding service and wishes him the very best in his retirement.

Barbara Constans, Grants Administrator 4

Karl van Lith, Organizational Development and Training Officer

## Performance Results

During the period July 1, 2007 to July 31, 2008 fourteen (14) inclusionary dwelling units were sold.

The chart below summarizes results of the Inclusionary Zoning program at key stages of approval, marketing and sales.

Inclusionary Zoning Program 2004 - 2008							
			Approved and Not Recorded		Approved and Recorded		IZ Units Sold
	Total Units	IZ Units	Total Units	IZ Units	Total Units	IZ Units	Approved Under the 1st Equity Model and Sold Using the 1st Equity Model
<b>Projects Approved Under the Original Inclusionary Zoning Ordinance - Adopted January 2004</b>							1
	1370	199	1051	99	2622	313	
<b>Projects Approved under the Revised Inclusionary Zoning Requirements - Adopted July 2006</b>							Approved Under the 1st Equity Model and Sold using the 2006 Revised Ordinance Equity Model
Sub Total (Reviewed Under New Ordinance)	608	38	1718	121	0	0	
Adjustments for re-zonings			694	47	-71	-11	
Total Approvals	1978	237	2075	173	2551	302	33
<b>Marketing Period for IZ Units</b>							
	Began Marketing Period as IZ Units	Ended Marketing Period Released from IZ program	Sold as IZ Unit	Currently Being Marketed as an IZ Unit	Approved But Not yet Marketed As an IZ Unit		
Approved Under Original Ordinance	250	197	33	12	38		
Approved Under Revised Ordinance	0	0	0	0	12		

Note: Due to changes in some projects from the time of approval to date the numbers in this table cannot be added to or subtracted from one another to produce a total. The numbers are independent from one another.

There is disagreement among committee members on whether or not the program is a success. The Committee strove to identify measures of success, see Appendix 9, but no quantifiable goals were agreed on so measuring success was difficult. Having clearly defined and measurable goals would help all stakeholders evaluate the effectiveness of the program.

More detailed information on the performance results of the program can be found in the report prepared by Planning Department in April 2008, Appendix 8.

The chart illustrates that while many IZ units were approved, fewer than expected were sold as IZ units; e.g. at the predetermined price to eligible families or individuals. The Committee did not formally explore the reasons, but ideas were posited during in the Subcommittee on Marketing and during general committee discussion. These include:

- Sellers not actively promoting the units
- Buyers aversion to government programs
- Buying and selling a unit was viewed as being too complex
- The original equity model was not viewed as fair to buyers of the units

### **Activities and Accomplishments of the Committee for the Year Ended July 31, 2008**

#### Meetings and Process

The full Committee met 27 times and two subcommittees met 11 times in the last year, a total of 38 meetings. The rigorous meeting schedule and regular attendance of members demonstrated their commitment to meeting the charge of the Committee, understanding Madison's Inclusionary Zoning ordinance and improving the IZ program.

Two ad hoc subcommittees were established to work on specific topics, allowing members to apply their expertise to a single issue, as well as participate in the full Committee. The Subcommittee on Marketing, formed to make proposals for improvements to marketing of the program, met seven times and the Subcommittee on Supply and Demand formed to assist the Taurean Group (a consultant) with their work, met four times.

Initially, the full committee met for two hours every other Friday morning, reserving the alternate Fridays for subcommittees. In 2008, the Committee expanded its schedule, meeting every Friday at 8:00 AM in order to evaluate and make proposals on improvements prior to the scheduled sunset of the ordinance.

#### Housing Needs Study: Report on Supply and Demand by the Taurean Group

Per the Committee's charge, one of the first activities was to produce a housing needs study. Late in 2006, with funding from the City of Madison, the Realtors Association of South Central Wisconsin and Veridian Homes, the City contracted with the Taurean Group to complete a study on the supply and demand for affordable housing as defined in the inclusionary zoning ordinance. This was vital to understanding the need for the program. A final report was to be completed early in 2007. The consultant submitted its report more than a year later in the spring of 2008.

The Taurean Group's report concluded, "For the City of Madison at the time this report was created, it appears that there is an adequate supply of residential owner occupied housing units (as defined above\*) to meet the current demand."

\*as defined in the Taurean Group's report. (APPENDIX 1, PAGE 3)

The Taurean Group's performance did not meet expectations. Promised delivery dates were consistently missed, data were inconsistent, some information was incomplete, and key maps

were not provided. There was not agreement on how to calculate supply and demand or the conclusions in their report. Thus, the Committee lacked one critical tool for decision-making.

#### Qualitative Study on Inclusionary Zoning—Participant Feedback

To better understand what certain participants from key stakeholder groups thought about the IZ program, the Committee asked Karl van Lith, the City's Organizational Development and Training Officer, to conduct one-on-one interviews with representatives of each group: 1) homebuyers, 2) realtors, and 3) developers. The number of respondents was small and not statistically significant; the information gleaned was largely anecdotal.

Homebuyers were most concerned with location and price of the property when considering whether or not to buy an IZ home. Most indicated they had heard about IZ through their real estate agents, although some had heard about it through their lenders.

Realtors said they usually heard about IZ homes through new projects being built. The price and location were important factors for their buyers.

Developers said that they see IZ as a challenge. They believe it's problematic because it only applies to new homes, making an unfair playing field with respect to retrofitting older buildings. In addition, City departments are not allowing the supposed benefits that IZ offers, such as forgiving park fees.

Written comments from Smart Growth Madison, Veridian and the Realtors Association of Southwestern Wisconsin are included along with a full report in Appendices 4-6.

#### Gap Analysis Methodology Created and Implemented

The Committee reviewed and adopted proposals of the Gap Analysis Subcommittee, creating a policy for the analysis of the gap between the sale price of the IZ home or home site and the market price, and quantifying the value of the incentives to cover this gap. The policy and the worksheet were implemented by the City in September 2007. See Appendix 11.

#### Proposals on Marketing Improvements

In May 2007, the Subcommittee on Marketing was created to recommend improvements to the IZ program's marketing. In November 2007, the Subcommittee completed its work and submitted its report to the full Committee. See Appendix 2

The full Committee supported and recommended action on the following items:

- legal issue research to determine the extent of the ability of the City to market IZ units/sites;
- lender pre-qualification of IZ buyers
- addendum for the seller
- standard "disclosure" form to potential buyer (model "notification" form); and
- IZ program information seminars for developers, buyers and realtors.

The Committee wanted to further discuss setting priorities and examining additional ideas, but the report deadline precluded returning to the topic. The marketing proposals will make it easier for sellers, developers and realtors to comply with the program and build IZ homes, give the program "teeth" so more homes are sold to qualified families, make it easier for buyers to find all the important information they need on IZ homes, make it easier for sellers and realtors to sell IZ homes, and increase education and promotion to generate better awareness.

#### Inclusionary Zoning Policies Adopted

The Committee revised and simplified the IZ Program Policies and Protocols. The Committee recommended the following two important changes to the Plan Commission: deletion of the asset test and change in language regarding price assumption with regard to tax basis. The Plan Commission and Madison Common Council approved both of these changes and approved authorizing the Committee to make any additional IZ policy revisions. At its September 21, 2007, meeting, the Committee adopted a final revised version of the IZ Program Policies and Protocols. See Appendix 10 for more details.

### List of Proposals Considered

The following chart is a complete list of the proposals by members of the Committee over the course of three meetings in May and June 2008. They were presented to the Committee "as worded" by the member proposing them, discussion was limited to brief clarifications, and votes were taken among those present in the room at the time. As a result, the total number of votes cast on a given proposal ranges from 7-10, certain proposals conflict with one another and some votes appear contradictory. Every proposal is presented here verbatim with the votes it received at the time it was considered.

As noted, most of the proposals fit into one or more of four groups: homebuyer assistance, the City's role, current ordinance issues, and issues outside of IZ.

Proposal	Vote
1. Mobilize Affordable Housing Trust Fund (AHTF) to support and expand existing programs.	10 Ayes, 0 Noes
2. At least annually, the City shall collect the data and report on home ownership rates and historical trends among the target markets and entire population.	10 Ayes, 0 Noes
3. Expand city-wide dedication to affordable housing through the expansion of yearly general funds committed to the additional funds to the AHTF. (Note: It was unclear whether the recommendation included funding for rental.)	10 Ayes, 0 Noes
4. Make the AHTF available before it reaches the \$10 million mark, thereby making more money available for more uses.	8 Ayes, 0 Noes
5. Allow TIF 10% housing set-aside to be used for same things as AHTF.	8 Ayes, 0 Noes
6. Evaluate the offset model formulas.	7 Ayes, 0 Noes
7. The City of Madison should participate more actively in First Time Homebuyer's Roundtable and proactively market the Inclusionary Zoning Program.	7 Ayes, 0 Noes
8. The City of Madison should educate professionals in the real estate and banking industry about IZ.	7 Ayes, 0 Noes
9. The Mayor should have a designated staff person participate in negotiating offsets with developers. This person should be instructed to place a priority on creating affordable housing with substantive offsets provided from various departments including Fire, Parks, Engineering, Planning and other departments as appropriate.	7 Ayes, 0 Noes
10. The lead negotiator for the City should encourage a discussion about the use of MGO 28.04(26)(d)2.p., which allows for "Other offsets specific to the development".	7 Ayes, 0 Noes
11. Allow down payment loans sufficient to avoid private mortgage insurance.	7 Ayes, 0 Noes with 1 Abstention
12. Preserve TIF workforce housing capabilities in both "base" as well as 10% housing set aside; use TIF housing funds for housing.	7 Ayes, 0 Noes with 1 Abstention
13. City will buy all IZ lots and resell to qualified buyers.	8 Ayes, 2 Noes

Proposal	Vote
14. If the City guarantees upfront to a builder or developer they will purchase an IZ home, it will be purchased at a price net of reasonable sales and marketing expenses.	8 Ayes, 2 Noes
15. Strengthen links for public transportation in planning and approvals of developments.	7 Ayes, 1 No
16. Pay a buyer's broker's fee with City funds.	7 Ayes, 1 No
17. Provide funds directly to eligible buyers from the AHTF in the form of grants and/or low interest loans.	7 Ayes, 1 No with 1 Abstention
18. Builder or Developers can determine where the homes are located in a project and if they are detached or attached. Exteriors must be comparable in appearance to the market rate homes.	6 Ayes, 3 Noes
19. Funding to buyers from the AHTF will be equal to what a private or nonprofit developer would receive on a per home basis.	6 Ayes, 4 Noes
20. The Mayor should take a strong and active leadership role advocating for improvements so the goals and purposes of the program can be achieved.	6 Ayes, 3 Noes with 1 Abstention
21. The City provides housing counseling services to first time homebuyers.	6 Ayes, 1 No
22. Have the City income qualify the list of potential homeowners who qualify for Inclusionary homes.	6 Ayes, 1 No
23. Analyze the AMI levels that are targeted and compare to current lending practices and available housing stock; consider either lowering or raising the targeted AMI levels as appropriate.	6 Ayes, 0 Noes with 1 Abstention
24. The City markets (promotes) IZ homes.	6 Ayes, 2 Noes
25. Extend the sunset by 6 months to allow more time to work on details of proposed "fixes."	6 Ayes, 4 Noes
26. Reduce supply of IZ homes when the existing supply exceeds demand.	6 Ayes, 1 No with 1 Abstention
27. If the builder or developer's policy is to pay co-brokerage fees on the market rate homes in a project, they must pay comparable fees on the IZ homes.	6 Ayes, 2 Noes with 1 Abstention
28. Builders and developers can choose to 1) accept incentives that compensate them in full for the homes and then build and sell them, 2) accept the incentives and pay a reasonable fee to the City to be used for affordable housing in lieu of building and selling the homes, or 3) decline the incentives and do nothing.	5 Ayes, 4 Noes
29. Revise the program and re-brand IZ since improvements have been made, but many still think that the previous flaws in the program still exist.	4 Ayes, 2 Noes with 1 Abstention
30. Consider lowering the 15% of the development requirement for Inclusionary Zoning Homes in exchange for targeting lower income households.	4 Ayes, 3 Noes
31. Remove the limits on the marketing period to eliminate generally acknowledged games that have been played during the marketing of early Inclusionary Zoning homes.	4 Ayes, 3 Noes



Proposal	Vote
32. Have the City market (promote) the homes.	4 Ayes, 3 Noes
33. Have the City purchase the Inclusionary Zoning homes when the homes are available for occupancy.	4 Ayes, 3 Noes
34. Develop a mechanism to adjust for changes in the market measured at the time the homes are being built, as opposed to the time when the homes are approved.	3 Ayes 3 Noes with 1 Abstention
35. Lower the percentage of required IZ homes.	4 Ayes, 4 Noes
36. Remove timing out of marketing period on initial sale.	4 Ayes, 4 Noes
37. Recommend the City buy completed IZ homes.	4 Ayes, 4 Noes
38. Have the City contract with trained buyers' agents to help buyers negotiate the amenities (parking, storage, etc.) that are included in the sales of other housing homes.	5 Ayes, 5 Noes
39. Set up a negotiated, voluntary process for affordable housing based on Middleton's model.	5 Ayes, 5 Noes
40. Allow the current IZ Ordinance to sunset.	4 Ayes, 6 Noes
41. Remove the offsets and waiver analysis and, in exchange, lower the 15% requirement to 10% but make it mandatory.	3 Ayes, 4 Noes
42. Repeal the current IZ Ordinance.	3 Ayes, 4 Noes
43. Recommend offering not to charge park fees until the first sale of the IZ home.	3 Ayes, 4 Noes with 1 Abstention
44. Recommend permanent affordability for all homes and the City purchases every time home is for sale.	3 Ayes, 5 Noes
45. The City shall reimburse IZ buyers for ½ of their reasonable attorney's fees. The maximum amount provided by the City shall be \$500.	3 Ayes, 5 Noes with 2 Abstentions
46. Bi-annually, the City shall conduct primary market research on the market demand for IZ homes and the needs of the target market.	2 Ayes, 5 Noes with 2 Abstentions
47. Any payments made in lieu of creating homes should cover at least 80% of the cost to create an additional home.	1 Aye, 4 Noes with 1 Abstention
48. Re-evaluate the formula that links the number of the people in a household to the price of home they can purchase. Consider requiring the family size to match the number of bedrooms in the home that is purchased.	1 Aye, 5 Noes with 1 Abstention
49. Recommend establishing a marketing period on subsequent sales with shared equity based on percentage financing by the City and homeowner.	1 Aye, 6 Noes
50. Bonus density shall be based on the current zoning code.	1 Aye, 9 Noes

## Summary

The diverse composition of the Committee, combined with the complexity of the issues, was useful in providing a full spectrum of viewpoints and led to rich discussions, but it has prevented the Committee from reaching consensus on a single, coordinated package of improvements to the IZ ordinance.

Throughout the process, concerted effort was made to gather sufficient, accurate and consistent data to accomplish the charge. One of the greatest impediments to this was the unsuitability of the housing needs study, or report on supply and demand for affordable housing. While the report contains reams of data and attempts to use it to quantify supply and demand, many members of the Committee were dissatisfied with the methodology and conclusions in the consultant report.

The number of recommendations that were proposed by committee members is extensive and the votes reflect who was voting at the time, and to some degree, the exact wording of the proposal. Hence the discrepancies, with some similar items receiving both winning and losing vote counts.

It is important to evaluate each recommendation's potential on its own, as well as in concert with other ideas. Some proposals must work with others for effective change and some are changes outside the charge of the Committee that, if implemented, could have a major impact on affordable housing.

Like the range of proposals, the opinions of committee members continue to cover a broad spectrum. Committee members have carefully listened to each other and thoroughly explored the existing and possible scenarios in order to make the proposals in this report.

On one key point the Committee is in unanimous agreement—the City should play a vital, leadership role in helping income-qualified buyers own a home.

The entire Committee is disappointed that it could not meet the Annual Report deadline and put forth a single coordinated package of improvements that would achieve the IZ ordinance goals and work for all of the stakeholders.

The Committee respectfully offers this list of proposals for consideration by the Mayor and Common Council, recognizing that they, too, will find the issue challenging.

## Next Steps

The Committee recommends these major next steps:

- Receive any feedback and direction provided by the Mayor and Common Council members.
- Clarification from the Mayor and Common Council on the role of the Committee: 1) technical resource, or 2) the provider of a single coordinated package of improvements prior to sunset
- If the Committee is to be the provider of a single coordinated package of improvements prior to sunset, work more aggressively with the stakeholders to reach a coordinated set of improvements that better achieves the goals and purposes of the IZ program.
- Better quantify the supply and demand for affordable housing.
- Review and improve the offset and waiver processes.

## Appendices Index

1. Housing Needs Study: Report on Supply and Demand, Taurean Group, March 2008
2. Report on Marketing, Subcommittee on Marketing, November 2007
3. Qualitative Study on Inclusionary Zoning—Participant Feedback, Karl van Lith, June 2008
4. Recommendations for Improvement, Carole Schaefer, Smart Growth, May 30, 2008
5. Recommendations for Improvement, Phil Salkin, Realtors Association of South Central Wisconsin, May 5, 2008
6. Recommendations for Improvement, Jeff Rosenberg, Veridian Homes, May 30, 2008
7. Map of Inclusionary Zoning Homes Sold, Anne Kenney, July 2008
8. Inclusionary Zoning Evaluation Study, Planning Department Report, City staff, March 2008
9. IZ Cluster List, Inclusionary Zoning Advisory Oversight Committee, June 2008
10. Inclusionary Zoning Policies and Procedures, Inclusionary Zoning Advisory Oversight Committee, September 21, 2007
11. Inclusionary Zoning Gap Analysis Worksheet, Inclusionary Zoning Advisory Oversight Committee, 2007

# APPENDIX 1

# **Inclusionary Zoning Housing Study**

Report to The Madison Inclusionary Zoning (IZ) Advisory Oversight Committee

Performed by

The Taurean Group, LLC

in cooperation with

The IZ Advisory Oversight  
Final Draft - Submitted March, 2008

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## Executive Summary

The basic question addressed in this report essentially comes down to ...

Based on Madison's Inclusionary Zoning (IZ) Ordinance, what is the supply and what is the demand? Given the parameters of the zoning ordinance, are there households in Madison that are looking for and not finding places to live, or is there sufficient supply of this type of housing already available?

### ***What is the Demand / Supply for IZ housing units?***

In order to arrive at an answer to this question, several steps had to be taken. The first level of analysis is intended to determine qualified demand and qualified supply.

- Determine how many households (potential demand) would qualify for Inclusionary housing based on the number of persons and income of the household. These are referred to in the report as Income Qualified Households (IQHs)
- Determine how many housing units (potential supply) there would be, given value and number of bedrooms, qualified at IZ price levels. These are referred to in the report as Qualified Housing Units (QHUs)

The next step in the process was to determine, of the qualified potential households and units, what constitutes an estimate of actual demand and supply which will be a subset of the 'qualified' numbers estimated in the step above.

For the purpose of this study, Demand is defined as

**Demand (Households):** For the purpose of this study, Demand is defined as the number of Income Qualified Households willing to buy and who would qualify for financing to purchase a Qualified Housing Unit at a given time or in a given time period.

Likewise Supply is defined as

**Supply (Housing Units):** For the purpose of this study, Supply is defined as the number of Qualified Housing Units for sale, or listed for sale at a given time or for a given time period.

### **Not an easy answer**

While the definitions are relatively simple, the answer to the Demand/Supply question is not.

**Special Note:** At the end of this report and before the appendices there is a supplemental section titled "Project Sequence". It is suggested that a reader of this report review this supplemental section prior to delving into the detailed components of the analysis performed.

From the potential home buyer's perspective, many factors come into play. Income is certainly the biggest determining factor in deciding what and where a household can purchase, but credit, job stability, desire to move from an existing location (that may already meet the household's housing needs, or that may even be a bit less than adequate, but not worth the extra effort), interest rates, mortgage underwriting guidelines, as well as factors like proximity to employment, schools and transportation all can affect 'demand' for housing, IZ or otherwise. Even if the price is right, buyers may pass on an opportunity if other factors make the potential home undesirable (in terms of crime, demographics and amenities).

Households (including Income Qualified Households) also have the ability to rent rather than own. Why do people rent rather than own – Doesn't everyone want to own their own home? Not necessarily. Credit may be an issue in that the householder may not qualify for traditional home financing. Some other households may not even want to own a home. Home ownership means that you are much more closely tied to your property in terms of monetary commitment, maintenance, and time. Apartment renters have housing, but it is the landlord's responsibility to maintain the buildings, landscape, pay the taxes and in some cases the utilities. In today's more mobile society, renting is often a chosen option, not a forced one. For the task at hand, this means that not every household that "qualifies" for Inclusionary housing units can be considered in terms of demand for single family or condominium IZ units. In this study, demand will be estimated by reviewing past home purchase loans and applications (to include declined loan applications). Items such as home amenities, crime and personal preference factors were not part of this analysis.

Demand also depends on what is available – the supply side.

On the supply side of the equation, both existing and newly developed homes must be considered. It may very well be that there are enough properties in the desired price range and in an area a household is willing to live that already exist. At the same time, populations (especially in desirable locations like Madison Wisconsin) tend to grow and until political, market, or physical constraints are costly enough, new housing will tend to be developed. Developers and homebuilders are profit motivated. It costs money to buy the land, put in infrastructure, build roads, sidewalks and of course the living units, but whether these units built actually sell depends on demand. If product is built and



nobody buys it...then no profit exists and builders stop building. As seen in the Current and Future Trend section of this report, the projected drop off in building permits is an indication that this type of correction is occurring now.

The task at hand is to analyze existing supply and demand to determine how the two compare. It will then be up to the IZ committee to determine what implications the results have on policy, marketing efforts, etc.

### **Geographic Scope**

As will be described in more detail within the report, supply and demand for IZ units was reviewed at several different geographic levels. While the final supply and demand figures results are summarized for the City of Madison as a whole, these results were also tabulated at the Madison Metropolitan Elementary School District (from this point referred to as School District), Madison Planning Area level, and Madison Census Block Groups. Additionally, demographic characteristics related to Madison, surrounding communities and Dane County will be discussed.

Data used in this project was available at a variety of different resolutions. Commercial demographic information was available for the region at a sampling level as small as 1/16 of a square mile. Alternatively, loan application information summarizing Home Mortgage Disclosure Act data was only available for the Madison Metropolitan Statistical Area which (as of 2003) includes Dane, Columbia and Iowa counties. Therefore, it must be stated that the findings of this report should not be interpreted too finely. The results of this study are estimates and should be treated as such. By definition, estimates will be wrong, but the consultants are confident that they are reasonable, given the direction of the committee and the assumptions stated.

### **Demographic Characteristics**

Madison and Dane County represent a strong economy with a growing population and household base (Dane County's 465,000+ people in 2006 is expected to increase to almost half a million by 2011). Incomes are increasing, but at a faster rate in the areas outside the City of Madison Boundaries. Income characteristics from 2006 indicate that just over 50% of the households in the City make less than \$60,000 per year, while this condition is 35% for those households in the remainder of Dane County. As might be expected in more urban areas, the percentage of households renting in Madison is higher than the outlying areas (around 51% of occupied units vs. 29% in the rest of Dane County). Part of this difference has to do somewhat with the City's urban nature, but also with the university student presence in Madison. From the perspective of the Inclusionary Zoning ordinance, demand is represented by households in terms of income and number of persons in the household. The City of Madison has a higher percentage of households under \$60,000 of income, but also has a larger percentage of single person households (35% in the City of Madison vs. 22% in the remainder of Dane County). As families grow and their incomes increase, households have tended to move toward the suburbs and outside the City. At the same time, there will be new

households that move in and form on their own to replace many of those that might move out.

### Study Results

For the City of Madison, at the time that this report was created, it appears that there is an adequate supply of residential owner occupied housing units (as defined above) to meet the current demand.

Based on the methodologies approved by the steering committee and available data, the demand and supply for IZ housing units can be summarized as follows:

#### Demand / Supply Summary

	80% AMI Estimated Range		60% AMI Estimated Range	
	Low	High	Low	High
Supply of IZ Qualified Units (average # based on month end figures)	475	1,237	80	208
Demand (per month)	117	175	85	128

The table above indicates that at the end of a given month there exists a supply of between 475 and 1,237 available units (at the 80% AMI level) and between 80 and 208 units at the 60% AMI level. During that same month it is estimated that there exists a demand for between 117 and 175 IZ units (at the 80% AMI level) and between 85 and 128 units at the 60% AMI level.

#### Projected Demand and Supply -- through 2011

Demand for IZ housing units will depend on several factors, many of which are not very easy to forecast. Not surprisingly, these factors are the same as those mentioned in determining the demand and supply using currently available data.

Demand -- Income distribution levels in Madison, based on the trends discussed are not expected to change drastically in the next several years. Housing costs, including factors such as total cost (affected by mortgage interest rates, prevailing home prices and in the case of condominiums, the condominium association fees) and available supply will be the likely determinants. Based on household growth projected for the City of Madison, and assuming that similar percentages of households apply and qualify for home purchase loans in the IZ categories, demand for (owned) IZ housing units will rise from the current range of 117 to 175 per month to a range of 126 to 188 per month by 2011.

Supply -- Supply of housing units affordable to IZ Qualified households will depend on things like, the willingness of developers to build in Madison versus outlying areas. For example, in Madison, vacant residential land is not as prevalent and is therefore higher in price. Building on this land costs more and therefore, for the same unit that might be built outside the city, the price will have to be higher in order to derive the same profit. Remember too that the currently supply of Single Family and Condominiums in the Madison area is already high. Given historical purchase rates, the current supply will likely be adequate for at least the next few years.

## Study Area Geographies

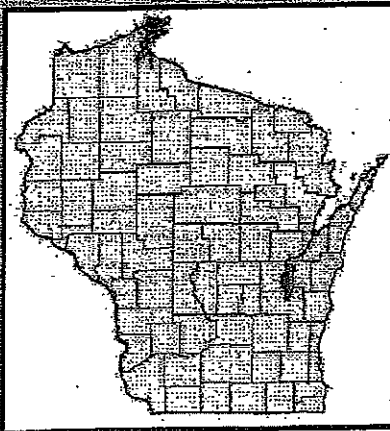
Before delving into the application of the logic used to estimate the level of demand for Inclusionary Zoning in the City of Madison the consultants need to define and describe the levels of data that have been brought together in support of this analysis. The consultants were directed to establish spatially integrated data structures that could be used to establish demographic comparisons between Dane County, the area of Dane County outside the City of Madison, and several geographies within the City of Madison.

The consultants were also asked to compare demographic trends occurring within Dane County and the City of Madison to the State of Wisconsin as a whole.

To establish various units of comparison within the City of Madison the consultants were directed to provide demographic tabulations at specified units of geography. The remainder of this section is intended to illustrate the various units of geography that were created and tabulated for use by the oversight committee.

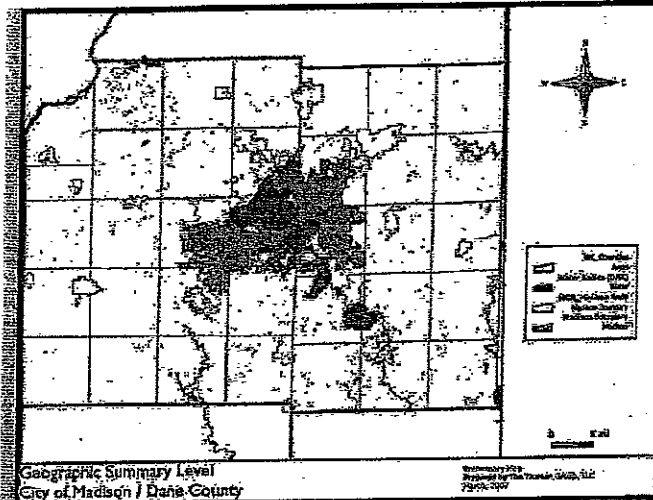
While the levels of geography are relatively straight forward, the rest of the report will be easier to understand if a clear delineation of each geography is illustrated. Demographic, economic, supply, demand and other characteristics will all be discussed with respect to each of these geographies throughout the report. The geographies are shown from largest (State of Wisconsin) to smallest (Scan/US Microgrid) on the following pages. A more detailed discussion of these areas is found in Appendix N.

### State of Wisconsin



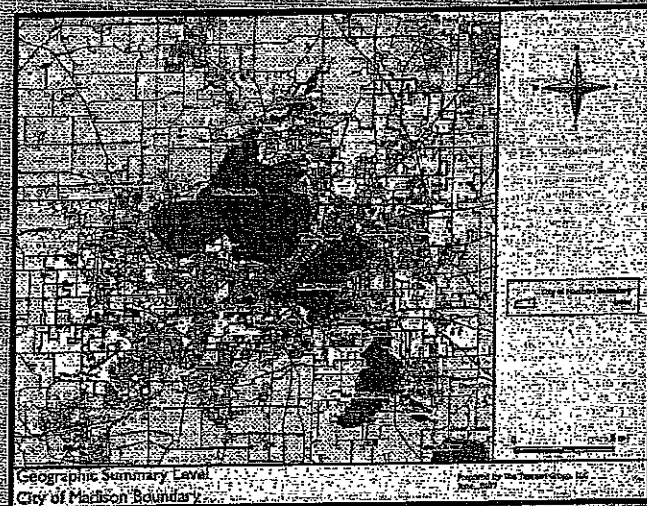
Projections by the State of Wisconsin Department of Administration suggest that the 2000 population (5,363,715) will increase at an annual rate of .65% to equal 6,274,867 by the end of 2025. During this same time the number of households (2,084,586) is projected to increase at an annual rate of .88% to equal 2,592,462 by the end of 2025.

## Dane County, WI and the City of Madison



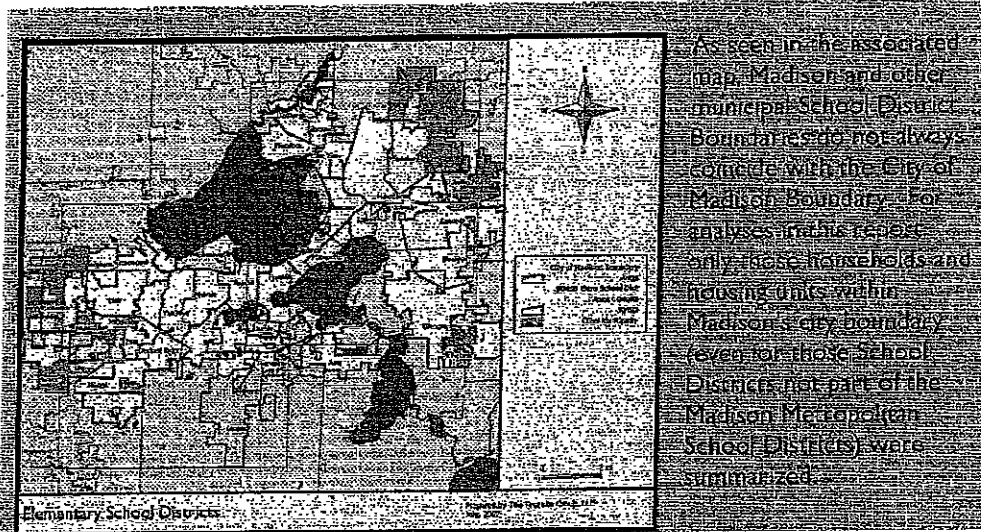
The map to the left shows Dane County outlined in brown with the City of Madison shown in orange. Other municipalities are indicated by light gray borders. Please note that some areas appear to be cut out of the city.

These represent areas that may be surrounded by but are not part of Madison (e.g. Monona, Maple Bluff, Sherwood, and the Town of Madison).

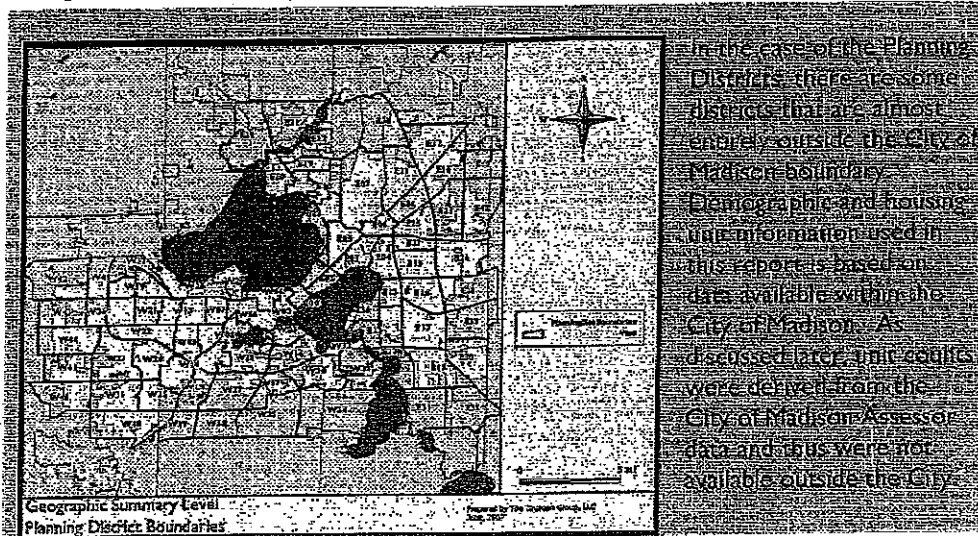


The second map to the left shows the City of Madison with more detail than the first, but also shows how other municipalities are in relation to the city.

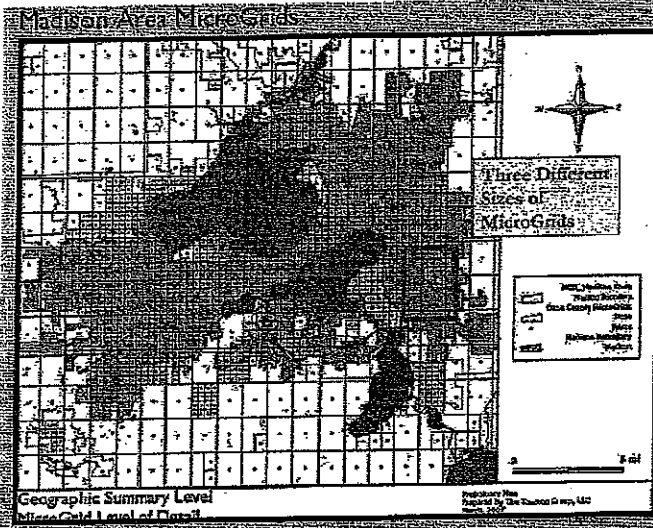
### MMSD Elementary School Districts



### City of Madison Planning Districts



## Scan/US Microgrid



MicroGrid example



Demographic information such as population, households, income, persons per household, and expenditure information is available from a variety of commercial sources. Much of this demographic data was aggregated from data purchased from Scan/US at a level they own MicroGrid.

Each MicroGrid is sized, one of three possible grid sizes based on the number of people living within an area.

The second map shown illustrates how these different sizes correspond with the density of households for the area outlined in red above.

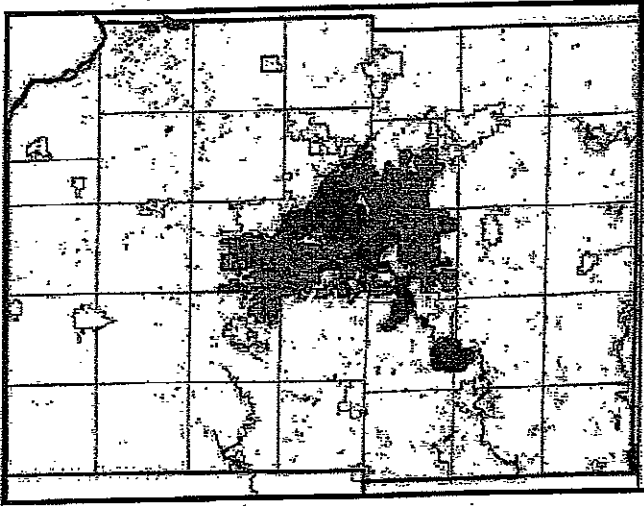
The large grid (tan color) covers an area of approximately 1 square mile (approximately 640 acres). The mid-sized grid (light blue) is 1/2 the size of the large grid, thus it covers an area of approximately 160 acres. The smallest grid (light green) is 1/6 the size of the large grid, thus it covers an area of approximately 40 acres.

***Other geographies considered***

At the beginning of this process, other geographies were considered including Madison Neighborhood Associations and Census Block Groups. During the course of several meetings with the committee, it was determined that final results be tabulated at the Planning District instead. Some intermediate tabulations for these geographies can be found in Appendix D.



## Demographic Summary – Madison and Dane County (and everything in between)



For the purpose of this study, demographic characteristics were gathered using information available from several different sources. Dane County and Madison information was available from many government sources, because those geographies are used for many statewide and national summaries.

However, because of the initial desire of the committee to see

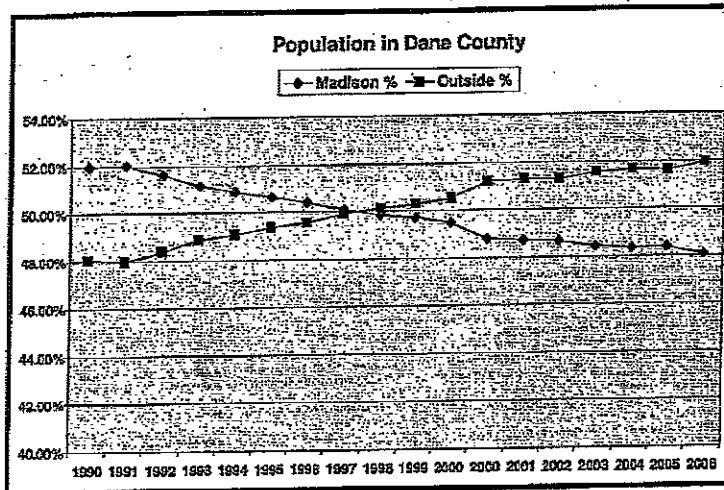
Source: The Taurean Group, LLC  
characteristics in areas as small as block groups, neighborhoods, elementary school districts, etc., commercially available demographic information from Scan/US (Based on the MicroGrid level of detail described in the Study Area Geographies section of this report) were aggregated and used as the base for many of the population and housing attributes during the implementation phase of this study. *(The demographics in this section are from reports obtained using Scan/US at the county and city level of detail and therefore, the numbers may be slightly different from those found in appendices and other sections of the report.)*

Of particular interest to this report are those characteristics related to the number of households, persons per household and income levels as these are the determining factors in the current IZ ordinance definitions. The full text of the IZ ordinance at the time of this study can be found in Appendix F.

### **Dane County / Madison Metropolitan Statistical Area (MSA)**

In 2000, the Madison Metropolitan Statistical Area was defined by the US Office of Management and Budget (OMB) to be Dane County, Wisconsin. The county's population at that time was about 425,000. With the State Capitol of Madison located in its center, and with the University, along with its quality of life and economic strength have been rated as one of the best in the country, Dane County's population, households and average income levels have been growing steadily since that time. Madison's population in 2000 was approximately 208,000 or just about 49% of the total county's population. In the not to distant past, the City of Madison contained a majority of the county population. The graph below shows how the population outside Madison eventually surpassed the population within the City in about 1997. Dane

county and the surrounding counties have continued to grow as well. Given this population growth, in 2003, the OMB changed the definition for Madison MSA to include both Columbia and Iowa Counties.



Source: Wisconsin Department of Administration (DOA) Demographic Services Center

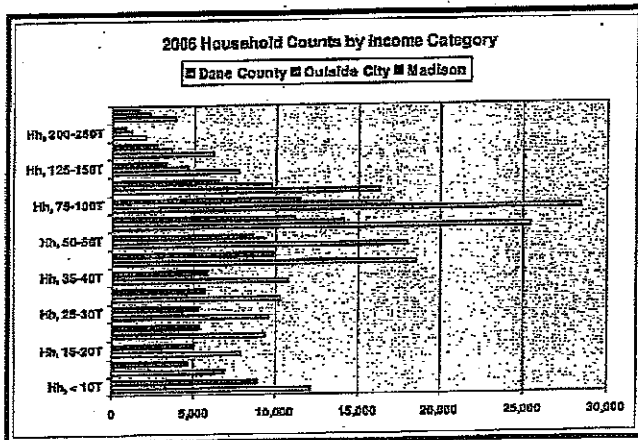
Madison's demographic makeup is somewhat different from the county and the cities surrounding Madison. Madison households tend to be smaller and make less income than the surrounding area. The following table shows some of these differences with respect to the key demographic components mentioned previously.

### Dane County Demographic Summary

	Dane County	Madison	Outside City
Population	465,458	226,961	238,497
Households	189,121	97,740	91,381
<b>Households by Size</b>			
1 Person	54,838	34,961	19,877
2 Person	66,477	33,909	32,568
3 to 4 Persons	54,162	23,337	30,825
5 or More Persons	13,644	5,533	8,111
<b>Households By Income</b>			
< \$10,000	11,866	8,901	2,965
\$10,000 - \$14,999	6,744	4,658	2,086
\$15,000 - \$19,999	7,745	4,980	2,765
\$20,000 - \$24,999	9,151	5,447	3,704
\$25,000 - \$29,999	9,416	5,407	4,009
\$30,000 - \$34,999	10,083	5,824	4,259
\$35,000 - \$39,999	10,490	5,972	4,518
\$40,000 - \$49,999	18,011	10,008	8,003
\$50,000 - \$59,999	17,553	8,737	8,816
\$60,000 - \$74,999	24,666	11,329	13,337
\$75,000 - \$99,999	27,794	11,677	16,117
\$100,000 - \$124,999	15,912	6,543	9,369
\$125,000 - \$149,999	7,652	3,216	4,436
\$150,000 - \$199,999	6,124	2,647	3,477
\$200,000 - \$249,999	2,060	828	1,232
\$250,000+	3,854	1,588	2,266

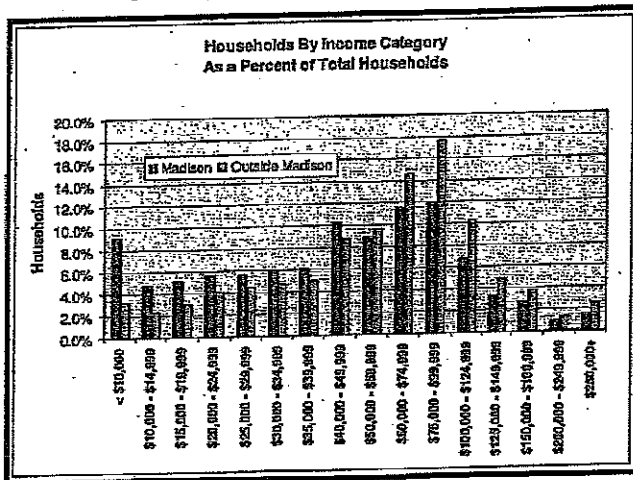
Source - Scan/US at Census Place Level (2006)

Graphs of the household size and income categories further illustrate the differences. The graph below shows households by income category as a percent of total households, in and outside the City of Madison. As a whole, a majority of the households in Dane County fall into the \$40,000 to \$125,000.



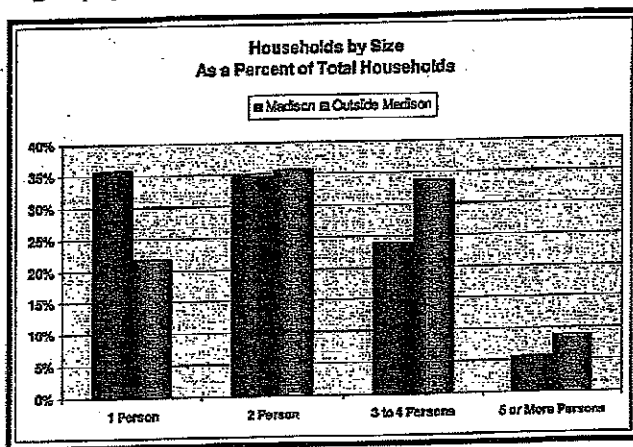
Source: 2006 Scan/US Estimates

Viewed as a percentage of total households, the differences between Madison and the surrounding area are easier to see.



Source: 2006 Scan/US Estimates

The number of persons per household also varies in and out of Madison. A portion of these household may represent students, however these estimates do not include those in group quarters (e.g. those living in dormitories).



Source: 2006 Scan/US

As previously discussed in the Study Area Geographies section of the report, Scan/US information was available at a MicroGrid level, the smallest of which covers an area only 1/16<sup>th</sup> of a square mile in size. Using a Geographic Information System (GIS), the consultants were able to aggregate the demographic detail for each of the Study Area Geographies. Appendix B, C, and D includes a tabulation of this information for Dane County, the City of Madison, and the area Outside the City. Appendix E illustrates the detail of this information for each block group in Dane County.

Because Scan/US also makes available 5 year forecasted information, future demographic characteristics were also available to be examined. The Current and Future Trends section of this study discusses the impact of demographic changes in more detail.

## Key Report Definitions

Before defining Supply (housing) and Demand (households) for Inclusionary Zoning, the definitions must first be addressed.

**Qualified Housing Unit:** For the purpose of this study, a Qualified Housing Unit is a Single Family or Condominium Unit whose sale price is not higher than the Maximum Sales Price specified by the IZ Ordinance and summarized in the Qualifying Sale Price Per Unit Table below. A more detailed description follows the Definitions section.

**Qualifying Sale Price Per Unit**

Single Family Bedrooms	HHSize for Calculations	80%		70%		60%	
		AMI	Max Sale Price	AMI	Max Sale Price	AMI	Max Sale Price
1	1.5 persons	\$44,200	\$133,504	\$38,710	\$116,922	\$33,180	\$100,219
2	3 persons	\$53,050	\$160,235	\$46,410	\$140,180	\$39,780	\$120,154
3	4.5 persons	\$61,300	\$185,154	\$53,655	\$162,068	\$45,990	\$138,911
4	6 persons	\$68,400	\$206,599	\$59,850	\$180,775	\$51,300	\$154,950
5	7.5 persons	\$75,450	\$227,894	\$66,045	\$199,486	\$56,610	\$170,988

Source: Calculated from tables provided by City of Madison CMDC

Condominiums Bedrooms	HHSize for Calculations	80%		70%		60%	
		AMI	Max Sale Price	AMI	Max Sale Price	AMI	Max Sale Price
0	1 Person	\$41,250	\$107,334	\$36,120	\$91,839	\$30,960	\$76,254
1	1.5 persons	\$44,200	\$116,245	\$38,710	\$99,662	\$33,180	\$82,959
2	3 persons	\$53,050	\$142,976	\$46,410	\$122,920	\$39,780	\$102,894
3	4.5 persons	\$61,300	\$167,894	\$53,655	\$144,803	\$45,990	\$121,651
4	6 persons	\$68,400	\$189,340	\$59,850	\$163,515	\$51,300	\$137,890
5	7.5 persons	\$75,450	\$210,634	\$66,045	\$182,227	\$56,610	\$153,728

Source: Calculated from tables provided by City of Madison CMDC

**Income Qualified Households:** For the purpose of this study, an Income Qualified Household is defined as a household that meets the income requirements for inclusionary zoning as defined by income and number of persons (Household Size) in the household. The following table indicates the maximum household income limits at 60% through 80% of AMI for each possible Household Size.

**Area Median Income Levels by Size of Household and AMI Percent**

HHSize	2007AreaMedInc	80pctAMI	70pctAMI	60pctAMI
1 person	\$51,600	\$46,250	\$36,720	\$30,960
1.5 persons	\$55,300	\$44,200	\$38,710	\$33,180
2 persons	\$59,000	\$53,050	\$46,410	\$39,780
3 persons	\$66,300	\$61,300	\$53,655	\$45,990
4 persons	\$73,700	\$68,400	\$59,850	\$51,300
4.5 persons	\$76,650	\$61,300	\$53,655	\$45,990
5 persons	\$79,600	\$68,400	\$59,850	\$51,300
6 persons	\$85,500	\$75,450	\$66,045	\$56,610
7 persons	\$91,400	\$82,500	\$72,240	\$61,920
7.5 persons	\$94,350	\$75,450	\$66,045	\$56,610
8 persons	\$97,300	\$82,500	\$72,240	\$61,920

Source: City of Madison CDBG office

Note: The 1.5, 4.5, and 7.5 person Households are used when qualifying Housing Units (real estate), not Households (people).

**Supply (Housing Units):** For the purpose of this study, Supply is defined as the number of Qualified Housing Units for sale, or listed for purchase at a given time or for a given time period.

**Demand (Households):** For the purpose of this study, Demand is defined as the number of Income Qualified Households willing to buy and who would qualify for financing to purchase a Qualified Housing Unit at a given time or in a given time period.

## **Qualified Housing Unit (QHU) calculations**

### **Qualified Housing Units**

The qualifying levels for housing units are determined by the sale price and number of bedrooms of the unit. Section 2.(e).4 of the IZ ordinance shows the assumptions used to estimate the Maximum income levels for sale price determination. (For the purposes of this study, qualified rental units are not being addressed.)

**4. Dwelling Unit/Family Size.** For purposes of calculating rental and sales prices, the following relationship between family size and dwelling unit size shall apply:

- a. Leased residential space - One bed in a two-bed bedroom - .5 of a one (1) person family.
- b. Leased residential space - One bedroom in a multi-bedroom unit - .66 of a one (1) person family.
- c. Efficiency dwelling unit - 1 person family.
- d. One bedroom dwelling unit - Average AMI of a 1 and 2 person family
- e. Two bedroom dwelling unit - 3 person family.
- f. Three bedroom dwelling unit - Average AMI of a 4 and 5 person family
- g. Four bedroom dwelling unit - 6 person family.
- h. Five bedroom dwelling unit - Average AMI of a 7 and 8 person family
- i. Six bedroom dwelling unit - 9 person family

The median income for a family of 1.5 is the average of median income for a 1 and 2 person family. The median income for a family of 4.5 is the average of the median income for a 4 and 5 person family. The median income for a family of 7.5 is the average of the median income for a 7 and 8 person family.

The current IZ ordinance states that the Qualifying Sale Price of an Owner Occupied Inclusionary Dwelling unit is determined as follows:

**2. Owner-Occupied Inclusionary Dwelling Units.** The qualifying sale price of an owner-occupied inclusionary dwelling unit or a lot that is designated for an owner-occupied inclusionary dwelling unit shall be calculated by the City based on a monthly payment that includes property taxes, homeowner's insurance, private mortgage insurance, homeowner's or condominium association fees (if applicable), monthly ground rent, and the principal payment and interest on a mortgage based on the available fixed-rate thirty (30) year mortgage. The sales price of a lot shall be not more than twenty-five percent (25%) of the qualifying sales price of an owner-occupied inclusionary dwelling unit. The monthly payment that is used to calculate the qualifying sale price shall be no more than thirty percent (30%) of the monthly income for the applicable AMI...



For the purposes of this study, the following assumptions with regard to the mortgage, interest and real estate taxes were provided by the IZ committee and found in the aforementioned spreadsheet are shown in the table below (Note: \$100 condo fee was provided by the IZ Sub-Committee for use in the calculation of monthly housing costs of condominium units).

General Assumptions	
Interest Rate	
Periodic Rate	0.5133%
Term	years
Payments	360
Mortgage Constant	0.0732
Downpayment %	
Loan to Value	
Monthly Condo Fee	<< PLUG MONTHLY CONDO FEE HERE
Tax Rate	2006 Mill rate
Taxes & Insurance	of payment (estimate)

Source: City of Madison CDBG office

Using these assumptions, the following table summarizes the Qualifying Sale Price for residential units based on the number of bedrooms.

### Qualifying Sale Price Per Unit

Single Family Bedrooms	HHSize for Calculations	80%		70%		60%	
		AMI	Max Sale Price	AMI	Max Sale Price	AMI	Max Sale Price
1	1.5 persons	\$44,200	\$133,504	\$38,710	\$116,922	\$33,180	\$100,219
2	3 persons	\$53,050	\$160,235	\$46,410	\$140,180	\$39,780	\$120,154
3	4.5 persons	\$61,300	\$185,154	\$53,855	\$162,063	\$45,990	\$138,911
4	6 persons	\$68,400	\$206,599	\$59,850	\$180,775	\$51,300	\$154,950
5	7.5 persons	\$75,450	\$227,894	\$66,045	\$199,486	\$56,610	\$170,988

Source: Calculated from tables provided by City of Madison CMDC

Condominiums Bedrooms	HHSize for Calculations	80%		70%		60%	
		AMI	Max Sale Price	AMI	Max Sale Price	AMI	Max Sale Price
0	1 Person	\$41,250	\$107,334	\$36,120	\$91,839	\$30,960	\$76,254
1	1.5 persons	\$44,200	\$116,245	\$38,710	\$99,662	\$33,180	\$82,959
2	3 persons	\$53,050	\$142,976	\$46,410	\$122,920	\$39,780	\$102,894
3	4.5 persons	\$61,300	\$167,894	\$53,855	\$144,303	\$45,990	\$121,651
4	6 persons	\$68,400	\$189,340	\$59,850	\$163,515	\$51,300	\$137,690
5	7.5 persons	\$75,450	\$210,634	\$66,045	\$182,227	\$56,610	\$153,728

Source: Calculated from tables provided by City of Madison CMDC

## Income Qualified Households Calculations (IQHs)

### Question:

How many households are available in each School District and Planning District that qualify under the current Inclusionary Zoning Ordinance? In order to determine the answer to this question, we need to determine how many households might be available. E.g. what is the "Potential Demand" of qualified households?

**Rules:** Per the existing Inclusionary Zoning Ordinance, households qualify based on two key factors; Household Income and Number of Persons. Qualification is determined for three levels of Area Median Income (AMI) also defined in the ordinance (80, 70, and 60% of AMI). The following table summarizes the household size and income requirements.

**Area Median Income Levels by Size of Household and AMI Percent**

HHSize	2007AreaMedInc	90pctAMI	80pctAMI	70pctAMI	60pctAMI
1 person	\$51,600	\$46,440	\$41,250	\$36,120	\$30,960
1.5 persons	\$55,300	\$49,770	\$44,200	\$38,710	\$33,180
2 persons	\$59,000	\$53,100	\$47,150	\$41,300	\$35,400
3 persons	\$66,300	\$59,870	\$53,050	\$46,410	\$39,510
4 persons	\$73,700	\$66,330	\$58,950	\$51,590	\$44,210
4.5 persons	\$76,650	\$68,985	\$61,300	\$53,655	\$45,990
5 persons	\$79,600	\$71,640	\$63,650	\$55,720	\$47,760
6 persons	\$85,500	\$76,950	\$68,400	\$59,850	\$51,300
7 persons	\$91,400	\$82,260	\$73,100	\$63,980	\$54,840
7.5 persons	\$94,350	\$84,915	\$75,450	\$66,045	\$56,430
8 persons	\$97,300	\$87,570	\$77,800	\$68,110	\$58,380

Source: City of Madison CDBG office

### Inputs:

Data inputs used to answer this question includes the following:  
 Microgrid data licensed from commercial vendor ScanUS  
 Data from the U. S. Census Bureau, 2005 Current Population Survey  
 Elementary School District Boundaries (from the City of Madison)  
 Planning District Boundaries (from the City of Madison)

**Initial Result** – an estimate of the potential demand of qualified households currently existing in each School District or Planning District boundary.

By using the appropriate boundary file, Taurean estimated the number of households that qualified under any of the three AMI levels based on the number of persons per household and the household income.

N = 737 MicroGrids

**Households and Population**

MicroGridID	InorOutofMadison	NearestMCD_NAME	06 Households	06 Population
#43089/0123.32	InCity	City of Madison	58	151

It is estimated that in 2006 the 737 MicroGrid have 96,830 households and a population of 220,112. It is important to note that the household count does not include Group Quarters which includes such land use classes as University Dorms, Assisted Living Quarters, or Correctional Institutions.

**Households and Income**

Household Income	Household Count
06 Hh, < 10T	3
06, 10-15T	1
06, 15-20T	1
06, 20-25T	3
06, 25-30T	4
06, 30-35T	4
06, 35-40T	4
06, 40-50T	10
06, 50-60T	8
06, 60-75T	10
06, 75-100T	7
06, 100-125T	3
06, 125-150T	0
06, 150-200T	0
06, 200-250T	0
06, 250T+	0

The commercial data vendor provides estimates, by MicroGrid, of households by household income. The table to the left illustrates the income distribution of the 58 households located in the target MicroGrid.

**Geographic Integration**

MicroGridID	InorOutofMadison	NearestMCD_NAME	ElemSchDist	PLAN_DIST
#43089/0123.32	InCity	City of Madison	Allis	W30

The MicroGrids were grouped into specific geography's of School District and Planning District. For the target MicroGrid the table above indicates that it is located in the Allis School District and also within the W30 Planning District.

**Estimating Households by Income by Number of Persons per Household**

ElemSchDist	06 Hh, < 10T Sum	HH<10T_1P Sum	HH<10T_2P Sum	HH<10T_3P Sum	HH<10T_4P Sum	HH<10T_5P Sum	HH<10T_6P Sum	HH<10T_7P Sum
Allis	78	50	16	6	3	1	0	0

ElemSchDist	06 Hh, 10to15 Sum	HH10to15_1P Sum	HH10to15_2P Sum	HH10to15_3P Sum	HH10to15_4P Sum	HH10to15_5P Sum	HH10to15_6P Sum	HH10to15_7P Sum
Allis	48	33	10	2	2	1	0	0

Data from the U. S. Census Bureau, 2005 Current Population Survey (See Appendix M) provided a reference to estimate the number of persons per household per income category. The Census income categories began at \$2,500 and increased by \$2,500 to a maximum of \$100,000. These estimates were then grouped into categories that approximated as closely as possible the household income categories provided by the commercial data vendor. The two tables above illustrate the resulting tabulations for two income categories; less than \$10,000 per year and \$10,000 to \$15,000 per year. In the tables above it is noted that in the Allis School District there is estimated to be 76 households earning less than \$10,000 per year and these households are distributed into 50 1 person households, 16 2 person households and the remainder in 3, 4, and 5 person households. It is estimated that there are no 6 and 7 person households with incomes less than \$10,000 within the Allis School District.

This analysis was performed across all School Districts and Planning Districts for the 11 income categories identified above that ranged from less than \$10,000 up to \$100,000.

**Qualifying Summary**

<b>Madison IZ Study - Count Summary</b>					
<b>Supply and Demand - Summary by School District Counts</b>					
School Dist	Qualifying Households				Total HH
	Cumulative 80% AMI	Cumulative 70% AMI	Cumulative 60% AMI	Cumulative 50% AMI	
Allis	884	40%	512	23%	2,230
Chavez	740	26%	412	14%	2,848
Crestwood	818	26%	418	17%	2,390
Eivahjem	721	29%	420	17%	2,515
...	...	...	...	...	...

The analysis was performed across all School Districts and Planning Districts for the 3 qualifying levels by household income and number of persons. The tabulations were then summarized and are presented in summary tables by School District and Planning District in Appendix D. The table above illustrates the summary for several Madison School Districts.

## Methodologies and Data Sources

### Estimating Demand

**Demand (Households):** For the purpose of this study, Demand is defined as the number of Income Qualified Households willing to buy and who would qualify for financing to purchase a Qualified Housing Unit at a given time or in a given time period.

Ideally, data would be available from lenders and home sellers or a commercial vendor that would show how many households, by income level were actually looking for homes and that qualify for the necessary financing. In addition, this data would be made available at a fine enough level to aggregate by Elementary School District and Planning Area. At the time of this study, these data simply aren't available and therefore an approximation must be made. This approximation of demand can be determined by examining the number of loans originated for home purchases and specifically the number of loans that were originated by applicants at various levels of the Area Median Income (AMI) as defined by HUD and used by the City of Madison for its own IZ calculations.

In order to approximate demand, two sets of numbers must first be estimated.

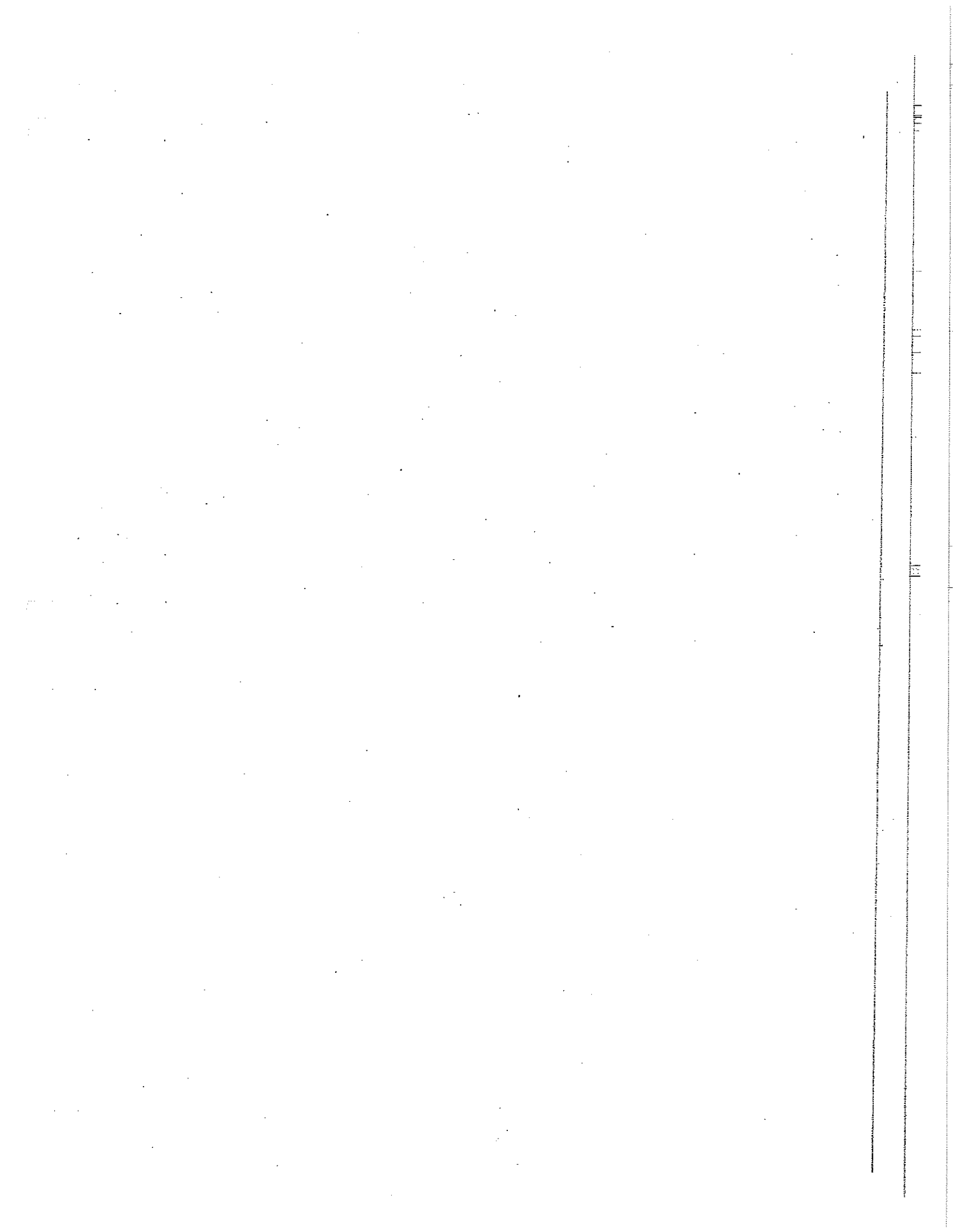
1. The number of Income Qualified Households (IQHs) based on the City of Madison Inclusionary Housing Ordinance (See Appendix F).
2. The percentage of home purchase loans expected to be originated by the IQHs. Because of the various factors that might impact home purchase loans, this number will be expressed as a range.

An estimate of demand is calculated by multiplying these two numbers, but getting the raw numbers is a more involved process. The following is a more detailed discussion of how the IQH and percentages were estimated.

### Estimating the number of Income Qualified Households (IQH)

Three sources of information were used to estimate IQHs in the City of Madison

- The City of Madison Community Development Block Grant (CDBG) table showing, by income and number of persons per household, the income breakpoints at 80%, 70%, and 60% of AMI as illustrated in the table below. (Source: Madison CDBG, 2007).



**Area Median Income Levels  
by Size of Household and AMI Percent**

HHSize	2007AreaMedInc	80pctAMI	70pctAMI	60pctAMI
1 person	\$51,600	\$41,280	\$36,120	\$30,960
1.5 persons	\$55,300	\$44,200	\$38,710	\$32,590
2 persons	\$59,000	\$47,150	\$41,300	\$34,220
3 persons	\$66,300	\$53,040	\$46,310	\$39,210
4 persons	\$73,700	\$58,960	\$51,290	\$44,200
4.5 persons	\$76,650	\$61,300	\$53,655	\$45,290
5 persons	\$79,600	\$63,680	\$56,020	\$47,380
6 persons	\$85,500	\$68,400	\$59,850	\$50,100
7 persons	\$91,400	\$73,100	\$63,680	\$52,820
7.5 persons	\$94,350	\$75,450	\$66,045	\$55,610
8 persons	\$97,300	\$77,800	\$68,410	\$58,400

Source: City of Madison CDBG office

Note: The 1.5, 4.5, and 7.5 person Households are used when qualifying Housing Units (real estate), not Households (people).

- To determine the number of households in these categories a combination of two additional sources were used. First, commercially available estimates of the number of households by income and by number of persons by MicroGrid (See Study Area Geographies Section for a description of MicroGrids). (Source: Scan/US, 2006 estimates).

Second, because the income categories available from the commercial vendor were broad and because they were not cross referenced with the number of persons, additional information was extracted from the Current Population Survey (CPS) – An annual survey from Bureau of Labor Statistics (BLS) and the Bureau of the Census. This survey, done at the national level provides a cross tabulation of household income by household size in \$2,500 increments. (Source: US Census Bureau – 2006 Annual Demographic Survey) – See Appendix M for a copy of this document.

The Key Report Definitions section contains a more detailed description of the process used to arrive at the IQH estimates. After applying the process described, the resulting IQH numbers can be summarized, in this case, the Elementary School District level (see the table below).

<b>Madison IZ Study - Count Summary</b>					
<b>Supply and Demand - Summary by School District Counts</b>					
School Dist	Qualifying Households				Total HH
	Cumulative 80% AMI	Percentage Total HH 80% AMI	Cumulative 60% AMI	Percentage Total HH 60% AMI	
Allis	884	40%	512	23%	2,230
Chavez	740	26%	412	14%	2,848
Crestwood	618	26%	418	17%	2,390
Elvehjem	721	29%	420	17%	2,515
Emerson	1,942	58%	1,331	40%	3,353
Falk	1,570	42%	1,016	27%	3,739
Franklin	10,124	82%	8,905	72%	12,332
Glendale	630	39%	408	25%	1,629
Gompers	543	36%	324	22%	1,496
Hawthorne	636	47%	418	31%	1,360
Huegel	736	27%	359	13%	2,757
Kennedy	1,098	32%	615	18%	3,472
Lake View	1,085	56%	802	43%	1,865
Lapham	3,693	70%	2,940	56%	5,242
Leopold	989	55%	721	40%	1,786
Lincoln	1,378	64%	1,070	50%	2,148
Lindbergh	366	40%	207	22%	922
Lowell	1,343	49%	900	33%	2,734
Marquette	1,933	57%	1,361	40%	3,406
Mendota	997	48%	701	34%	2,079
Midvale	936	30%	582	18%	3,170
Muir	1,335	36%	873	24%	3,692
Orchard Ridge	689	31%	454	21%	2,201
Randall	2,726	51%	2,265	42%	5,345
Sandburg	1,344	47%	863	30%	2,868
Schenk	1,279	43%	800	27%	2,976
Shorewood	860	77%	705	63%	1,122
Stephens	1,860	40%	1,292	28%	4,667
Thoreau	693	31%	473	21%	2,269
Van Hise	2,017	51%	1,381	35%	3,977
Verona	349	27%	202	15%	1,313
McFarland	11	35%	7	23%	32
Middleton	345	31%	205	18%	1,131
Sun Prairie	338	32%	188	18%	1,073
<b>Totals</b>	<b>46,810</b>	<b>49%</b>	<b>34,132</b>	<b>36%</b>	<b>96,139</b>

Source: The Taurean Group, LLC

This table also shows that for the City of Madison, approximately 36% or 34,000 households are income qualified at 60% of Madison's AMI. At the 80% AMI level, almost 50% or 46,800 households are income qualified. The next step in the process is to estimate how many of these IQH's would represent demand.



## Estimating the percentage of home purchase loans originated by IQH's

To Determine the number and percentage of home purchase loans in the City of Madison originated by Income Qualified Households (we'll refer to this as IQH Loan%) two sources of data were used.

- Home Mortgage Disclosure Act (HMDA) Aggregate Report for Dane County, WI – 2000 through 2006; Federal Financial Institution Examination Council
- Housing and Urban Development (HUD) Comprehensive Housing Affordability Strategy (CHAS) report for Dane County, WI - 2000. (See Appendix J)  
This report shows the number of Households in the 50% or Less and 50 to 80% of AMI categories. 2000 data was used because more recent HUD tables showing households by AMI are not available.

### Home Mortgage Disclosure Act data

HMDA Reports -- Data from the Home Mortgage Disclosure Act reporting is a very good source of loan information, but is only available at the Madison MSA level (Dane County only until 2003, then changed to include Columbia and Iowa Counties). Table 4-2 from the HMDA Aggregate Reports is available annually including 2006 (See Appendix K). The table that follows is from 2000 and is included for illustration purposes.

From this table, we see that in 2000, 539 loans were originated to applicants in the Less Than 50% of MSA Median and 1,618 loans were originated where the applicants income was between 50 and 79% of MSA Median for a total of 2,157 loans. For the purpose of the HMDA reports the MSA Median income is determined by HUD (the same source used by Madison for its IZ calculations)

From this same report we can see that the total Loans originated in 2000 is 7,280.

By dividing the loans originated to applicants making 80% or less of MSA Median by the Total Loans originated, we determine that 29.6% of these loans were to the 80% or less income category.

$$(539 + 1,618) / 7,280 = 29.6\% \text{ of loans}$$

originated to Applicants whose income is less than 80% of the MSA Median.

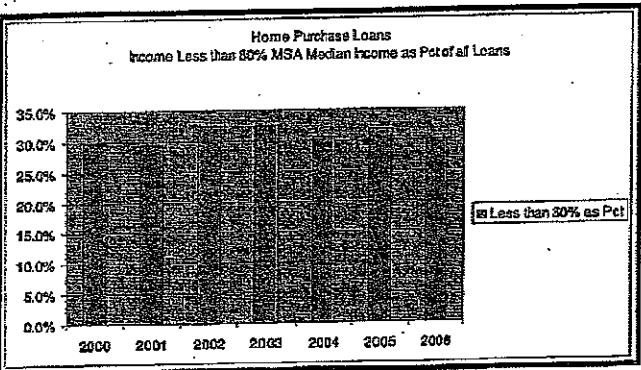
Aggregate Table 4-2: Disposition of Applications for Conventional Home-Purchase Loans; 1 to 4 Family and Manufactured Home Dwellings, by Race, Ethnicity, Gender and Income of Applicant

Page 2 of 2

Race, Gender and Income 4/12/	Applications Received 14/		Loans Originated		Applications Denied		Applications Withdrawn		Signs Closed For Incomplete 6/	
	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's
	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's	Number	\$000's
INCOME OF APPLICANTS 5/										
LESS THAN 60% OF MSA MEDIAN	2061	202867	1607	185926	1330	182562	286	493487	220	35709
60-79% OF MSA MEDIAN	1607	185926	1330	182562	286	493487	220	35709		
80-99% OF MSA MEDIAN	1330	182562	1169	155967						
100-119% OF MSA MEDIAN	286	493487	2463	423280						
120% OR MORE OF MSA MEDIAN	220	35709	192	31677						
INCOME NOT AVAILABLE 6/										

Source: Home Mortgage Disclosure Act Aggregate Report, 2006

Using the same calculations, the following graph shows this percentage for the years 2000 through 2006. From the graph, it can be seen that the percentage of loans originated for applicants making 80% or less of the MSA Median Income in the Madison MSA stays fairly steady at about 30%.



Source: Table 4-2 from HMDA Aggregate Reports 2000 through 2006

Issue: HMDA reports do not show us (nor are they intended to) the total number of households by income category. They only track the income information from loan applicants. What this means is that, while we now know the percentage of loans originated for households, we still don't know how that compares to the total number of Income Qualified Households (i.e. those making 80% of MSA Median income or less).

Income Qualified Households for 2006 have already been estimated for the City of Madison and at the Elementary School and Planning Area Geographies. Therefore the only step remaining is to estimate the percentage of households in the 80% or lower income category that are seeking and getting home purchase loans. Again, the consultant has been asked to show Demand estimates only at the City level of Geography.

#### **Housing and Urban Development Comprehensive Housing Affordability Strategy data for Dane County and Madison**

HUD, in 2000 produced a report from its State Of The Cities Data System (SOCDS) called Comprehensive Housing Affordability Strategy (CHAS) for cities and counties around the country, including Madison and Dane County. Because HUD too is concerned about the level of income as it relates to housing, they also tabulated many of their figures by income category. Because the CHAS data is only available for 2000, there is an issue in that the Madison IZ study is attempting to estimate demand as of 2006. The reason that 2000 data is necessary is that we have not been able to find any other source tied to the HUD Median Income figures that are more recent. In order to estimate demand for housing based on a percentage of a specific Median Income (MSA Median Income, Area Median Income) as defined by HUD, we are forced to assume that some of the ratios will respect to these categories remain constant.

The table on the following page shows, among other things, the total number of households by income category for the year 2000.

State of the City Data System: Comprehensive Housing Affordability Strategy (CHAS) Data

Household by Type, Income, & Housing Problem	Elderly 1 & 2 member households		Renters		Owners		Total Households				
	(A)	(B)	(C)	(D)	(E)	(F)					
	Small Related (2 to 4)	Large Related (5 or more)	All Other Households	Total Renters	Elderly 1 & 2 member households	Small Related (2 to 4)		Large Related (5 or more)	All Other Households	Total Owners Households	
1. Household Income <=30% MFI	2,324	3,285	646	19,195	16,444	1,587	524	106	322	9,089	19,033
3. % with any housing problems	69.2	85.1	93.8	89.6	85.1	88.8	98.4	82.5	81.8	85.7	85.8
4. % Cost Burden >30%	63	60.7	85.2	68.3	63.1	63.4	85.4	92.5	81.8	85.6	83.9
5. % Cost Burden >50%	49.7	62.4	83.1	74.9	67.1	45.6	87.8	73.6	72.8	80.8	68.2
6. Household Income >30% to <=60% MFI	1,934	3,454	485	7,485	13,328	2,878	1,407	268	860	5,439	16,761
7. % with any housing problems	71.8	76	78.8	74.9	73.3	37.7	80.5	91.8	87.4	88.4	88.4
8. % Cost Burden >30%	71.8	68.5	45.5	72.5	68.6	37.8	78.5	81.8	87.4	86.1	85.7
9. % Cost Burden >50%	20.7	8	8.1	17.3	15	10.5	44.3	37.5	45.3	25.8	18.8
10. Household Income >60% to <=80% MFI	3,243	4,814	1,114	22,814	39,958	7,236	3,622	6,454	12,266	22,692	48,950
11. % with any housing problems	30.2	21.1	45.9	20.6	22.6	19.8	54.9	55.1	61.2	45.6	32.5
12. % Cost Burden >30%	28.8	12.8	4.4	18.4	17.1	18.7	53.8	45.4	60.8	44	28.5
13. % Cost Burden >50%	3.5	0.2	0	1.4	1.2	5.1	11.8	7.1	13.1	9.6	4.7
14. Household Income >80% MFI	2,243	8,890	840	12,814	24,357	11,858	47,430	6,559	11,228	77,077	101,434
15. % with any housing problems	6.2	6.4	40.5	3.8	5.9	6.2	9.7	14.7	18.9	10.8	9.5
16. % Cost Burden >30%	4.8	0.8	1.2	1.2	1.3	6.1	8.2	10.8	18.7	10	7.8
17. % Cost Burden >50%	1.8	0	0	0	0.2	0.8	0.5	1	1.4	0.7	0.6
18. Household Income >80% to <=100% MFI	3,243	4,814	1,114	22,814	39,958	7,236	3,622	6,454	12,266	22,692	48,950
19. % with any housing problems	49.6	32.7	60.2	42.2	40.3	19.8	16.7	25.3	31.7	20.4	28.9
20. % Cost Burden >30	41.8	27.1	28.5	40.1	36.8	19.4	16.2	20.5	31.5	19.7	28.7
21. % Cost Burden >50	18.3	11.2	13.2	21.8	18.1	6.8	3.5	4.2	8.7	5.2	10.7

Source: <http://hucuser.org/chas>

From the CHAS table for Dane County, the number of households in the 80% AMI category is calculated by adding the <50% and the 50 to 80% categories. In this case –

$38,294 + 33,710 = 72,007$  households in 2000  
making 80% or less of the Area Median Income

Total Households in 2000 were estimated at 173,441

From previous discussion

Total home purchase loan originations = 7,280  
Home purchase loan originations to 80% or Less of MSA Median income = 2,157

Loans per HH =  $7,280 / 173,441 = 4.19\%$

80% Loans per HH =  $2,157 / 72,007 = 2.99\%$ , say 3%

The HMDA also includes the number of loan applications received in the same categories of 1) Less than 50% of AMI and 2) 50 to 80% of AMI. Again, The AMI for the HMDA report is determined by HUD (the same source used by Madison for its IZ ordinance calculations). Using the percentage and number of home purchase mortgages originated (**Loans to IQHs**) and applications (**Applications by IQHs**) by those who would likely be income qualified households we can estimate the percentage of those willing to purchase while the number of originated loans represent those buyers who applied for and completed the loan process.

The CHAS report shows the total number of households in the same income categories. (**Total IQHs**)

By dividing the number of originated **Loans to IQHs** from the HMDA by the **Total IQHs** in the CHAS report (loans to IQHs / total IQHs), a percentage can be determined – We'll call this the **IQH Loan%**.

By dividing the number of **Applications by IQHs** from the HMDA by the number of **Total IQHs** in the CHAS report (loans to IQHs / total IQHs), a similar percentage can be determined – We'll call this the **IQH Application%**.

At the 80% AMI Level, this number is calculated as follows

80% Loan Applications per HH =  $2,965 / 72,007 = 4.12\%$ , say 4%

**Demand for home purchases for households making 80% or less of Median Income as a percentage of the number of households in the same category.**

We can now reasonably state that **approximately 3%** of households making less than 80% of the Madison MSA Median Income applied for and received loans for home purchase in the year 2000. **Approximately 4%** of this same population applied for home purchase loans, indicating an additional 1% of the population was willing, but did not qualify or decided for some other reason not to complete the loan process. An additional 0.5% may be added to this number to estimate the additional demand represented by those IQHs willing to buy, but not aware that they might qualify. Therefore an upper end of the estimated demand can be estimated at 4.5% of IQHs

For the purpose of this study, we assume that similar percentages could obtain conventional financing for a home purchase in 2006.

## Estimate of Demand

### Final Calculation for Range of Qualified Demand

Households by appropriate income category  
\* 0.03 = Estimate of Low end of Minimum Qualified Demand  
\* 0.04 = Normative estimate of Qualified Demand  
\* 0.045 = Upper estimate of Qualified Demand

Using the information and methods discussed in the Methodologies and Data Sources section of this report, an estimate of Demand can be calculated

The range of Demand is calculated by multiplying the number of Income Qualified Households by 3% and 4.5% respectively.

In 2006, the estimated number of Income Qualified Households at the 80% AMI Level in the City of Madison is 46,810

$46,810 * 0.03 = 1,404$  or about 1,400 per year (or 117 per month)  
 $46,810 * 0.045 = 2,106$  or about 2,100 per year (or 175 per month)

In 2006, the estimated number of Income Qualified Households at the 60% AMI Level in the City of Madison is 34,132

$34,132 * 0.03 = 1,024$  or about 1,000 per year (or 85 per month)  
 $34,132 * 0.045 = 1,535$  or about 1,500 per year (or 128 per month)

## Estimating Supply

**Supply (Housing Units):** For the purpose of this study, Supply is defined as the number of Qualified Housing Units for sale, or listed for purchase at a given time or for a given time period.

**Determination of Qualified Housing Units (QHUs)** has been defined previously and is described in the Key Report Definitions section of this document. An example of the results is found in the table below.

Summary of Qualified Housing Units by Elementary District				
ElemSchDist	LAND USE	80PctQualified Yes	80PctQualified No	Row Totals
Allis	1110	1136	785	1921
Allis	1111	11	3	14
Total		1147	788	1935
Chavez	1110	65	1961	2026
Chavez	1111	238	525	763
Total		303	2486	2789
Crestwood	1110	140	1411	1551
Crestwood	1111	159	411	570
Total		299	1822	2121
Elvehjem	1110	935	1090	2025
Elvehjem	1111	159	192	351
Total		1094	1282	2376

Source: The Taurean Group, LLC

## Determine Number of Sold QHU's

Using the Parcel Number from the City's SITUS file and matching to the Parcel Number contained in the Department of Administration (DOA) transaction file, determine the number of Sold QHU's in a given year.

*At the time of the initial tabulations, Taurean only had full sales data for 2004 and 2005. A summary of 2005 numbers are shown below, but 2006 sales have been reviewed and the ratio of qualified sales with respect to total sales remained about the same.*



## Summary of Qualified Sales

Summary of Qualified Sales By School District							
School District	Land Use	Sale Year	Qualified At 80%	Qualified At 80%	Qualified At 80%	Qualified At 80%	Total Sales
Alis	Condominium	2005	1	100%	1	100%	1
Alis	One family unit	2005	46	53%	3	3%	86
Alis Total			47		4		87
Chavez	Condominium	2005	39	41%	5	5%	95
Chavez	One family unit	2005	8	4%	0	0%	161
Chavez Total			45		5		246
Crestwood	Condominium	2005	11	53%	8	18%	33
Crestwood	One family unit	2005	7	10%	0	0%	89
Crestwood Total			18		8		102
Elvehjem	Condominium	2005	55	77%	6	2%	71
Elvehjem	One family unit	2005	29	22%	0	0%	133
Elvehjem Total			84		6		204
Emerson	Condominium	2005	12	33%	1	6%	18
****							
Sun Prairie*	Condominium	2005	6	33%	1	6%	18
Sun Prairie*	One family unit	2005	0	0%	0	0%	6
Sun Prairie* Total			6		1		24
Thoreau	Condominium	2005	3	100%	0	0%	3
Thoreau	One family unit	2005	11	13%	1	1%	85
Thoreau Total			14		1		88
Van Hise	Condominium	2005	2	67%	2	67%	3
Van Hise	One family unit	2005	5	10%	0	0%	51
Van Hise Total			7		2		54
Verona*	Condominium	2005	0	0%	0	0%	10
Verona*	One family unit	2005	0	0%	0	0%	18
Verona* Total			0		0		28
Grand Total			1076	35%	181	6%	3063

Source: The Taurean Group

For the same year, the South Central Wisconsin Multiple Listing Service (SCWMLS) indicated a total number of sold listings (including condos) of 3,794 for all of Madison. The difference can be from a number of different factors, including the fact that the definition of Madison for this study is the City of Madison Boundary. For the MLS, the property may be located in the City or perhaps even the Town of Madison. Also, in order to determine which properties were qualified, they needed to match perfectly by Parcel number with the city's assessment data in order to get value and bedroom information. Any sales from the DOR file with bad or mistyped parcel numbers could not be matched to assessment data.

### Calculate a ratio of Active Listings to Sold Listings in 2006

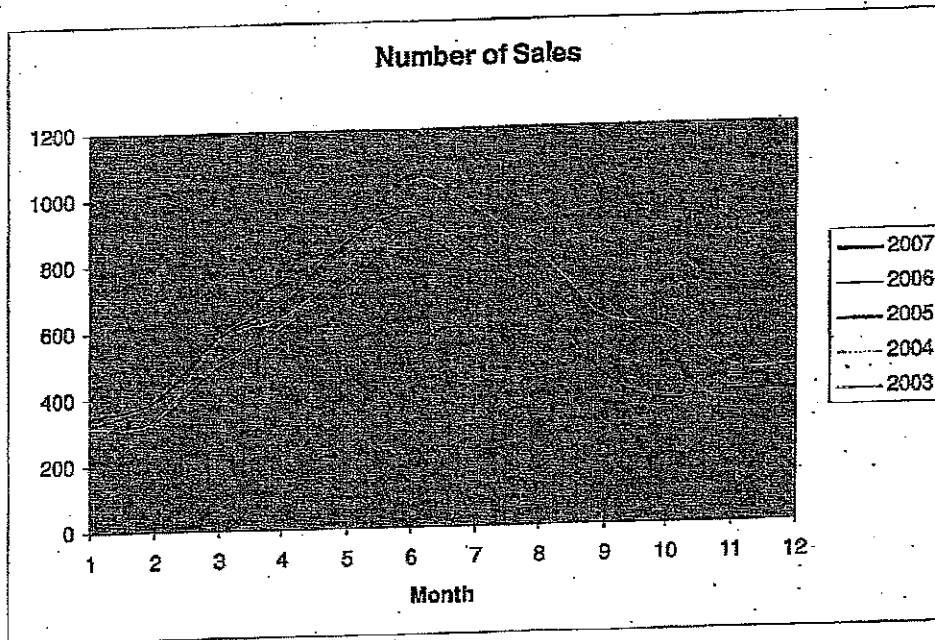
As an estimate of the number of Supply (Available QHUs for sale) at any one time, it was suggested that a ratio be determined that represents

Active Listings / Sales in a given time periods (say 2006)

Data is available for Dane County on a monthly basis showing:

- The number of Sold Listings during each month of the year and
- The number of Active Listings at the end of each month.

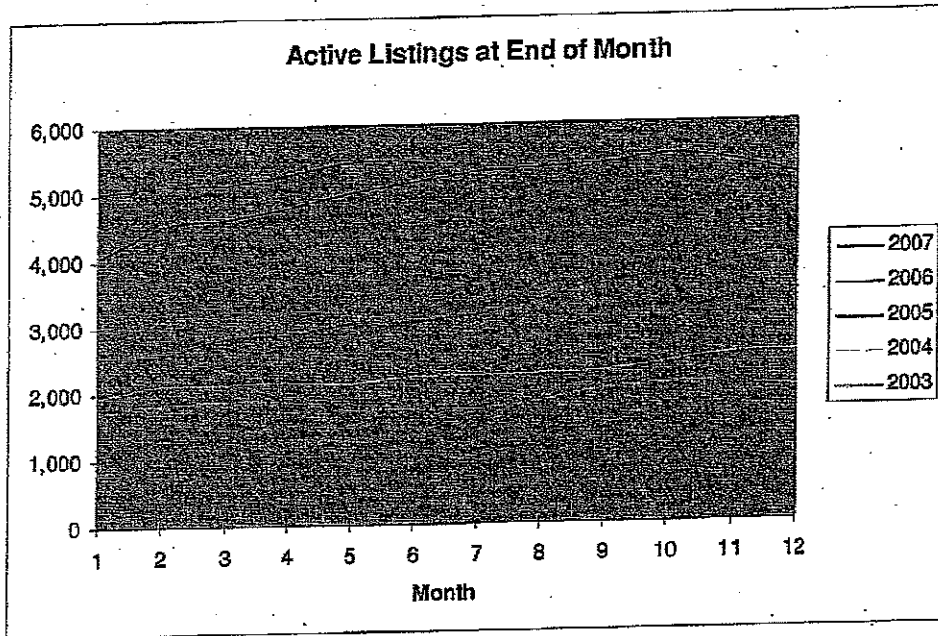
The graphs below were constructed using this monthly sales and listing information for the years 2003 through the first half of 2007. The first graph shows the number of sales per month for each year.



Source: SCVMLS Statistics as of September, 2007

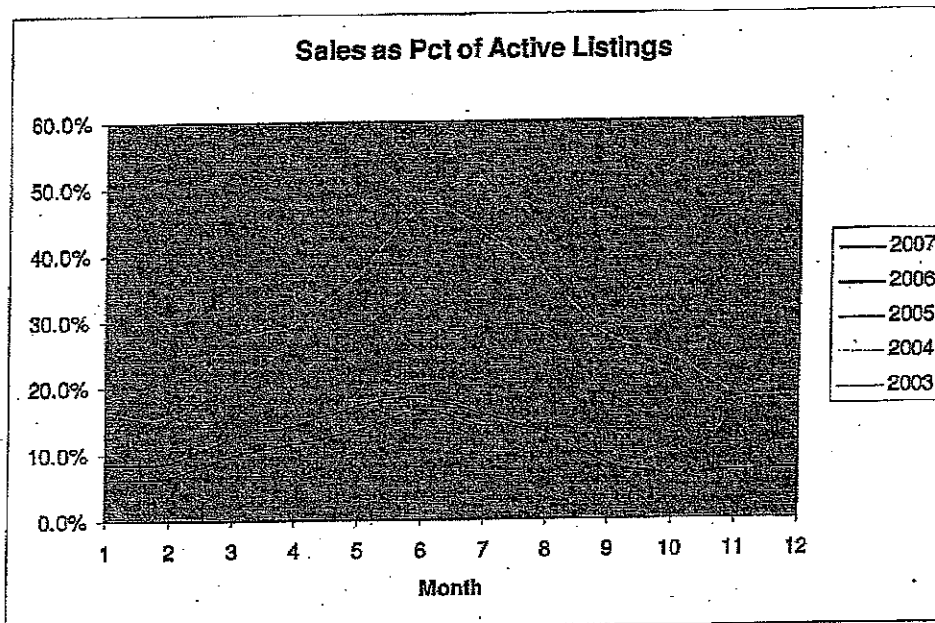
Even though there is variation throughout the year, the pattern is relatively similar over the 5 year period.

The next graph however shows that over the same time period, the number of Active Listings (properties available for sale) at the end of each period has been steadily rising from about 1,800 in January of 2003 to just over 5,000 at the end of December, 2006.



Source: SCWMLS Statistics as of September, 2007

Because the number of sales per year has remained relatively stable while the number of active listings has continued to increase, the percent of active listings that actually sell in a given time period has steadily decreased. The graph below illustrates how in 2003, the percent of active listings that sold over the year averaged about 32% while in 2006, the curve flattened dramatically and the average percent of active listings sold dropped to around 12%.



Source: SCWMLS Statistics as of September, 2007

While the idea of using a ratio to estimate the number of available properties based on the number of properties sold seemed reasonable initially, the graph above shows that this ratio can change drastically over time.

The graph above clearly demonstrates the dangers of using a fixed multiplier of sales to estimate the number of Active Listings. Especially in the recent past, it appears that there is a very large increase in available units. This is in line with the current slow down in the housing market nationwide and statewide.

The graph showing the number of monthly sales shows that over the last 4 ½ years, the pattern and number of sales has remained fairly constant. Given the current listings available however, there is ample evidence to show that the number of available properties has increased drastically (from less than 2,000 active listings in 2003 to over 5,500 at the end of July, 2007).

Because of this fluctuation, Taurean suggests that a periodic review of the sales to listings ratio (at least using MLS public data) be performed. For the purpose of this study however, we need to estimate the number of qualified listings based on known sales. Using the ratios from 2006, this multiplier would be as follows:

## Active To Sold Ratio Calculation

2006 Active Listings / 2006 Sales = Listings to Sales Ratio

e.g in 2006 (Source: SCWMLS as of September 2007)

Average Active Listings = 5,069  
Average # of Sales = 597 per month

Active to Sold Ratio = 5,069 / 597 or 8.49 Active Listings per Sale

To arrive at a range of Qualified Listings, this same ratio was calculated for each month of 2006. The average of this ratio was 9.48 with a standard deviation of 3.18 and a range from 5.28 to 13.8. The average +/- 1 Stdev gives a tighter range of 6.3 to 12.7 listings per sold property.

Finally then, given a number of sales, we can calculate an estimate of available listings as follows:

**Sold QHU's \* Active to Sales Ratio = Estimate of Qualified Listings**

Using this calculation and based on the qualified Sales, we can estimate the overall supply in a given geographic area. The table below shows Using the data from the Allis school district above the following estimate of Qualified Listings – i.e. Supply is shown in the following table.,

Summary of Qualified Sales By School District							Qualified Listings (Supply)	
School District	Property Type	Sale Year	Qualified At 85%	Qualified At 90%	Qualified At 95%	Total Sales	8.49 Multiplier	Estimated Supply
Allis	Condominium	2005	1	100%	1	1	8.49	8.49
Allis	One family unit	2005	48	55%	86	86	8.49	726
Allis Total			49		87	87		734
Chavez	Condominium	2005	38	41%	91	91	8.49	771
Chavez	One family unit	2005	6	4%	151	151	8.49	1280
Chavez Total			44		242	242		2051
Greenwood	Condominium	2005	11	83%	13	13	8.49	110
Greenwood	One family unit	2005	7	10%	69	69	8.49	584
Greenwood Total			18		82	82		694
Evasham	Condominium	2005	55	77%	71	71	8.49	602
Evasham	One family unit	2005	29	25%	119	119	8.49	1010
Evasham Total			84		190	190		1612
Emerson	Condominium	2005	12	65%	18	18	8.49	153
Emerson	One family unit	2005	89	81%	110	110	8.49	934
Emerson Total			101		128	128		1087
Sun Prairie*	One family unit	2005	8	8%	9	9	8.49	76
Sun Prairie* Total			8		9	9		76
Thomson	Condominium	2005	3	100%	3	3	8.49	25
Thomson	One family unit	2005	11	13%	84	84	8.49	711
Thomson Total			14		87	87		736
Van Hise	Condominium	2005	2	67%	3	3	8.49	25
Van Hise	One family unit	2005	5	10%	51	51	8.49	431
Van Hise Total			7		54	54		456
Varona*	Condominium	2005	0	0%	0	0	8.49	0
Varona*	One family unit	2005	0	0%	18	18	8.49	153
Varona* Total			0		18	18		153
Grand Total			1075		131	131	8.49	1112
Monthly Average			80		128	128	8.49	1087
Estimated Supply at 8.49 Multiplier			761		128	128	8.49	1087

Source: The Taurean Group, LLC

Alternative Method:

Use public internet site e.g. [www.Realtor.com](http://www.Realtor.com) to search for listings by Price and Bedrooms to get a current picture of the active listings in each category.

The following table was produced on September 18<sup>th</sup>, 2007 using the Realtor.com website.

Using the current (2007) breakpoints for sale price by bedroom and AMI Level,

Bedrooms	80% Level	Closest Price Limit in MLS	Madison Only	Madison Total Listings	Pct of Listings	Madison and Surrounding Cities (w/in 10 Miles)	Madison and Surrounding Cities Total Listings	Pct of Listings
1	193,504	125,000	290	2,811	7.1%	312	5,635	5.5%
2	180,235	150,000	367	2,811	12.8%	631	5,635	11.2%
3	185,154	175,000	188	2,811	5.8%	408	5,635	7.2%
4	208,699	200,000	58	2,811	2.0%	120	5,635	2.1%
5	227,894	225,000	8	2,811	0.3%	14	5,635	0.2%
Totals			790	2811	28.1%	1483	5635	26.3%

Source: Realtor.com September 18, 2007

The table above suggests that at the 80% AMI level, somewhere between 25% and 30% of all available listings would qualify at the appropriate IZ Level. The distribution ranges from .3% for 5 bedroom homes to 12.8% of all listings for 2 bedroom homes. We would suggest using the overall ratio rather than the specific when applying this percentage to each Elementary School District or Planning Area.

## Estimate of Supply

### Final Calculation for Range of Qualified Supply

Average Monthly Qualified Housing Units Sold

\* 5.28 = Low end of Active Listings Multiplier

\* 13.8 = Upper estimate of Active Listings Multiplier

Using the information and methods discussed in the Methodologies and Data Sources section of this report, a range of Supply can be estimated.

The range of Supply is calculated by multiplying the average number of Qualified Housing Unit Sales per month by 5.28 and 13.8% respectively.

In 2005, the estimated number of Qualified Housing Units Sold per month at the 80% AMI Level in the City of Madison is 90 Units Per Month.

90 Units \* 5.28 = 473 estimated units actively listed.  
90 Units \* 13.8 = 1,237 estimated units actively listed.

In 2005, the estimated number of Qualified Housing Units Sold per month at the 60% AMI Level in the City of Madison is 15 Units Per Month.

15 Units \* 5.28 = 80 estimated units actively listed.  
15 Units \* 13.8 = 208 estimated units actively listed.

## Current and Future Trends to 2011 – Key Factors

### Demand for IZ Qualified Units Population and Household Growth

Madison Data Summary			
737 MicroGrids			
2006	2011	5 Year Change	
220,112	231,626	11,514 Population	
96,830	104,146	7,316 Households	

Source: ScanUS 2006

Dane County Data Summary - Outside City			
1,752 MicroGrids			
2006	2011	5 Year Change	
245,591	265,509	19,918 Population	
96,927	106,595	9,668 Households	

Source: ScanUS 2006

Madison Data Summary			
664 MicroGrids			
Housing Unit Estimates			
2006	2011	5 Year Change	
102,948	112,290	9,342 Total housing units	
47,667	53,256	5,589 Housing units, Owned	
49,163	50,890	1,727 Housing units, Rented	
6,118	8,144	2,026 Housing units, Vacant	

Source: ScanUS 2006

Madison Data Summary			
664 MicroGrids			
Housing Unit Estimates			
2006	2011	5 Year Change	
102,948	112,290	9,342 Total housing units	
47,667	53,256	5,589 Housing units, Owned	
49,163	50,890	1,727 Housing units, Rented	
6,118	8,144	2,026 Housing units, Vacant	

Source: ScanUS 2006

Dane County Data Summary - Outside City			
1,679 MicroGrids			
Housing Unit Estimates			
2006	2011	5 Year Change	
103,520	115,488	11,968 Total housing units	
68,593	76,812	8,219 Housing units, Owned	
28,334	29,783	1,449 Housing units, Rented	
6,593	8,893	2,300 Housing units, Vacant	

Source: ScanUS 2006

From 2006 to 2011 the population in the City of Madison is projected to increase by 11,514 and the number of households is projected to increase by 7,316. During this same period the area located outside the City of Madison, but

within Dane County, is expected to experience a population increase of 19,918 and a household increase of 9,668.

#### In City

From 2006 to 2011 the number of housing units in the City of Madison is projected to increase by 9,342 units. Owned units are projected to increase by 5,589 units and rented units are projected to increase by 1,727.

#### Outside City

During this same period the number of housing units located outside the city is projected to increase by 11,968 units. Owned units are projected to increase by 8,219 units and the rented units are expected to increase by 1,449.

In summary, note that the population, household, and housing growth is occurring at a higher rate outside the city than within.



**Income Growth**

<b>Madison Data Summary</b>			
721 MicroGrids			
<b>Household Income</b>			
2006	2011	5 Year Change	
8,922	9,310	388 Hh, < 10T	
4,633	4,504	-129 Hh, 10-15T	
4,928	4,788	-140 Hh, 15-20T	
5,371	5,410	39 Hh, 20-25T	
5,306	5,732	426 Hh, 25-30T	
5,737	5,921	184 Hh, 30-35T	
5,885	4,505	-1,380 Hh, 35-40T	
9,854	11,085	1,231 Hh, 40-50T	
8,630	8,921	291 Hh, 50-60T	
11,214	11,140	-74 Hh, 60-75T	
11,528	13,581	2,053 Hh, 75-100T	
6,538	7,646	1,108 Hh, 100-125T	
3,222	4,519	1,297 Hh, 125-150T	
2,668	3,919	1,251 Hh, 150-200T	
817	1,181	364 Hh, 200-250T	
1,576	1,984	408 Hh, 250T+	

Source: ScanUS 2006

By having an increasingly large percentage of higher income households being located outside the city, these households will cause the AMI levels used within the city to be increased. This in turn will cause demand to be somewhat increased.

<b>Dane County Data Summary - Outside City</b>			
1,736 MicroGrids			
<b>Household Income</b>			
2006	2011	5 Year Change	
3,240	3,445	205 Hh, < 10T	
2,288	2,226	-62 Hh, 10-15T	
3,010	2,797	-213 Hh, 15-20T	
4,041	4,025	-16 Hh, 20-25T	
4,323	4,809	486 Hh, 25-30T	
4,600	4,696	96 Hh, 30-35T	
4,873	3,758	-1,115 Hh, 35-40T	
8,697	9,428	731 Hh, 40-50T	
9,380	9,461	71 Hh, 50-60T	
14,174	13,719	-455 Hh, 60-75T	
16,911	19,536	2,625 Hh, 75-100T	
9,772	11,941	2,169 Hh, 100-125T	
4,578	6,734	2,156 Hh, 125-150T	
3,564	5,302	1,738 Hh, 150-200T	
1,212	1,765	553 Hh, 200-250T	
2,253	2,952	699 Hh, 250T+	

Source: ScanUS 2006

**In City**

Within the City of Madison it is estimated that in 2006 there were 26,349 households with an annual household income greater than \$75,000, by 2011 this number is projected to increase to 32,830, an increase of 6,481 or an increase of better than 24.5%.

**Outside City**

For the area outside the city, the number of households in 2006 with an annual household income greater than \$75,000 is estimated to be 38,290. By 2011 it is projected that this number will increase to 48,230 an increase of 9,940 or an increase of slightly less than 26%.

**Net Impact**

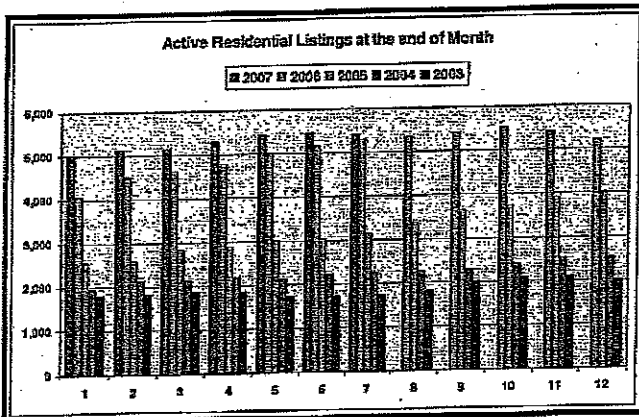
By 2011 the annual demand for IZ qualified units is projected to increase by 103 to 156 units, over 2006 estimates. This estimate of increased demand will be driven primarily by the projected increase in households within the city from 96,830 in 2006 to 104,146 in 2011.



major indicator of economic strength. The chart above is from the Polcom 2006 MSA rankings and it should be noted that the Madison MSA was ranked 7<sup>th</sup> best in the nation in 2005.

### Supply of IZ Qualified Units

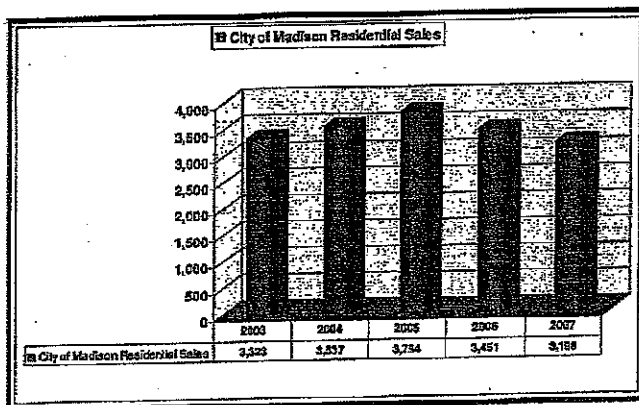
Large supply of unsold inventory will need to be absorbed



Like many large communities the Madison area is currently facing a significant over supply of unsold units. From the chart to the left it can be noted that beginning in 2003 the number of active residential listing at the end of each month has been steadily increasing. At the end of January, 2003 the number of active listings was slightly less

than 2,000 units. By the end of December 2005 the number of active listings had increased to approximately 4,000 units, and by the end of July 2007 the number of active listings had increased to more than 6,000 units. The absorption of this excess supply will require several years before returning to a more normative market condition.

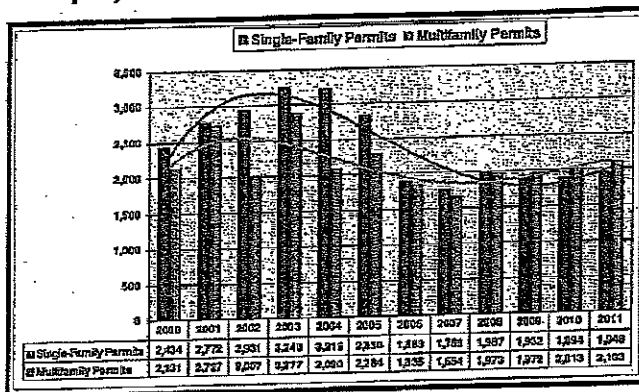
### Constant trend of annual sales of 3,500 per year to continue



Analysis of City of Madison residential sale trends suggests that the number of sales will remain relatively constant at approximately 3,500 sales per year. Given this consistency in sales volume it is unlikely that the increase in active listings will cause an increase in sales.

Source: SCWMLS (South Central Wisconsin Multiple Listing Service)

## Low projected building permits

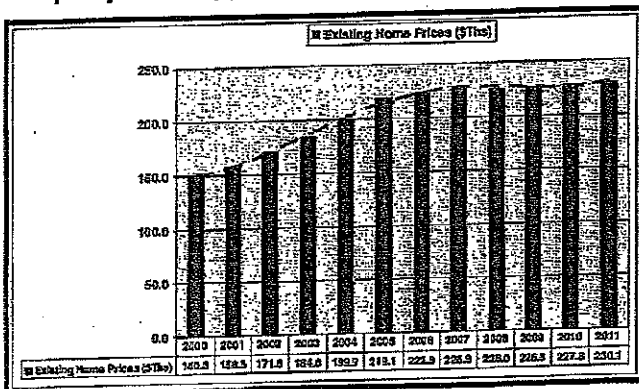


Source: Economy.com

construction the projected new household growth will have the opportunity to absorb the existing unsold inventory. However, it should be noted from the graphic above that from 2000 through 2007 permits for new construction of single-family units exceeded that of multifamily permits. Beginning in 2008 this trend reverses and stays in effect through 2011.

The excess sales inventory can be partly traced back to increased new construction, as represented by the issuing of new construction permits. It is projected that, due in part to the excess sales inventory, new residential construction will likely be curtailed for several years. By reducing new

## Property value appreciation is expected to be flat, relative to previous years



Source: Economy.com

For the time period 2006 through the 2011 it is projected that the annual property appreciation is expected to be only .5% per year.

A result of the excess supply, and the time necessary to absorb it, is that property value appreciation is projected to be quite flat. The chart to the left indicates that from 2000 through 2005 the average annual appreciation in property value in the Madison MSA was 7.5% per year.

## Net Impact

Conservatively the positive gap between the targeted supply of IZ qualified units and IZ qualified unit demand will remain at or near 2006 levels. However, it is more likely that the positive gap between the supply of IZ qualified units and the demand for those units will increase. The increase in supply is based on a combination of factors. As AMI levels continue to be computed on a County or MSA level the AMI will increase because of the addition of new higher income households, many of which will be

locating outside the city. At the same time the reduction in property value appreciation will increase the number of units that will become IZ qualified.

In the final analysis it is expected that the increase the number of IZ qualified units will be greater than the projected increase in IZ qualified demand for those units.

Group	Frequency	%	Cum %	Cum #
\$72,500	28	0.91%	0.91%	28
\$95,000	81	2.65%	3.56%	109
\$117,500	102	3.33%	6.89%	211
\$140,000	244	7.97%	14.86%	455
\$162,500	315	10.29%	25.15%	770
\$185,000	458	14.96%	40.10%	1,228
\$207,500	422	13.78%	53.89%	1,650
\$230,000	415	13.55%	67.44%	2,065
\$252,500	274	8.95%	76.39%	2,339
\$275,000	193	6.30%	82.69%	2,532
\$297,500	108	3.53%	86.22%	2,640
\$320,000	73	2.38%	88.60%	2,713
\$342,500	65	2.12%	90.73%	2,778
\$365,000	50	1.63%	92.36%	2,828
\$387,500	39	1.27%	93.63%	2,867
\$410,000	30	0.98%	94.61%	2,897
\$432,500	24	0.78%	95.40%	2,921
\$455,000	20	0.65%	96.05%	2,941
\$477,500	17	0.56%	96.60%	2,958
More	104	3.40%	100.00%	3,062

To further illustrate; the table to the left has divided the 2006 City of Madison residential sales into 20 groupings and then counted the number of sales falling within each group. The maximum IZ purchase price for a 3 bedroom single-family unit is slightly over \$185,000. From the chart it can be noted that slightly more than 40% (1,228) of the 2006 sales were at values that were at or less than \$185,000. The next group has 422 sales that ranged in sale price from more than \$185,000 to less than or equal to \$207,500. As the AMI increases it's a portion of this group that would become IZ

qualified.

Please See Appendix G for a much broader discussion of Madison's economic foundation and area trends.

## Project Sequence

This sequence is provided as a summary of the involved and iterative process employed in the determination of processes, geographies, and methodologies used in the final report.

### Supply

#### Objective:

**Establish the inventory (counts) of current units which qualify for IZ support at various levels of geographic integration.**

#### Initial Database

**Land Use Codes:** For the purpose of this analysis only owner occupied residential units will be considered.

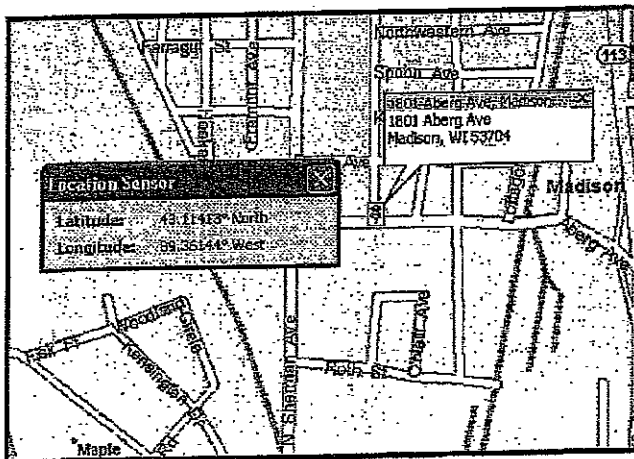
**Owner Occupied Residential Units:** Owner occupied units are identified in the tax assessor files as land use code 1110 (single-family) and 1111 (condominium).

**Value Estimate:** For the purpose of this analysis the committee has directed the consultants to use assessed value as an indicator of market value.

**Number of Bedrooms:** The bedroom count of individual units is an attribute of the property that is identified in the tax assessor property file.

**Geographic Integration:** To facilitate supply estimates being estimated at various levels of geography the locations of individual units needed to be identified in a way that allowed for identification of which geographic area a unit may be located in. For example, a possible geographic integration might be the number of qualified units per census block group. To accomplish that task it will be necessary to identify which census block group a unit is located in. While it is true that the tax assessor's property file has a good deal of this type of information, to provide for flexible geographic selection it was necessary to position each unit on a specific location on the surface of the earth. The process of identifying the specific location of each unit is called geocoding.

#### Geocoding the City of Madison Tax Assessor Parcel File



The graphic to the left is an example of how the geocoding process works. A property is located by street address, in this instance 1801 Aberg Avenue, Madison, Wisconsin 53704. Geocoding converts the property address into a set of latitude and longitude coordinates that reference

a specific point on the earth surface. In this instance the property address is converted into Latitude 43.11413 North, and Longitude -89.36144 West. The City of Madison also made available the detailed parcel boundaries as a computerized Geographic Information System (GIS) file which allowed for a more precise location of each parcel. When possible, parcel locations were used. At other times in the analysis of sales throughout the county, the geocoding process was necessary. In either case, these coordinates reference a specific point on the earth surface and in this example a push pin icon is positioned to identify the referenced location. When this task was completed an initial database was created with each residential unit in the City of Madison identified with land use code, assessed value, number of bedrooms, and it's location on the earth surface.

### **Geographic Integration**

The process of geographic integration required several specific steps.

Identification of geographic entity, i.e. census block groups.

Identification of geographic boundaries, i.e. the cross-over point from one census block group to another.

The identification of the geographic entity that each housing unit or household was located in.

The selection process of the identification of which geographic entity to move forward with was an iterative process in which the committee provided review and final determination. The geographic entities evaluated and final selections were directed by the committee as follows:

Neighborhood Associations – Reviewed, but not selected

Neighborhood Associations by Type – Reviewed, but not selected

Planning District – Approved by committee

Elementary School District – Reviewed/ modifications required

Elementary Modified School District – Approved by committee

Census Block Group – Included as part of original scope.

The three approved levels of geographic integration became the basis for estimating supply in moving forward with the analysis.

### **Demand**

#### **Objective:**

**Determine how many individuals (potential demand) would qualify for Inclusionary Zoning (IZ) housing support based on the number of persons and income of the persons living in the units.**

#### **Initial Database**

For the individuals living in the units identified in the supply analysis it was necessary to determine the individuals income and the numbers of persons living in the units. This

was necessary because qualifying for IZ support required comparison of both income and the number of individuals in a unit.

Of special concern was the simple fact that detailed inventory of income and individual count did not exist at the unit-by-unit level like the supply analysis. This limitation required that specific statistical models be created that could be used to estimate the distribution of individuals and income within a specified geographical entity. However, in order to create the specific statistical models it was first necessary to identify the primary forecast parameter that the statistical model would be applied to. The committee determined that counts of individuals would not be appropriate. Rather it was determined by the committee to first evaluate demand by "family" unit. A family unit, as defined by the US Census department, has a very specific classification and consists of the following:

A family consists of a householder and one or more persons living in the same household who are related to the householder by birth, marriage, or adoption.

Numerous evaluations of family demand by Neighborhood Association and Neighborhood Association Type were provided to the committee for review and were rejected by the committee in favor of "households" as the unit of analysis. Like the definition of family, the US Census department has a very specific classification and consists of the following:

A Household includes all the persons who occupy a housing unit.

After reviewing numerous evaluations of household demand by Neighborhood Association and Neighborhood Association Type, the committee determined that Households would be the forecast parameter but directed that the geographical entity be changed to Planning District and Elementary School District.

During initial review of the model results it was noted that the Elementary School District boundaries were not coincident with City of Madison boundary. By only using MMSD boundaries, summary information at the Elementary School District Level did not recognize that in some instances households who live in the City of Madison did not reside in a Madison Elementary School District (i.e. were located in school districts not part of the City of Madison, but within the City boundary). These outlying school district boundaries needed to be modified to account for the households in these areas.

At this point the committee reviewed the statistical models and boundary allocations for the Planning Districts and Modified Elementary School Districts. After review, the committee approved moving ahead with the analysis.

With the models for supply and demand approved by the committee the consultants established the procedures to bring together the summary tabulations of IZ qualified



units of supply and households of demand at the three levels of geographical entity; Planning District, Modified Elementary School District, and Census Block Group.

Summary tabulations were created and presented to the committee for review and approval. The following is an example of the summary tables presented to the committee.

**Single Family Unit Count**  
**Madison IZ Study - Count Summary**  
**Supply and Demand - Summary by School District Counts**

School Dist	Qualifying Single Family Units				
	Cumulative 80% AMI	Cumulative 70% AMI	Cumulative 60% AMI		
Allis	1,127	697	430	336	94
Chavez	65	59	6	6	0
Crestwood	135	103	32	29	3
Eivahjem	934	598	336	316	20
Emerson	1,492	537	955	607	348
Falk	180	142	18	17	1
Franklin	414	177	237	119	118
Glendale	701	375	326	255	71
Gompers	648	368	280	256	24
Hawthorne	505	198	307	201	106
Huegel	529	494	35	35	0
Kennedy	1,030	648	382	345	37
Lake View	363	178	185	158	27
Lapham	151	87	64	50	14
Leopold	13	8	5	3	2
Lincoln	161	38	123	66	57
Lindbergh	553	294	259	231	28
Lowell	611	276	335	236	99
Marquette	147	88	59	36	23
Mendota	734	379	355	254	101
Midvale	135	116	19	16	3
Muir	5	5	0	0	0
Orchard Ridge	522	465	57	54	3
Randall	15	10	5	5	0
Sandburg	580	377	203	191	12
Schenk	1,362	598	764	628	136
Shorewood	0	0	0	0	0
Stephens	208	155	53	48	5
Thoreau	404	186	218	136	82
Van Hise	135	125	10	10	0
Verona	14	14	0	0	0
McFarland	5	0	5	2	3
Middletown	11	6	5	3	2
Sun Prairie	13	9	4	2	2
<b>Totals</b>	<b>13,882</b>	<b>8,104</b>	<b>6,072</b>	<b>4,031</b>	<b>1,421</b>
<b>Percentage</b>	<b>100.00%</b>	<b>58.45%</b>	<b>43.74%</b>	<b>29.10%</b>	<b>10.24%</b>

Following its review the committee directed that changes to the summary report formats be made and the analysis redone. The formats of the summary tables were changed, the analysis redone, and the results were submitted to the committee for review and approval.

At this point, the results of the analysis were complete to the point of determining a solid estimate of Qualified Housing Units and Income Qualified Households in the City of Madison and in detail for each of the Study Area Geographies defined in the report. However, the committee requested a tighter definition of both supply and demand at which time the consultants and committee worked to determine how best to define both of these measures. The desire was to show how many of the existing housing units would not only be IZ qualified, but also available, and at the same time show how many IZ Qualified households might currently be demanding these products. It was suggested that a new focus on annual transactions and listing information in Madison might be used as further indicators of supply and demand.

### **The New Direction**

One of the first things that this new direction required was a refined specification of both demand and supply of target units. The new specification required the introduction of a specific time frame for analysis and an estimate of the number of qualified households that might be thinking about applying for a unit that would qualify for IZ support.

In addition, the consultants were requested by the subcommittee to expand upon previously used sources of sales data and incorporate the evaluation of sale and listing data available from the local Multiple Listing Service (MLS).

The following are the currently approved definitions of supply and demand that the consultants used to complete the report.

**Demand (Households):** For the purpose of this study, Demand is defined as the number of Income Qualified Households willing to buy and who would qualify for financing to purchase a Qualified Housing Unit at a given time or in a given time period.

**Supply (Housing Units):** For the purpose of this study, Supply is defined as the number of Qualified Housing Units for sale, or listed for purchase at a given time or for a given time period.

In addition to the research into Multiple Listing Service (MLS) sales and listing history as described in the report, the consultants reviewed 2004, 2005 and 2006 real estate transactions in the City of Madison. The source of this review was a transaction file

Single Family & Condominium Sales		
County	DANE	
City	MADISON	
Property Type	Land & Improvements	Condo / Other
Residential	Residential	
Residential	Residential	
Units	0,1,2,3,4	
Deed	Warranty Deed	
Original Land Contract	Sale / original land contract	
Price	>\$50,000	

created by the State Department of Revenue. To control for unusual and outlier transactions filters were set up to screen the transactions prior to analysis. The table to the left identified the filters

used and permitted ranges.

The processing of the data extraction resulted in the identification of 3,062 sales that were recorded for Madison in 2006. To summarize the transactions a histogram was created that divided the sale price range into 20 groups and then counted the number of transactions that fell within each group.

Group	Frequency	%	Cum %	Cum #
\$72,500	28	0.91%	0.91%	28
\$95,000	81	2.65%	3.56%	109
\$117,500	102	3.33%	6.89%	211
\$140,000	244	7.97%	14.86%	455
\$162,500	315	10.29%	25.15%	770
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\$455,000	20	0.65%	96.05%	2,941
\$477,500	17	0.56%	96.60%	2,958
More	104	3.40%	100.00%	3,062

The graphic to the left is the resulting histogram table. Of special note is that a total of 1,228 transactions (over 40% of the total number of transactions) are indicated with sale prices at \$185,000 or less. For comparison, in 2006 the maximum sale price of a 3 bedroom unit at 80% AMI was slightly over \$185,000.

The processes involved in the creation of this report have been long and iterative. While false starts and interaction can be frustrating at times, the consultants are confident that this interaction with the IZ Advisory Committee demonstrates the committee's commitment to understanding the issues involved in IZ housing and most importantly that this work has arrived at a product with which the committee can move forward. We thank them for their efforts.

## APPENDIX 2



**TO:** Members of the IZ Oversight Advisory Committee  
**FROM:** Members of the IZ Subcommittee on Marketing  
**SUBJECT:** Subcommittee Report on Marketing Initiatives  
**DATE:** November 16, 2007

### **Background**

One of the six Common Council charges to the Inclusionary Zoning Advisory Oversight Committee is to "make recommendations to the staff and the Common Council regarding marketing the inclusionary zoning program." To facilitate this, at a May 2007 meeting, the Committee created a Subcommittee on Marketing to recommend improvements to the program's marketing.

### **Marketing Subcommittee Members and Staff**

Members of the Subcommittee on Marketing were:

Lauren Cnare, Third District Alder

Brenda Konkel, Second District Alder

Matt Miller, Division Manager, commercial and large projects, The Stark Company Realtors, a real estate brokerage

Marianne Morton, Executive Director, Common Wealth Development, a non-profit developer

Alex Saloutos, principal, The Office of Alex Saloutos, a management consultant to homebuilders and developers, and Chair of the Subcommittee on Marketing

City staff that provided support to the subcommittee include:

Hickory Hurie, Community Developments Grants Supervisor

Barb Constans, Grants Administrator 3

### **Process**

The Subcommittee on Marketing met nine times between June 8 and November 2. To improve marketing, the subcommittee looked beyond just the promotion of the program and considered initiatives under its broader inclusive definition.

**Memorandum  
Subcommittee on Marketing of the Inclusionary Zoning Oversight Committee  
November 16, 2007**

The first step was a group brainstorming session on perceived problems and marketing initiatives that would drive performance improvements in the program. A list of 25 ideas was created. There was discussion among the committee to clarify each initiative so everyone understood each idea and, to the extent possible, we were all on the same page as to their intent and meaning.

The next step was to prioritize the ideas based on their potential effectiveness. The group accomplished this by vote. Each committee member received 24 votes, and could use up to six votes for any one initiative. So, for example, a member could give 24 different ideas one vote each, or a member could give six votes to four ideas for a total of 24 votes, giving those ideas added weight in the rankings. Any combination was allowed as long as a committee member used no more than 6 votes for any one idea and 24 votes total.

After collectively reviewing the results of the voting the committee agreed by consensus to focus on the 15 ideas that received two or more votes. There was further discussion of this short list of ideas. The group worked to ensure that the description accurately communicated the idea and included key information on its implementation. After further review, three of the ideas on this short list were similar to other ideas on the list. These ideas were combined to create a short list of 12 initiatives.

#### **Recommendations and Next Steps**

To improve the marketing of the inclusionary zoning program the Subcommittee on Marketing recommends these 12 initiatives to the Inclusionary Zoning Oversight Committee for their approval and implementation. In summary the initiatives will make it easier for sellers, developers and Realtors to comply with the program and build IZ homes, give the program teeth so more homes are sold to qualified families, make it easier for buyers to find all the important information they need on IZ homes, make it easier for sellers and Realtors to sell IZ homes, and increase education and promotion to generate better awareness.

#### **Attachments**

1. Inclusionary Zoning Marketing Strategic Initiatives
2. Brainstorm Marketing Activities (Strategic Initiatives), June 22, 2007
3. Brainstorm Marketing Issues (Barriers), June 15, 2007

**Memorandum  
Subcommittee on Marketing of the Inclusionary Zoning Oversight Committee  
November 16, 2007**

Strategic Initiative	Policy Legislative Administrative	IZ Committee Role	Responsible	Resources Required	Benefits and Staff Notes
Clear rules: Approve clear IZ policies and procedures.	Policy	Adopt IZ policies	IZ Committee	None, this is done	Ease of use for all parties, developers and buyers of homes Staff notes: Committee adopted new policies and they are posted on the city website.
Teeth: First sale of IZ home by developer must be to income eligible buyer (no marketing period).	City ordinance change	Propose change to ordinance	IZ Committee and Council	Committee and Council time	It appears the financial benefits to a builder or developer of waiting to sell an IZ home at market rate are significant and at cross purposes with the intent of the ordinance. This puts teeth in the program and ensures all IZ homes are sold to qualified buyers. Will save City resources necessary to handle some sales and marketing aspects of program. Staff note: While may be perceived as most effective in long run, this may also be most contentious until other more standard strategies are implemented.
Website: Develop and maintain an easy to use website with all information buyers need on available IZ homes, the IZ program and resources.	Administrative, including legal (see below)	Decide on how the site should be developed and maintained.	Staff	Staff time to manage and/or administer A preliminary estimate of \$30,000 per year, depending on the amount of detail and frequency of updates.	Depending on the will of the committee, the City could either a) maintain/weak the current website, or b) hire a group to maintain the site.



**Memorandum  
Subcommittee on Marketing of the Inclusionary Zoning Oversight Committee  
November 16, 2007**

Strategic Initiative	Policy Legislative Administrative	IZ Committee Role	Responsible	Resources Required	Benefits and Staff Notes
Legal Issue: Opinion needed on any legal issues regarding City promotion of IZ homes and if so, find a solution.	Administrative (legal)	Refer to City Attorney	Staff, City Attorney, and possibly Realtor trade group	Staff time Depends on legal opinion.	There may be legal issue(s) with certain promotional activities of the City when they promote an IZ home that is listed with a Realtor. Legal issues must be clarified and resolved, if necessary, before City can do a better job promoting IZ homes.
Outreach: Hire or contract personnel to promote IZ program.	Ordinance (funding)	Define position and its responsibilities. Propose enabling legislation.	IZ Committee Council approve	Funding t/b/d	Better awareness and understanding of the IZ program.
Home counseling: Fund improvements or expansion of home ownership counseling.	Ordinance (funding)	Committee to recommend budget amendment to fund	Staff or others	Preliminary estimate of up to \$60,000	Better awareness and understanding of the IZ program. Staff note: This is for a broad-based and sustained counseling effort on home ownership, including an emphasis IZ homes.

**Memorandum  
Subcommittee on Marketing of the Inclusionary Zoning Oversight Committee  
November 16, 2007**

Strategic Initiative	Policy Legislative Administrative	IZ Committee Role	Responsible	Resources Required	Benefits and Staff Notes
<p><b>Lender Pre-qualification Program:</b> Develop program so mortgage lenders can pre-qualify and qualify buyers.</p>	<p>Administrative</p>	<p>Staff implements with committee input</p>	<p>Staff and IZ Committee</p>	<p>Staff time for outreach and to train lenders.</p>	<p>Makes it easier for buyer to know what they can buy. Makes it easier for buyers to shop and buy an IZ home when they pre-qualify once. Makes it easier for sellers to help them buy when they've been pre-qualified. City is able to delegate this task freeing up staff time. City may need to create a process to train and, if necessary, approve a lender. Lender would pre-qualify buyer prior to shopping. After accepted offer, lender could assemble qualification package for signature of seller and submit to City.</p>
<p><b>Addendum: Standard IZ addendum for sellers.</b></p>	<p>Administrative</p>	<p>Review and approval of addendum</p>	<p>Builder developer trade group with assistance from staff, IZ Committee and Realtors</p>	<p>Staff and committee time</p>	<p>Makes it easier for sellers and buyers to communicate and understand the terms and conditions of the sale. Simplifies and standardized documents.  This would be best delegated to a trade group of the sellers or Realtors.</p>
<p><b>Promotion: Implement promotional program.</b></p>	<p>Administrative Ordinance (funding)</p>	<p>IZ Committee to secure funding and provide direction on implementation</p>	<p>Staff to coordinate Professional marketers to create and produce</p>	<p>Staff time to coordinate and manage  A preliminary rough estimate of \$100,000</p>	<p>Increase program awareness and promotes a distinct identity for the program.  Staff note: Probably the most useful point for Committee discussion, other than topic of terms and overall strategy.</p>

**Memorandum  
Subcommittee on Marketing of the Inclusionary Zoning Oversight Committee  
November 16, 2007**

Strategic Initiative	Policy Legislative Administrative	IZ Committee Role	Responsible	Resources Required	Benefits and Staff Notes
Standard disclosure: Develop a standard disclosure form for sellers and Realtors.	Administrative (legal)	Recruit trade group to produce disclosure Consult with trade group on content	Builder/developer or Realtor trade group City attorney, staff and committee to assist	Staff, committee and trade group time Wait and monitor buyer experience.	This would be best delegated to a trade group.
IZ buyer pre-qualification form: Develop simple buyer pre-qualification worksheet.	Administrative	Advise staff	Staff can make improvements to form with feedback from IZ Committee	This is done Wait and monitor buyer experience	Makes it easy for buyer to know what type of IZ home they can buy. This form is completed and on the City web site.
Seminars: Include IZ in homebuyers' seminar	Administrative	None	Staff to implement, committee members to assist as needed	Staff time	Better awareness

## **Brainstorm Marketing Activities (Strategic Initiatives)**

Notes from IZ Subcommittee on Marketing 6/22/07

### **Clear Rules**

- Approval of clear IZ policies and procedures

### **Preferred Lenders**

- Preferred lender list, City recruits and trains
- Develop partnership with a lender to help with program

### **Lender Qualified Buyer**

- Lenders certifies buyer (2)

### **Fact/Myth Sheet**

- Fact/myth sheet for Realtors
- Fact/Myth sheet for developers
- Fact/Myth sheet for Buyers

### **Re-brand**

- IZ committee develops a comprehensive marketing/branding plan and oversees implementation
- Re-brand IZ as the new starter/first home. Stop saying affordable housing
- New name for IZ program

### **Percent buy by City**

- City buys \_\_\_\_\_ percent of IZ units about to expire

### **"Teeth"**

- Put teeth in program – IZ unit always an IZ unit

### **Seminars**

- Seminars for realtors
- Training/seminars for developers
- Training/seminars for buyers
- Include IZ in Homebuyer Fairs/Seminars

- Monthly IZ class for buyers
- City conducts training sessions for key City staff on IZ mechanics

#### **“Outreach” - IZ Ombudsman**

- City hire or assign the IZ Ombudsman to relate to all groups
- City conducts lender, realtor and developer (for-profit and non-profit) trainings on IZ mechanics (I.e. how it works)

#### **List of IZ Homes/Developer Listing Agreement**

- Find a way to create a list of specific available units
- Developer sign “listing” agreement with the City so City can publish detailed information on the property

#### **Counseling**

- City or Homebuyers Round Table develops and maintains a website on IZ units available and counseling resources available

#### **IZ buyer pre-qualify form “worksheet”**

- Create or modify online IZ buyer qualification form
- Simple buyer qualification worksheet
- IZ qualification worksheet with buyer data
- Self qualification (pre-qualify) no verification
- Online qualification form

#### **Specific Marketing/Promo Samples**

- City specifically defines marketing requirements for developers
- Sample marketing tips for realtors/developers
- Establish IZ promo recommendations, success stories by the seller to share with each other

#### **City Funds Home Counseling**

- City funds IZ home ownership counseling and partnerships

#### **Disclosure**

- Disclosure requirements for seller
- Sample
- Standard disclosure form for realtors and developers

### **Addendum**

- Standard IZ Addendum for sellers

### **Buyer-Agent**

- Find some buyer agents to work with – consider paying them
- Develop groups of realtors (buyer's agents) City refers prospective callers to

### **Requirement Developer Accept/Penalty**

- Penalty for not accepting offer
- Must accept offer on IZ during marketing period

### **Roadmap/Checklist**

- IZ checklist roadmap
- IZ Buyer check list of activities

### **Research Difference**

- Compare/contrast purchase process for IZ and traditional buyer – is it really that different? If yes, change

### **City \$**

- City spend some money on marketing program

### **Benefits**

- Brochure “selling” IZ-what are benefits

### **Fee**

- Pay lender fee for IZ loan with bank doing IZ prequalification

### **Research**

- Research needs

### **Finish Units**

- Requirement to build out/finish unit (if bump out)

### **Co-Broker**

- Require seller to pay buyer's agent (legal?)

## Brainstorm Marketing Issues (Barriers)

On June 15, 2007 the Marketing Subcommittee (with additions from Alder Cnare) identified the following as issues, to some degree, although extent, depth, or breadth varies from issue to issue and development to development.

- Features of IZ homes are not competitive/appropriate/valued by buyers (the difference in equity is a major issue.) (conversation, understanding, equity/versus market rate)
- Important stakeholders (developers and Realtors) have not bought into the program, do not support it and work against it.
- Program benefits not clear or not valued by important stakeholders.
- Developers perceive IZ as a big take away.
- Lack of motivated buyers.
- Some sellers will not pay commissions to buyer's Realtor driving away buyers.
- Sellers lack motivation.
- Seller does not want to sell – either does not provide information on IZ, discourages offers or will not accept contract offer.
- Lenders are not aware of, understand and are motivated to do IZ loans.
- Lack of motivation among brokers and Realtors.
- Buyer's agent does not perceive IZ homes as a good value for buyer because of equity issues, steering buyer to market rate homes.
- Process for buyers is long and complicated, driving away qualified buyers.
- Basic specifications for an IZ unit are not clear and may not be competitive/valued (i.e., IZ home may not include basics like appliances or parking.)
- Buyers, Realtors and sellers don't know if buyer is qualified, slowing down or killing the sale. (buyer & seller)
- What is the role of city in marketing? Perception that this is City's program, they need to make it work.
- Complexity drives all participants away.
- Program lacks teeth. Sellers don't have to sell unit. No consequences or insignificant consequences for not selling unit as IZ. Sellers are better off/rewarded for selling an IZ unit at market rate.
- IZ units are not finished so buyers don't have a clear idea of what they'll get, driving away buyers. Since IZ units can be sold as a market rate unit with better finishes, developers can complete the structure, but not do the finish work.

- Lack of traffic.
- If City promotes how will promotion be funded?
- Stigma of IZ units by neighbors.
- Stigma of IZ program by key developers and Realtors.
- Promote the program: City must take the lead, and be the go-to source for affordable housing
- City needs to invest in marketing; it should be equitable, and drive customers to make inquiries about IZ homes.
- A city staff person should be assigned to develop partnerships with influencers: lenders, housing counselors, real estate professionals
- Tactics – identify a few brokers, or lenders, work with them to generate success then expand to others.



## **Brainstorm Marketing Issues by Related Clusters**

### **A. Cluster of "Brokerage" related Issues**

- Motivate Realtors
- Buyer agent- why is IZ good for the buyer?
- What contract language is required?
- No clear standards for marketing
- Seller does not pay co-broke?
- Lack of traffic
- Process for buyer – long and complicated
- What disclosure is required?

### **B. Cluster of 'Developers' issues**

- Developer – "its more government red tape"
- Seller does not market/sell
- Lack of motivated sellers? – attitude
- Developer – "its a take away"
- Seller's responsibility for marketing
- Market built out, but IZ unit not built out

### **C. Cluster of issues related to "Promotion"**

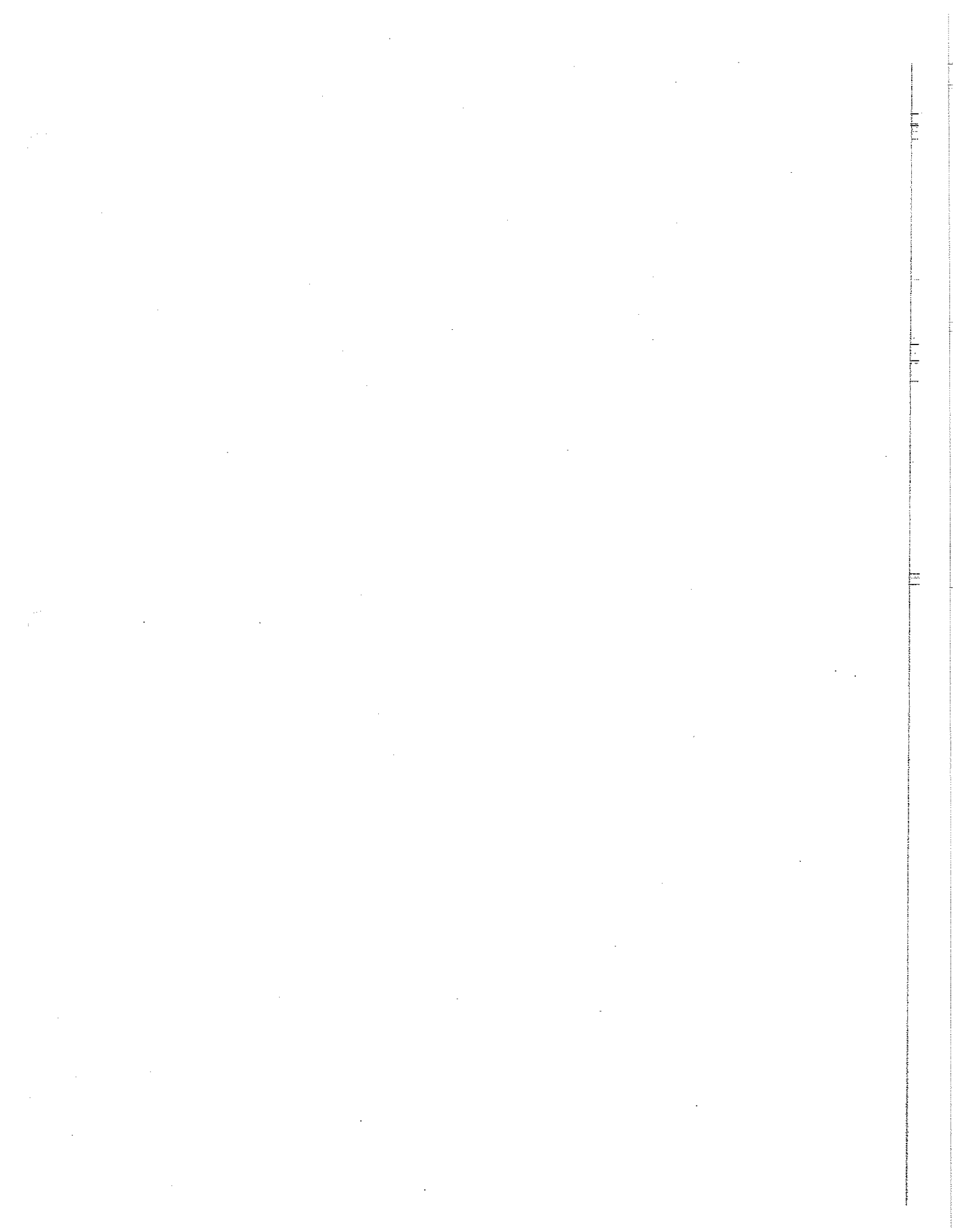
- Complexity drives all participants away
- IZ unit stigma?
- Role of City in marketing:
- Promote the program: City must take the lead, and be the go-to source for affordable housing
- City needs to invest in marketing; it should be equitable, and drive customers to make inquiries about IZ homes.
- A city staff person should be assigned to develop partnerships with influencers: lenders, housing counselors, real estate professionals
- Lack of motivated lenders? (attitude/education)

- Lack of Motivated Buyers?
- All participants – understanding instruction
- If City promotes will City fund?
- Lack of traffic

**D. Cluster of issues related to “Product”**

- Are product benefits understood? (each constituency)
- Are financial benefits of IZ understood or valued?
- Features of program not competitive/desired? (equity)
- Basic specs for an IZ unit - What are base specs?
- Program stigma – reputation
- Program lacks teeth
- Who should promote? City? Sellers?
- City funding for promotion?
- Lack of traffic
- Is buyer qualified?

## APPENDIX 3



## **Analysis of IZ Participant Feedback**

### **OVERVIEW:**

In February 2008, the Inclusionary Zoning Advisory Committee (IZAC) requested that a survey be developed and conducted with buyers, realtors and developers to get their feedback on the IZ program and ways that it could be improved. The committee developed a questionnaire and target buyers, realtors and developers to contact. (See attached survey documents.)

Along with the surveys, the IZAC also invited representatives of three institutional stakeholders in the IZ process to address the committee. Their comments are captured in a separate section below. (For additional detail, see IZAC meeting minutes: 5/20/08.)

### **SURVEY FEEDBACK:**

#### **BUYERS:**

Direct buyer contact was difficult to make, but two IZ buyers returned surveys with comments. Both buyers had purchased properties in condo developments—price and location were the main criteria in their purchasing decision.

Both heard about the IZ program from others—a friend or website—and then were connected to a realtor or developer. Both felt they received a lot of assistance from realtors, bankers and developer staff with questions around the IZ program. Barb Constans was the City contact person and she received high marks from all parties with regard to supplying information about the IZ program and connecting people. Both felt the IZ program needed better marketing or advertising to make people aware that it was available.

With regard to the IZ process, they both had issues with what they saw as a lot of paperwork. One felt their developer saw them as a “second-class citizen” and felt costs outside the purchase fee were added. Items like non-standard appliances, hardware and parking costs were add-ons they had to cover.

#### **REALTORS:**

Three realtors were contacted and they all meet their buyers through contacts from other people or a website. All agreed that affordability (price) and location were the key criteria that buyers had when looking for housing. The realtors saw affordability as the key advantage that IZ offered their clients.

Several IZ disadvantages they mentioned included: a limited number of available units, since they were linked to new housing starts; builders / developers financial difficulties in the past few years and that they did not want to pay any referral fees, so they often work directly with buyers; the changes to the program part way through also needed to be explained to buyers, which took a lot of time.

Some of the economic trade-offs they had to address included clients paying extra for upgrades to basic units, like different appliances and parking. Limited locations

sometimes lead to clients looking elsewhere and builders' unwillingness to pay broker fees also caused economic loss. Changes in the WHEDA loan program, identified as financing a lot of IZ unit mortgages, added extra costs for mortgage insurance coverage, which realtors and buyers didn't anticipate.

Things that would make it easier included—adding more available units; making documents easier to understand; allowing for upgrades to property and parking costs in the loan arrangements; and more buyer education on what happens to their equity at the time of the future sale of their property.

**DEVELOPERS:**

The two developers interviewed seemed to have a good grasp of the goals of the IZ program, but did not agree with the outcomes of the program. They did not identify any aspects of the program that helped them and felt that the program only added costs to their developments. They felt the program, if it goes forward, should be as flexible as possible and be open to the whole city, not just new developments. They felt the money would be better spent on providing down payment assistance verses mandating specific unit targets.

They pointed out what appeared to be inconsistencies between City agencies when it came to getting approvals or incentives on developments. Parks fees were not reduced, density bonuses seemed unrealistic and the UDC consistently asked for changes that added to the cost of projects and took away most of their profit margin. Developers felt City agencies needed to look at the IZ process holistically and fine-tune and coordinate all policies accordingly.

## APPENDIX 4



## SMART GROWTH GREATER MADISON

701 E Washington Ave • Suite 107 • Madison, WI 53703  
(608) 663-2005 phone • (608) 663-2008 fax

### Presentation to the Inclusionary Zoning Oversight Committee

May 30, 2008

#### 3 Tenants of Inclusionary Zoning:

- 1) **Create Affordability at different price points:** Inclusionary Zoning has to date produced six units without further subsidies; or 18 with further help over 4.5 years. This is not a success by any program measurement standards or indicators of effectiveness. As a graduate of LaFollette Institute of Public Affairs, I can tell you in no uncertain terms, had I submitted a paper trying to make the argument that this was good public policy based on the outcomes; I would not have been pleased with the grade on my paper. Whatever the reasons, be it market, loopholes, political will, or the simple lack of demand on the part of the consumers in the target income – this program is not creating affordability – particularly when you look at in comparison to existing housing stock prices.
- 2) **Distribution:** Hickory Hurie presented the Committee with a map showing where the IZ units are located – and they are on the Isthmus and the far edges of the city – where new development occurs. By and large, there is no foreseeable change to this pattern, thereby excluding most of the City. Therefore this does nothing to address the issues in the attendance areas that are struggling in other parts of the City.
- 3) **Long Term Permanence:** The city cannot afford to purchase all of the IZ units that the program calls for. This is at best a one-cycle program. Attempts to force buyers to sell to an IZ buyer reduces an already questionable demand, which is why this element was excluded in the modification to the ordinance in July of 2006.

#### What do we want to see?

- 1) **Program Analysis:** Sunset Inclusionary Zoning. I have the utmost respect for the members of this Committee, having sat with you through many Fridays these long two years. However, I think if the energy and ideas in this room could be spent on making better use of programs the city has (e.g. – the handout Hickory distributed with the list of the all the city programs) it would be a much better use



of resources. In pure cost benefit analysis this simply is an inefficient policy to achieve the goals outlined in the ordinance. We have no solid basis to build an argument on that would in any way indicate the success of the program. 4.5 years of data indicate very weak demand for the program.

- 2) **Public/Private partnership/Comprehensive Information source:** Right now there is no place an individual can go for comprehensive information about what programs are available. This could be an area where the city and the housing industry could work together to create a mechanism to provide that. Focus on Energy is the clearing house for energy programs, why not a Hunting for Housing?
- 3) **Existing Housing Stock:** Another disturbing trend I see is the fact that the middle class is moving to the suburbs. The Economic Development Plan made note that in 1980, Madison and Dane County had similar median household incomes. In 2000 there was a disparity – with Dane County having 34 % higher median household incomes than the City of Madison proper. We also know that the free and reduced lunch program eligible students numbers have increased dramatically – with more and more in the lower grades. Art Rainwater noted upon his departure that there was a crisis brewing in the schools. I have heard time and time again from developers in our organization – mind you I can only speak for them – that the costs from IZ end up being absorbed by the other buyers, as banks and financial partners require certain numbers in order to finance a project. Evidence in other communities demonstrates an increase in the cost of housing in IZ communities at a 2.5 higher rate than other communities without IZ. If we are marginally increasing the cost of new housing for the middle class in Madison proper, because this is not a regional program, you run the risk of exacerbating the brewing crisis by driving the middle class out of Madison in greater numbers. However, if we instead focus on workforce housing and providing programs, such as down-payment assistance or perhaps partnering with a group like project home to bring substandard housing up to standard to get families into the city, therefore the schools, you are offering incentives to move into the City, not drive people out.

In summary, I think IZ should be allowed to sunset. I sincerely believe there are better uses of the City's and the Housing Communities resources when it comes to providing affordable and workforce housing. We are not meeting the policy goals of the program using any measurement standards, we have no evidence of demand for the program, and we have now seen the devastating effect the market has on a program that cannot adjust to its fluctuations. Again, this is submitted with all due respect to the work this committee has done; as I can personally attest to the commitment and passion with which you have worked. I can only hope that recommendation of the committee is to allow IZ to sunset.

## APPENDIX 5

Phil Salkin 5/30/08

Potential Improvements to the Madison Inclusionary Zoning Ordinance

At this time, it is difficult to see how the Madison Inclusionary Zoning program will, or could, attain its goals, whether those ultimately relate to affordable housing or social and educational goals. As a result, we believe that the IZ ordinance should be sunset in January, 2009 and the city and housing industries move forward with other efforts.

If asked what improvements to the existing IZ program might be made, we would recommend:

- 1) Tie the release of units from the IZ program to the average time of sale of comparable units on the open market.  
For example: If 3-bedroom, single family, detached IZ units begin marketing on July 1<sup>st</sup>, 2008 – and on that date, it takes an average 100 days for such units to sell - the units could leave the IZ program after 100 days.
- 2) Tie the number of units required from a project to actual demand. If demand is actually 3%, require 3% of the units be IZ.
- 3) Use a sliding scale for the number of required IZ units pegged to the number of available, affordable units. For example, when the number of affordable units reaches 1000 (using, for example the MLS), the number of required IZ units would be reduced. If it falls under a certain number, the number of required units would increase.
- 4) The costs of REALTOR® commissions should be added to the allowable cost of IZ units. This would provide more impetus for REALTORS® to seek to represent such properties.
- 5) Assuming that developers actually receive off-setting incentives, allow opt-outs directly to downpayment and housing rehabilitation assistance funds.
- 6) Continue to reduce the impact of the program on buyers.

## APPENDIX 6

thru 3/31/08

**Veridian Homes Inclusionary Zoning Costs**

	2004	2006	2007	2008	4 Year Total
<b>External Consulting Fees</b>					
Planners	\$0.00	\$10,686.63	\$1,832.50	\$0.00	\$12,519.13
Engineers	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Attorneys	\$6,862.00	\$7,904.94	\$53.04	\$0.00	\$14,819.98
Accountants	\$2,223.00	\$6,108.00	\$0.00	\$0.00	\$8,331.00
<b>Subtotal</b>	<b>\$8,075.00</b>	<b>\$24,700.57</b>	<b>\$1,885.54</b>	<b>\$0.00</b>	<b>\$34,661.11</b>
<b>Internal Personnel Costs</b>					
Land Development	\$54,600.00	\$49,920.00	\$49,920.00	\$12,411.80	\$166,851.80
Marketing	\$0.00	\$9,345.00	\$9,345.00	\$2,323.48	\$21,613.48
Sales	\$0.00	\$2,080.00	\$2,080.00	\$517.15	\$4,687.15
<b>Subtotal</b>	<b>\$54,600.00</b>	<b>\$61,345.00</b>	<b>\$61,345.00</b>	<b>\$15,252.43</b>	<b>\$192,542.43</b>
<b>Holding Costs</b>					
Finished lots	\$0.00	\$3,830.00	\$4,700.00	\$4,550.00	\$13,080.00
Finished Homes	\$0.00	\$17,940.00	\$11,040.00	\$17,760.00	\$46,740.00
Models	\$0.00	\$1,870.00	\$0.00	\$0.00	\$1,870.00
<b>Subtotal</b>	<b>\$0.00</b>	<b>\$23,640.00</b>	<b>\$15,740.00</b>	<b>\$22,310.00</b>	<b>\$62,730.00</b>
<b>ANNUAL TOTAL</b>	<b>\$62,675.00</b>	<b>\$109,756.57</b>	<b>\$114,870.54</b>	<b>\$37,572.43</b>	<b>\$522,479.26</b>

- Notes:
- 1) Total cost does not include estimates of any IZ costs of activities not specifically related to IZ e.g. City meetings where engineering, planning and other plat related issues were discussed but included IZ discussions for a portion of the meeting
  - 2) Total Cost does not include opportunity costs

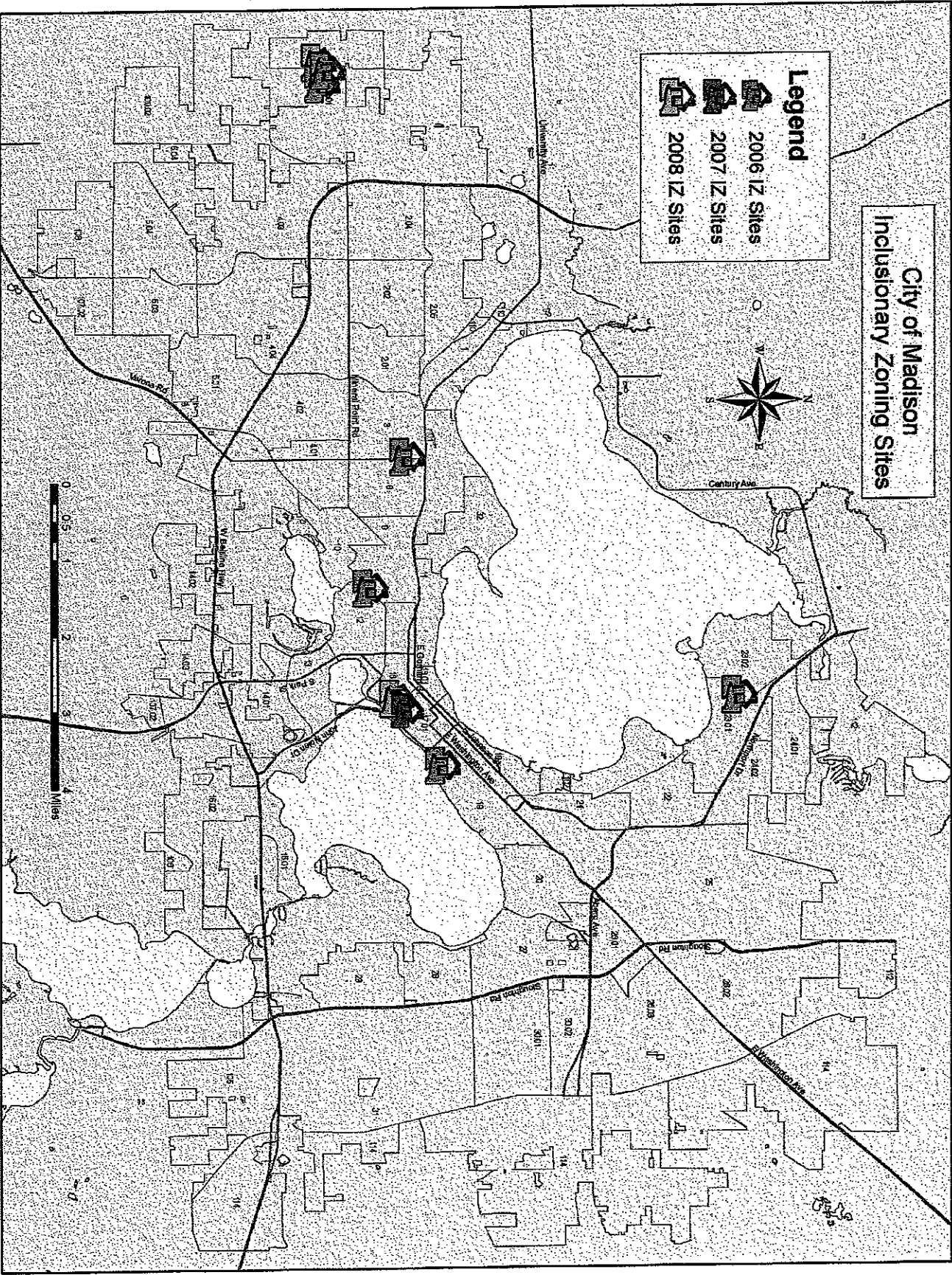
Jeff Rosenberg  
Veridian  
5/20/08

## APPENDIX 7

# City of Madison Inclusionary Zoning Sites

**Legend**

-  2006 IZ Sites
-  2007 IZ Sites
-  2008 IZ Sites



## APPENDIX 8





Department of Planning & Community & Economic Development  
**Planning Division**

Website: [www.cityofmadison.com](http://www.cityofmadison.com)

APR 13 2008

Madison Municipal Building, Suite LL100  
215 Martin Luther King, Jr. Boulevard  
P.O. Box 2985  
Madison, Wisconsin 53701-2985  
TTY/TEXTNET 866 704 2318  
FAX 608 267 8739  
PH 608 266 4635

**TO:** Mayor David J. Cieslewicz  
Madison Common Council

**FROM:** Bradley J. Murphy, Planning Division Director

**DATE:** April 14, 2008

**SUBJECT:** Inclusionary Zoning Ordinance Evaluation Study

Attached is the second evaluation study prepared by the Department of Planning & Community & Economic Development on the Inclusionary Zoning Ordinance. The attached report covers the implementation of the Inclusionary Zoning Ordinance from its adoption in February 2004. The report updates the first evaluation study which was issued on January 18, 2006. The report covers the inclusionary zoning program from February 2004 through December 31, 2007 and compares the program before and after the ordinance amendments were approved in July of 2006.

The report is intended to supplement information being provided by the Inclusionary Zoning Ordinance Advisory Oversight Committee on the implementation of the ordinance.

- c: Mark A. Olinger, Director, Department of Planning & Community & Economic Development  
Hickory Hurie, Community Development Block Grant Supervisor  
Matt Tucker, Zoning Administrator  
Ray Harmon, Assistant to the Mayor  
Inclusionary Zoning Ordinance Advisory Oversight Committee  
Housing Committee  
Plan Commission

## **INCLUSIONARY ZONING ORDINANCE EVALUATION STUDY**

**Prepared by: Department of Planning & Community & Economic Development, Planning  
Division and Community Development Block Grant Office  
March 31, 2008**

### **INTRODUCTION**

This is the second evaluation study prepared by the Department on the Inclusionary Zoning Ordinance. The first evaluation report was issued on January 18, 2006 and covered the implementation of the Inclusionary Zoning Ordinance from its original adoption in February of 2004 through September of 2005. This report updates the previous report and focuses on the Inclusionary Zoning Program operating under the ordinance amendments approved by the Common Council in July of 2006. These ordinance amendments also roughly coincide with the Court of Appeals decision in August of 2006, which resulted in new rental housing developments being exempt from the Inclusionary Zoning Ordinance.

This report summarizes the projects approved under the Inclusionary Zoning Program and their distribution throughout the City prior to the ordinance amendments approved in July of 2006, and subsequent to these amendments. The report compares the Inclusionary Zoning Program before and after the amendments.

The report provides data related to the original objectives of the Inclusionary Zoning Ordinance and the possible adverse effects that were discussed prior to the Inclusionary Zoning Ordinance being adopted. This report supplements a report issued recently by the Inclusionary Zoning Advisory Oversight Committee dated November 28, 2007, and incorporates some of the data summarized in that report.

### **SUMMARY OF ORDINANCE OBJECTIVES AND OUTCOMES**

Two primary overriding goals were identified for the Inclusionary Zoning Ordinance when it was originally adopted in February of 2004:

1. To increase the number of affordable dwelling units in the City of Madison, and
2. To create mixed-income neighborhoods throughout the City.

To achieve these goals, the Inclusionary Zoning Ordinance requires 15% of the dwelling units within new residential developments containing 10 or more dwelling units to be affordable at certain income levels. The program was expected to create approximately 200-300 affordable units per year and to ensure that the units would be distributed throughout the community where new development was occurring.

The program has now been in existence for four years. During this time period, 58 projects were approved which required inclusionary/affordable dwelling units. These projects included 6,023 total dwelling units (70% owner-occupied and 18% rental) of which 695 units, or 11.5% were affordable. Three projects accounting for 740 units or 12% of the total units included future multi-family phases where the tenure has not yet been determined. An average of 174 affordable units per year have been approved.

Several projects approved are unlikely to move forward. These include the 800 Block of East Washington Avenue, the Starkweather Square plat, the Hilldale Condominiums and the Churchill Crossing project. This latter project was originally approved under the ordinance but later reapproved as an IZ exempt rental project. These projects included 702 total units of which 107 were affordable units. In addition, many other approved projects marketed the affordable units under the original ordinance and are now out of the program. The ability to market the units for 240 days without a sale under the original ordinance has resulted in an additional 184 affordable units being removed from the program. Therefore, of the total 695 affordable units approved, 418 potential affordable units remain in the program.

During the first 2 ½ years of the program's existence, the ordinance applied to both owner-occupied and rental projects. During this period 53 total projects were approved which required inclusionary/affordable dwelling units. These projects included 611 units which were affordable. Following the ordinance amendments in July 2006 and the Court of Appeals decision which exempted rental projects from the program, 5 new projects were approved under the revised Ordinance which were required to provide inclusionary/affordable dwelling units. These projects included 628 units of which 84 units or 13.4% were affordable. One other project totaling 350 units in future phases had not determined the tenure. It should be noted, however, that during this period four other projects (SIPs where the GDP was approved under the original ordinance) were also approved which required affordable units. These projects, however, were considered under the provisions of the original ordinance.

Of the 695 total affordable units approved under the original ordinance and the ordinance amendments, 306 units have moved forward for final approval for construction and were available for purchase by income-eligible families. Of this total, 184 units have rolled out of the IZ Program as they were marketed under the terms of the original ordinance and are now market-rate units. As of October 2007, 41 units of the total have had accepted offers to purchase and an additional 18 units are occupied.

## CONCLUSION

The Inclusionary Zoning Ordinance has been in place for four years. During the first two years of the program, a substantial number of units were approved in line with the original goals established for the program prior to its adoption. Unfortunately, a few provisions in the original ordinance which allowed units to be marketed far in advance of when the units were actually available for occupancy and which did not require adequate marketing of the for sale units, as well as the equity sharing formula resulted in many of the affordable units being rolled out of the program. The incentive point system was also widely criticized by builders and developers as being confusing and unworkable.

In July of 2006, comprehensive amendments to the original ordinance were adopted by the Common Council. These amendments replaced the incentive point system with a "revenue offset system," and changed the marketing requirements under the program. The Common Council also created an Inclusionary Zoning Oversight Committee to further develop the revenue offset system, to revise the policy document, and to further evaluate housing needs relative to the Inclusionary Zoning Program's target households, and to make recommendations on the marketing of inclusionary dwelling units.

The original ordinance was adopted with a major revision in the equity-sharing formula than proposed by the Housing Affordability Subcommittee. Ordinance revisions regarding the marketability and the complex equity-sharing formula were proposed 15 months after the original ordinance was adopted, based on poor buyer response to that complex formula, and the easy roll-out provisions. During the course of the Mayor's workgroup discussions on ways to improve the program, some developers made a concerted effort to seek a revision in the incentive system, an effort that was eventually delegated to the newly formed Inclusionary Zoning Advisory Oversight Committee. After the Council adopted the new equity formula (pro-rated share times the value, minus 5% bonus for the buyer to accommodate improvements), the program experienced more buyer interest and sales. While the new equity formula takes some additional time to explain to buyers, it generally favors the buyer in a down market, since the amount owed decreases with depreciating house values, rather than staying at a fixed amount that could lead to situations where the buyer/owner owes more than the home is worth.

Staff believe that there continues to be a flaw in the current program: open marketing of the inclusionary zoning affordable units in a manner that represents the interests of the target buyer population. This is partially a structural problem and professional practice issue in the general real estate brokerage industry itself. Buyer-brokers who serve the buyer are paid through a commission shared with the seller's broker, or through a fee paid by the buyer. In the inclusionary zoning situation where the purchase price is fixed, the developer/builder can refuse to split the commission with the buyer-broker (as some have), and the buyer must either pay his/her broker out of his pocket, or find another home. Since inclusionary zoning target buyers generally have fewer discretionary resources and developers/builders price the inclusionary zoning units at the maximum sales price levels, the inclusionary zoning buyers have less flexibility within the housing market to hire a buyer-broker and thus depend heavily on the developer's agent for guidance with inclusionary zoning. The Inclusionary Zoning Advisory Oversight Committee is working to improve the marketing of units.

Over the course of the first four years of the ordinance, the Madison Inclusionary Zoning program has resolved several technical challenges that respond to issues raised by critics of the adoption of the program. In particular, original critics were concerned that the City would never allow less than 15% of the units to be affordable and that reductions or waivers would not be approved. Critics also were concerned that the Plan Commission would not differentiate between different types of projects such as projects within the downtown and on the periphery.

With the help of Toby Sherry, the program assembled a waiver analysis tool that has produced reasonable analyses of different developments and has actually led to a number of reductions in the 15% standard expectation. In general, where the City has provided greater density or such incentives as TIF subsidy, the waiver tool has recommended little in the way of reductions. Where the City has offered less density or subsidy, or the scale of the project has been insufficient to offset loss of revenue from inclusionary zoning units, the tool has suggested a downward revision in the 15% expectation. The work of the Inclusionary Zoning Oversight Committee has resulted in the development of a workable gap analysis tool to provide greater specificity and flexibility in making recommendations regarding the trade-offs among inclusionary zoning units, off-site units, and payments in lieu and the "value gap" between inclusionary zoning units, their market value, and City incentives provided. This model has now been applied to three projects.

As more cities adopt inclusionary zoning programs across the country, Madison has received a number of inquiries regarding these two tools as possible solutions to the market insensitivity of some of the earlier inclusionary zoning ordinances adopted around the country.

The adoption of the comprehensive amendments to the Inclusionary Zoning Ordinance, and the work of the Inclusionary Zoning Oversight Committee generally coincided with a downturn in the housing market generally, and the market for condominiums and single-family homes, more specifically. The slowing of residential construction has resulted in far fewer dwelling units being approved and built under the new ordinance than the original ordinance. It should also be recognized that dwelling units continue to be approved under plans and plats approved under the original ordinance.

The City adopted the original Inclusionary Zoning Ordinance during an up market and has administered it during one of the weakest markets in decades. Since the Dane County housing market appears to have experienced the same increases and decreases during the same period, it would appear that the ordinance did not generate the kind of adverse market impact that some predicted upon adoption of the original ordinance. Instead growth continued, with increases and declines in approximately the same pattern, reflecting more macro-economic forces than the ordinance by itself.

The City is seeing the first affordable units being occupied by income-eligible households with 18 units now occupied and another 41 units with accepted offers to purchase. The revised ordinance has been in place for 1-½ years. Unfortunately, the downturn in the housing market has resulted in only a few projects being approved. This is combined with the fact that some projects approved have a long lead time from approval to actual construction of individual units. As a result, very few units have been marketed under the new ordinance.

The Oversight Committee has been working to complete a housing supply and demand study which will further inform the target market for the inclusionary zoning program and marketing strategies to reach income-eligible households. An initial draft of the study has been submitted and a summary of the study is being prepared.

Staff have heard that a number of developer/builders are currently waiting to see what will happen with the current Inclusionary Zoning Ordinance given that the potential sunset date of January 2, 2009 is rapidly approaching. Given that the housing market has slowed, there is a larger inventory of existing lots to build on which, in turn, means that some builders/developers can work off of this existing inventory before deciding whether to proceed with new residential development projects in 2008 or to wait until 2009. Because of the very small number of projects approved under the July 2006 revisions to the Inclusionary Zoning Ordinance, and the very small number of units actually being marketed under the new ordinance, it is difficult to evaluate the effectiveness of the ordinance revisions at the present time.

The Oversight Committee is developing recommendations to improve the effectiveness of marketing strategies for Inclusionary Zoning units and are evaluating the results of the supply and demand study. Additional projects will be submitted and approved over the remainder of this year, giving staff an additional basis to review the effectiveness of the ordinance amendments approved in July of 2006.

It seems clear that the effectiveness of the new ordinance would need to be evaluated over several additional years following the completion of the housing needs study, the continued evaluation of the revenue off-set model based on additional projects being reviewed, and the implementation of new comprehensive marketing strategies.

### SUMMARY OF APPROVED INCLUSIONARY ZONING PROJECTS

Between February 15, 2004 and July 2006 the City approved 53 projects with 5,043 total dwelling units of which 625 were affordable. Since the amendments approved in July of 2006, 5 projects were approved totaling 980 dwelling units of which 84 were affordable. Table 1 provides a summary of the project data, while Table 1a in Appendix 2 provides a listing of all of the individual projects. Table 1b provides additional detail on each of these projects, including a project name, date of approval, incentives/off-sets requested and approved, and the construction status.

**Table 1**  
**Summary of Projects Subject to Inclusionary Zoning**  
**February 2004-December 31, 2007**

	Number of Projects*	Total Units**	IZ Units**
Approved Under Original Ordinance Standards (February 2004 - July 2006)			
Owner	41	3,560	501
Rental	8	1,093	109
Not Yet Determined	1	390	1
Projects with both Rental and Owner Units*	3		
Subtotal	53	5,043	611
Approved Under Revised Ordinance Standards (Adopted July 2006)			
Owner	3	628	84
Rental	0	2	0
Not Yet Determined	1	350	0
Projects with both Rental and Owner Units*	1		
Subtotal	5	980	84
<b>Total Projects with Owner (Only) Units</b>	<b>44</b>	<b>4,188</b>	<b>585</b>
<b>Total Projects with Rental (Only) Units</b>	<b>8</b>	<b>1,095</b>	<b>109</b>
<b>Total Projects with both Rental and Owner Units*</b>	<b>4</b>		
<b>Total - Not Yet Determined</b>	<b>2</b>	<b>740</b>	<b>1</b>
<b>Total Approvals</b>	<b>58</b>	<b>6,023</b>	<b>695</b>

\*Project total includes four (4) projects that included both rental and owner units. Units in these projects included in the count of owner/rental units and IZ units.

\*\*Includes 1,906 units (and 226 IZ units) with GDP-only (non-construction) approval and 1,495 total units (and 156 IZ units) that have received necessary approvals but have not been recorded. 2,622 total units (and 313 IZ units) have been approved and recorded.

The Planning Division also examined the residential development projects exempt from the Inclusionary Zoning Ordinance which were approved by the City's Plan Commission and Common Council during this same time period. These residential projects were approved as conditional use permits and Specific Implementation Plans for lands which were already platted and zoned for development prior to the enactment of the Inclusionary Zoning Ordinance. Table 2 provides a summary of these projects. Table 2a in Appendix 2 lists all of the projects. These projects are also mapped on Map 1 at the end of this report.

**Table 2**  
**Summary of Residential Projects**  
**Approved Exempt from Inclusion in the IZ Zoning Ordinance**  
**February 2004-December 31, 2007**

Projects	Owner Units	Rental Units	Total Units
<b>Conditional Use Permits</b>			
February 2004 - July 2006	126	413	539
(Time of Original IZ Ordinance)			
Approved after July 2006	206	118	324
(Time of Revised IZ Ordinance)			
<b>Subtotal</b>	<b>332</b>	<b>531</b>	<b>863</b>
<b>Specific Implementation Plans</b>			
February 2004 - July 2006	429	551	980
(Time of Original IZ Ordinance)			
Approved after July 2006	140	540	680
(Time of Revised IZ Ordinance)			
<b>Subtotal</b>	<b>569</b>	<b>1,091</b>	<b>1,660</b>
<b>Totals</b>			
Approved During the Time of Original Ordinance	555	964	1,519
Approved During the Time of Revised IZ Ordinance	346	658	1,004
<b>Total</b>	<b>901</b>	<b>1,622</b>	<b>2,523</b>

See Table 2 in Appendix 2 for additional detail.

Since the adoption of the original Inclusionary Zoning Ordinance, the City's Plan Commission has approved 25 conditional use permits for rental and condominium projects, totaling 863 total units. During the same time period the Common Council approved 6,023 total units in projects subject to the Inclusionary Zoning Ordinance. As the inventory of vacant already zoned land is developed, the number of new projects which are exempt from the Inclusionary Zoning Ordinance will decrease.

Table 2 also notes the tenure of units approved. Of the 2,523 units approved, 64% were rental, while 36% were for owner-occupied housing. Since July of 2006 the City has approved 24 conditional use permits and Specific Implementation Plans for projects that were exempt from Inclusionary Zoning requirements. This compares to 12 projects (5 under the new ordinance and 7 under the original ordinance) approved over the same time period which required Inclusionary Zoning.

## Evaluation of Changes Made to the Inclusionary Zoning Ordinance in July 2006

In July of 2006 the Common Council approved amendments to the original Inclusionary Zoning Ordinance. The primary changes included:

1. Eliminating the incentive point system and replacing it with a "revenue off-set system."
2. Inclusion of requirements for the reduction in the number of units required in the event that offsets do not equal 95% of the revenue differential between the revenues generated by development without any inclusionary zoning units and those generated by the development that provides inclusionary dwelling units.
3. Changes to the marketing requirements under the program.
4. Inclusion of a sunset provision which provides that the ordinance shall have no effect after January 2, 2009.
5. Establishing an Inclusionary Zoning Oversight Advisory Committee.

The Oversight Committee is charged with several tasks, including:

- a. Evaluate housing needs relative to the Inclusionary Zoning Program target households,
- b. Develop gap analysis and waiver methodologies,
- c. Revise the policy document,
- d. Make recommendations concerning the marketing of the inclusionary dwelling units,
- e. Seek public input on the Inclusionary Zoning Program, and
- f. Report annually on implementation issues to the Common Council.

The first annual report of the Committee was issued on November 28, 2007.

The Committee adopted six measures of success for the Inclusionary Zoning Program. These include:

- a. Inclusionary zoning units approved, marketed, purchased, built, occupied and resold,
- b. Geographical dispersion of the inclusionary dwelling units,
- c. Participant feedback,
- d. Buyer characteristics,
- e. Long-term affordability,
- f. Benefits/costs.

The Committee's report summarizes these measures in graphic and tabular form in the report. The paragraphs that follow summarize some of the findings.

### Projects Approved Under the Original Ordinance

The Community Development Block Grant Office indicates that, of the 611 total affordable (IZ) units approved under the original ordinance, projects containing 287 units moved forward to final approval for construction and purchase by income-eligible families. Of this total, the



marketing period has started for 219 of the units. And of these, 184 (64%) units have been rolled out of the program as they were marketed under the terms of the original ordinance and are now market-rate units. Another 41 units have had accepted offers to purchase (as of October 2007), and an additional 18 units are occupied. Waivers were provided with a payment in lieu of providing units for 25 total units under the original ordinance.

### **Projects Approved Under the New Ordinance**

The Community Development Block Grant Office indicates that of the 5 projects approved under the new ordinance, 19 affordable units were approved for construction and purchase by income-eligible families. The marketing period has started for 5 of the 19 units, while a waiver and payment in lieu of the units was provided for 3 units.

Appendix 1 of this report provides a summary of the data provided by the Inclusionary Zoning Oversight Committee in its first annual report. The data include the geographical dispersion of occupied inclusionary units throughout the community, an income comparison of households occupying these units, and a cost/benefit summary.

### **Tenure/Unit Types**

Since the adoption of the original ordinance in February 2004, 58 inclusionary zoning projects were approved, of which 44 were owner-occupied housing, 8 were rental housing, 4 included a mix of owner and rental housing, and 2 included other housing types (life estate units) or had not yet determined the tenure type.

Since the July 2006 amendments and the Court of Appeals decision, all new inclusionary zoning projects have been owner-occupied.

### **Developers/Buyers Location**

There have been 28 different developers that have had projects approved under the Inclusionary Zoning Ordinance. Since the ordinance amendments in July 2006 there have been 5 developers that have had projects approved under the ordinance. Project locations continue to be distributed throughout the City, both on the Isthmus and on the periphery in locations where development is occurring. Overall, approximately one-half of the projects with inclusionary dwelling units have been located on the periphery of the City with the other one-half being located in redevelopment projects in the downtown and built-up areas of the City.

As with the report which was issued in 2006, this report also concludes that the Inclusionary Zoning projects which have been approved are distributed throughout the community and are located generally in those areas which are experiencing development and redevelopment. Map 1 at the end of this report shows all of the projects which have been approved since February of 2004.

The 18 buyers of inclusionary units are dispersed throughout the City. Six of the units are located on the near east side, 5 on the north side, 3 on the near-west side and 2 each in the central area and southwest sides of the City.

**Offsets Requested and Approved**

Table 1b in Appendix 2 provides a listing of the offsets requested by developers and the offsets approved by the Plan Commission and Common Council. Of the 58 projects, the most frequently requested and granted incentives/off-sets included density bonuses, parkland development fee reductions, cash subsidies and full or partial waivers from the requirements. Table 3 below is a summary of the requested and approved off-sets and incentives.

**Table 3  
Summary of Offsets and Incentives  
February 15-2004- December 31, 2007  
For All IZ Projects**

	Original Ordinance		Revised Ordinance	
	Requested	Granted	Requested	Granted
<b>Summary of Offsets / Incentives</b>				
<b>Standard Offsets / Incentives (Listed on Application Form)</b>				
Density Bonus	11	28	3	3
Parkland Development Fee Reduction	18	6	1	0
Parkland Dedication Reduction	5	0	0	0
Off-Street Parking Reduction	3	0	0	0
Non-City Provision of Street Tree Planting	4	2	1	1
One Additional Story in Downtown Design Zone	0	1	0	0
Residential Parking Permits in PLD/PCD	3	1	0	0
Cash Subsidy	15	4	1	0
Neighborhood Plan Assistance Preparation	0	0	0	0
Assistance Obtaining Housing Funding Information	0	0	0	0
<b>Other Accommodations (Not Listed on Application Form)</b>				
Expedited Review	2	1	0	0
Release from Dispersion Requirements	1	1	0	0
Unit Exclusion	0	0	1	1
Partial/Full Waivers	12	12	0	0

The Oversight Committee developed and adopted a "revenue gap offset analysis model" and policy assumptions that are incorporated into a spreadsheet format and used by the City with developer supplied information to assess the opportunity cost of the required inclusionary dwelling units, balanced against the value of the incentives (or offsets) provided by the City to the developers. Staff use this tool to explore combinations of various approved offsets, units, payments in lieu of, and off-site units. These scenarios are then used to help make recommendations to the developer and to the City's Plan Commission for the Commission's consideration in reviewing the inclusionary dwelling unit plans which accompany land use applications. This tool has now been used in the review and approval of three projects.

### **Plan Commission Acceptance of Staff Recommendations**

In general, the Plan Commission and Common Council have, with very few exceptions, approved the recommendations from the Community Development Block Grant Office and Planning Division on inclusionary zoning projects. The changes that have been made to these projects by the Plan Commission and Common Council have generally been minor in nature and involved the location of affordable units within the project or the phasing of affordable units within different phases of the project.

### **Housing Needs**

The Oversight Committee is working to complete a Housing Demand and Supply Study funded by the City of Madison with donations from Veridian, the Wisconsin Realtors Association and the Madison Area Builders Association. The Taurean Group was hired to complete the study. The original target date for the study was February 2007. Calculating the supply and demand for housing at various income levels was more complicated than either the consultant or the Oversight Committee anticipated. The Committee has been working with the consultant to complete the study. The Committee expects to issue a separate report has on housing demand and supply.

### **Policies and Protocols**

The Oversight Committee revised and simplified the policy document. At its September 21, 2000 meeting the Committee adopted a final revised version which is now being used by staff and applicants.

### **Marketing Strategies**

The Oversight Committee is working to develop a set of recommended marketing strategies for the Inclusionary Zoning Program. It is anticipated that the recommendations will be available within the next few months.

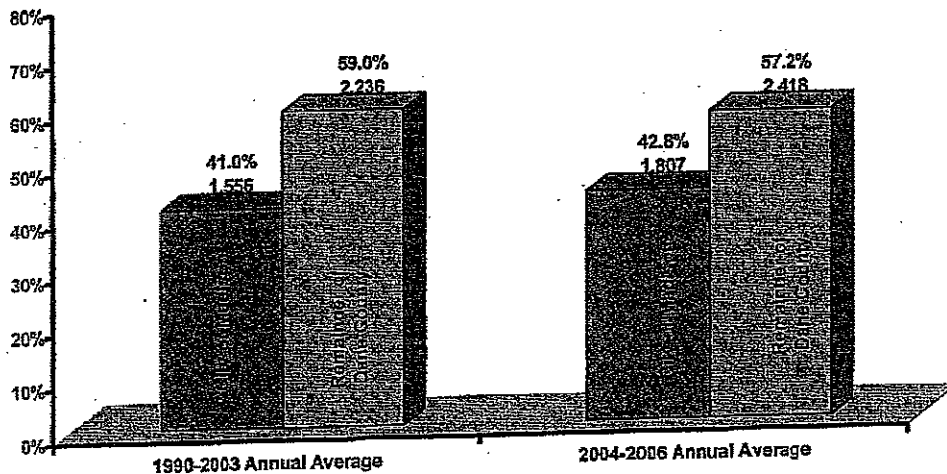
## EFFECT OF INCLUSIONARY ZONING ON HOUSING PRODUCTION CITYWIDE

While it is relatively easy to track overall production of housing units on an annual basis in the City of Madison, it is much more difficult to attribute changes in the production of units from year to year to any single factor. A sustained change in housing unit production in the City of Madison may be the result of many factors, one of which might be inclusionary zoning. Yearly fluctuations in housing production are the result of numerous factors, including interest rates, supply of developable land for new residential development, surplus housing units within the local market for various types of units (condominiums, rental, etc.), overall economic conditions/climate, etc. The following sections summarize changes in dwelling unit production by type of unit.

### DWELLING UNITS BUILT

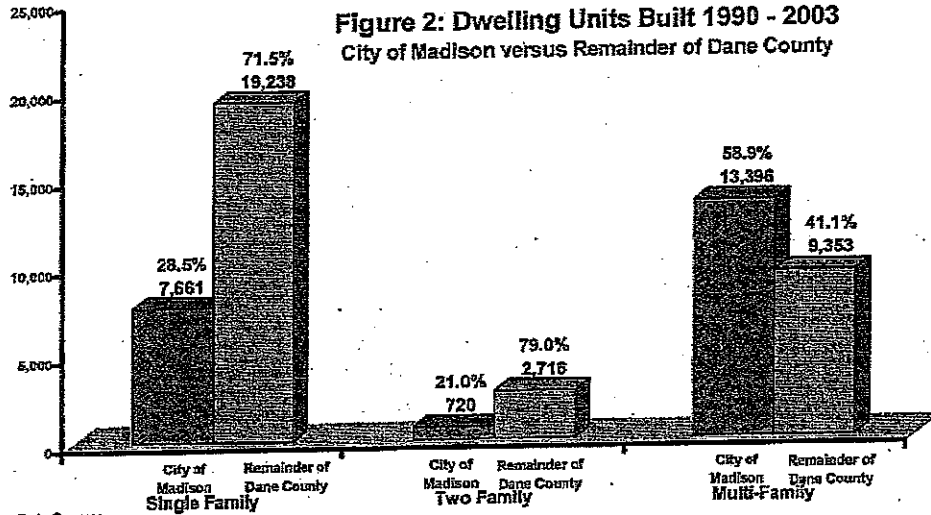
Between 1990 and 2003 an annual average of 1,556 dwelling units were built in the City of Madison compared to 2,236 elsewhere within Dane County. Since the adoption of the Inclusionary Zoning Ordinance the number of dwelling units built annually has averaged 1,807 in the City of Madison compared to 2,418 throughout the remainder of Dane County. Both prior to the adoption of the Inclusionary Zoning Ordinance and following the adoption, the City has continued to account for a little over 40% of the dwelling units built within Dane County with the City's share actually increasing slightly from 41% between 1990-2003 to 43% between 2004-2006 (see Figure 1).

**Figure 1: Percentage of Dwelling Units Built 1990 - 2006  
City of Madison versus Remainder of Dane County**

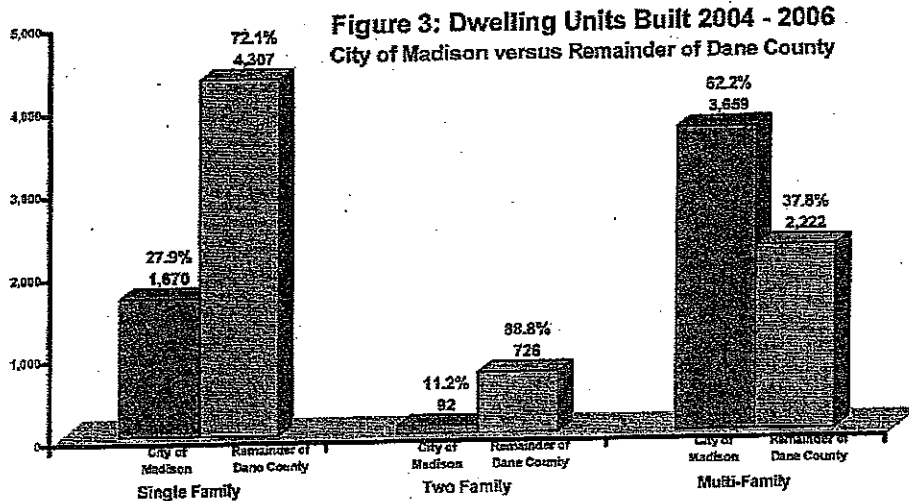


Data Source:  
Dane County Regional Planning Commission; 1997 Regional Trends Tables 29 & 30 for 1990  
Dane County Regional Planning Commission; 2000 and 2001 Regional Trends, Tables 28 and 29 for years 1991 thru 1996  
Dane County Planning Department, Draft 2006 Trends, Table 29 for years 1997 thru 2006

Figures 2 and 3 provide a summary of the dwelling units built by type within the City of Madison and the remainder of Dane County, both prior to and following the adoption of the Inclusionary Zoning Ordinance. The figures show very similar trends prior to and following the adoption of the ordinance, with the City continuing to account for slightly less than 30% of all the single-family homes built within the County and approximately 60% of the multi-family dwelling units constructed.



Data Source:  
City of Madison, Dept. of Planning and Development, Building Inspection, Annual Summary of Building Permits Issues, 1990 - 2006  
Dane County Regional Planning Commission, 1997 Regional Trends Tables 29 & 30 for 1990  
Dane County Regional Planning Commission, 2000 and 2001 Regional Trends, Tables 28 and 29 for years 1991 thru 1996  
Dane County Planning Department, Draft 2006 Trends, Table 29 for years 1997 thru 2003

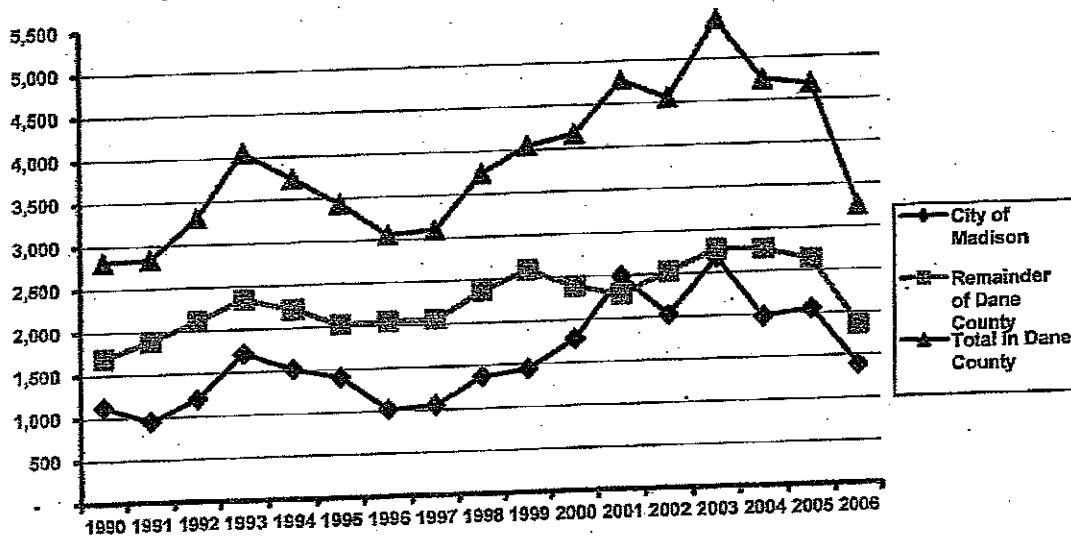


Data Source:  
Dane County Planning Department, Draft 2006 Trends, Table 29 for years 2004 thru 2006

The City of Madison has accounted for less than 50% of the total housing constructed within Dane County for many years. In the early 1990s the City made a concerted effort to reduce the disparity between the development occurring within the City of Madison and the remainder of Dane County by developing neighborhood development plans which encouraged a balance of owner-occupied and rental housing within new neighborhoods and which were intended to ensure that the City of Madison would continue to be able to participate in the growth and development occurring within Dane County.

Figure 4 is a line graph which summarizes the annual housing production in the City of Madison compared to the remainder of Dane County between 1990 and 2006 by year. It is clear from the figure that, while the City has historically accounted for somewhat less than 50% of the dwelling units built, the actual number of dwelling units built in any given year can vary substantially from year to year. For example, between 2001-2002 the number of units built in the City dropped by 460 units, then increased by 650 units between 2002-2003, and then decreased again by 700 units between 2003-2004.

**Figure 4: Dwelling Units Permitted 1990 - 2006**  
 City of Madison - Remainder of Dane County - Dane County

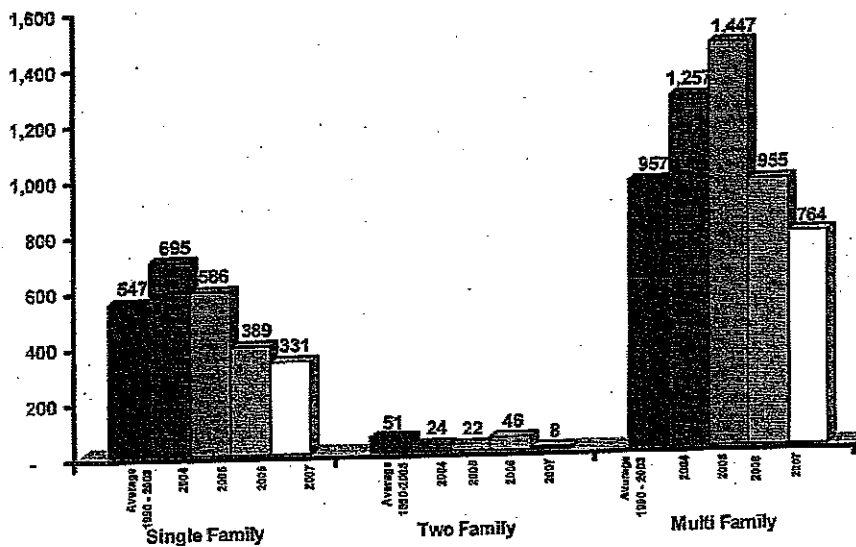


Data Source:  
 City of Madison, Dept. of Planning and Development, Building Inspection, Annual Summary of Building Permits Issued, 1990 - 2006  
 Dane County Regional Planning Commission, 1997 Regional Trends Tables 29 & 30 for 1990  
 Dane County Regional Planning Commission, 2000 and 2001 Regional Trends, Tables 28 and 29 for years 1991 thru 1999  
 Dane County Planning Department, Draft 2006 Trends, Table 29 for 1997 - 2006

Housing production within the City of Madison and areas outside of the City of Madison declined from a peak in 2003, with housing production since then in the City of Madison roughly paralleling that within the remainder of Dane County. Housing production within the City of Madison, peaked between 2001-2005 when the annual average units built exceeded 2,000 per year. Since 2005 the housing production in 2006 (1,300 units) and 2007 (1,000 units) has returned to levels similar to those of the early to mid-1990s.

Of particular note is the change in the number of single-family and multi-family units built from year to year. Figure 5 provides a comparison between the 1990-2003 average with housing production by type of unit in 2004, 2005, 2006 and 2007. The graph clearly shows the decline in the production of both single-family and multi-family housing units which has occurred over the last 4 years.

Figure 5: Dwelling Units Built - City of Madison, 1990 - 2007  
 Average of Dwelling Units Built for 1990-2003  
 Actual Dwelling Units Built 2004 - 2005 - 2006 - 2007



Data Source:  
 City of Madison, Dept. of Planning and Development, Building Inspection, Annual Summary of Building Permits Issues, 1990 - 2007  
 Dane County Regional Planning Commission, 1997 Regional Trends Tables 28 & 30 for 1990  
 Dane County Regional Planning Commission, 2000 and 2001 Regional Trends, Tables 28 and 29 for years 1991 thru 1996  
 Dane County Planning Department, Draft 2004 Trends, Tables 28 and 29 for years 1997 thru 2006

It is extremely difficult to determine the effect that the Inclusionary Zoning Ordinance has on housing production both inside and outside the City of Madison. A review of the data does not show a significant difference in the housing production trends inside of the City with those outside of the City which can be linked to the year 2004. Even if there was some difference, it would not necessarily mean that the change was the result of the Inclusionary Zoning Ordinance. Given the review of the data, it does not appear that there is any significant difference occurring in type and number of dwelling units built within the City compared to those areas outside the City as a result of the Inclusionary Zoning Ordinance. Likewise, a one year drop or significant increase in the number of units built has very little relationship to the Inclusionary Zoning Ordinance. Over time, it may be easier to see some trend developing but at the present time, there does not appear to be any significant change occurring.

Given the Court of Appeals decision which exempts rental housing from the Inclusionary Zoning Ordinance, one might think that there would be an increase in the number of rental housing units built in the City of Madison. However, it is well known that the condominium market and the single-family home construction market and the housing market in general has not been strong

for the last couple of years. One would expect that in a market like this, the number of rental units built would increase by comparison. It is likely that following several years of high rental construction, one might expect to see a reversal of this recent trend and a return to the higher levels of condominium construction which occurred in the 2000-2005. But it is difficult to predict with any certainty when this will occur.

#### **DEVELOPMENT PARCELS CREATED**

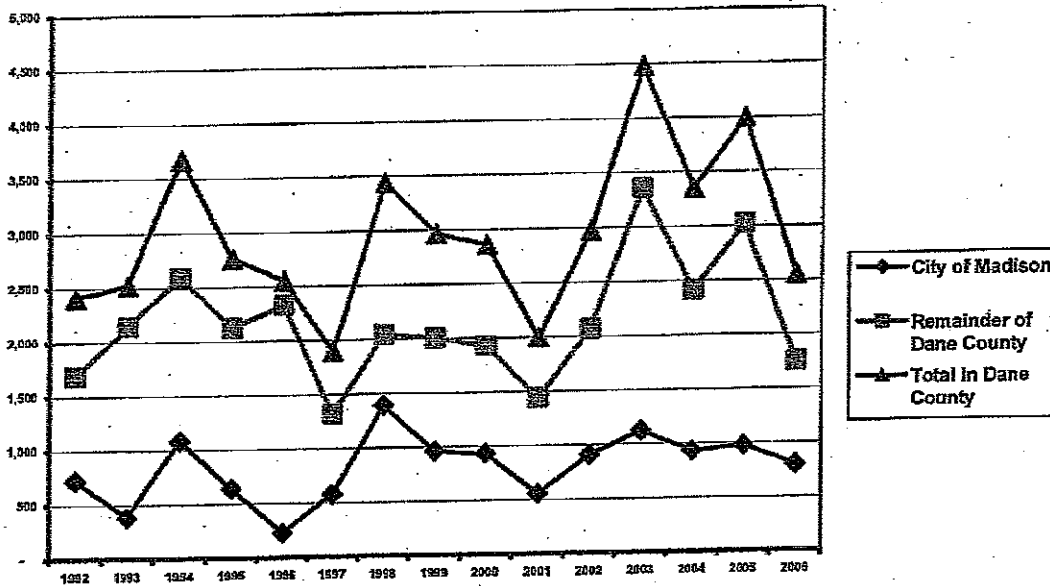
One way to gauge the amount of near-term development potential which exists within the community and the readiness of the community to receive development is to examine the number of development parcels created from year to year. Over the 14 year period from 1992 to 2006, the City of Madison has accounted for 27.5% of the development parcels created within Dane County. During this same period the City accounted for over 40% of the dwelling units built, an indication of the higher development densities within the City of Madison. Figure 6 shows the number of parcels created by year from 1992-2006.

#### **SUMMARY OF UNDEVELOPED/VACANT LAND BY ZONING DISTRICT**

Table 8 at the end of this report shows the amount of undeveloped/vacant land within the City of Madison between 1999-2007. Prior to the adoption of the Inclusionary Zoning Ordinance, the City of Madison had approximately 2,450 acres of undeveloped land zoned for residential development (January 2004). In January of 2005, the City had approximately 1,950 acres available for residential development. In January of 2007, the vacant acreage for residential development totaled 1,830 acres. The total acreage of undeveloped lands in the City of Madison, including lands zoned Agriculture and potentially available for residential development, was 8,100 acres in 2004 and 5,882 acres in 2007. The significant difference between 2004 and 2007 is primarily attributable to an update in the land use coding for agriculturally zoned lands within the City. In 2004 and 2005 the Planning Division updated the land use coding for parcels within the City as part of the preparation for the City's Comprehensive Plan and change the land use designation for several parcels that had recently been annexed that were zoned Temporary Agriculture. This included almost three square miles of land including the University Ridge Golf Course and the University of Wisconsin Arboretum. The designation of these lands to the permanent open space and parkland categories significantly reduce the amount of land zoned Agriculture, which was designated as vacant/undeveloped.



**Figure 6: Number of Development Parcels Created 1992 - 2006**  
 City of Madison - Remainder of Dane County - Dane County



Data Source:  
 Dane County Regional Planning Commission; 1997 Regional Trends Tables 27 & 28 for 1992  
 Dane County Regional Planning Commission; 2000 and 2001 Regional Trends, Tables 26 and 27 for years 1993  
 thru 1998

It is apparent from reviewing the data presented that the number of parcels created in the City can vary significantly from year to year. Over the 14 year period covered by the graph, the City's share of total parcels created varied from a low of 8.7% in 1996 to a high of 40.5% just two years later in 1998. While the number of parcels created between 2003-2004 dropped from 1,123 to 932, the City's percentage of the Dane County total actually went up over the same period. Similarly, while the number of parcels created in the City of Madison dropped from 981 to 798 between 2005-2006, the City's share of total parcels created in the County went up between 2005-2006 from 24.5% to 31.3%. But again, attributing this change to any single factor such as inclusionary zoning would not be appropriate.

# APPENDIX 1: Inclusionary Zoning Oversight Committee Outcome Measures

MEASURES OF SUCCESS FOR THE MADISON INCLUSIONARY ZONING PROGRAM							
November 2, 2007 version: (data as of October, 2007)							
These 8 measures of success or benchmarks were developed by the City of Madison Inclusionary Zoning Oversight Committee.							
Note: Inclusionary Zoning is one component in a broader array of tools and programs to produce more affordable housing within the City for its workforce, and for low to moderate income people. For information regarding these other programs, please see the Community Development Office Website at <a href="http://www.cityofmadison.com/cdo">www.cityofmadison.com/cdo</a> , the Housing Operations website at <a href="http://www.cityofmadison.com/housing">www.cityofmadison.com/housing</a> , or the City's Rehab loan programs website at <a href="http://www.cityofmadison.com/ced">www.cityofmadison.com/ced</a> .							
<b>UNITS, for-sale only, under the old ordinance</b>							
	Approved	Waived, with pymnt in lieu	Marketing period started	IZ units rolled out into market rate*	Accepted Offers on IZ units **	IZ units Occupied **	IZ Units resold
300	297 units						
250							
200			219	184			
150							
100							
50					41 as of 10/07		
40						18 as of 10/07	
20		25					0
10							
*Units* refers only to for-sale units. * refers to units marketed under the terms of the old ordinance. ** refers to the terms of sale under the revised equity formula adopted as part of the new ordinance.							
The cumulative total IZ units with accepted offers to purchase or completed closings is 41 IZ units, as of October 2007.							
Note: There is usually a lag time of 10 months to 3 years between Plan Commission approval, and construction of the new units.							
<b>UNITS, for-sale only, under the new ordinance since 10/06</b>							
	Approved at SIP phase	Waived, with pymnt in lieu	Marketing period started	IZ units rolled out into market rate	Accepted Offers on IZ units	IZ units Occupied	IZ Units resold
100							
90							
80			td				
70							
60							
50							
40							
30							
20	19 IZ units	3	5	0	0	0	0
10							
Units refers only to for-sale units							
Note: All IZ units listed as "occupied" or with an "accepted offer" are governed by the equity terms adopted under the revised ordinance.							
<b>GEOGRAPHICAL DISPERSION</b>							
Numbers of IZ units occupied							
Location by City Neighborhood Resource Team areas							
<b>OPERATIONS</b>							
Customer feedback from different participant groups							
Buyers to be developed							

Developers	to be developed								
Lenders	to be developed								
City staff	to be developed								
City Officials	to be developed								
<b>INCOME COMPOSITION OF HOUSEHOLDS WHO HAVE OCCUPIED THEIR IZ UNITS</b>									
20									
18									
Households									
19									
8									
6									
4									
2									
		20%	40%	50%	60%	70%	80%	100%	Area Median Income
		Number of Households at this income level							
<b>IZ UNITS RESOLD TO CONTINUE TO ACHIEVE LONGER TERM AFFORDABILITY</b>									
Number of IZ units									
40									
30									
20									
10		0	1						
	Number offered for re sale		Number transferred to a 2nd generation buyer who is income eligible						
<b>BENEFIT COST</b>									
	Item	2006	2007	2008	2009	2010	CUMMULATIVE		
	Year >>>>								
	v v v								
	Item:						\$111,503		
Amount of Specific Expenses Incurred By City for IZ Units, beyond normal outlay	Staff costs	\$70,000	\$41,503				\$0		
	IZ Dev. sublease	\$0	\$0				\$0		
	IZ Fund purchase	\$0	\$0				\$0		
	Subtotal: Exper	\$70,000	\$41,503	\$0	\$0	\$0	\$111,503		
Expenses** Revenue v v									
	GPR dollars	\$70,000	\$41,503				\$111,503		
Amount of Specific Revenue Obtained By City for IZ Units, beyond normal revenue	Payments in lieu	\$272,235	\$179,600				\$451,235		
	IZ Resrv. sales	\$0	\$0				\$0		
							\$0		
	Interest from IZ F	\$12,531	\$10,373				\$22,904		
	Subtotal: Reve	\$354,766	\$230,376	\$0	\$0	\$0	\$585,642		
Balance	BALANCE:	\$284,766	\$188,373	\$0	\$0	\$0	\$474,139		
City Cash Expenditures / IZ UNIT IS			\$3,097,31						

APPENDIX 2

Table 1A: Zoning Map Amendments / PUD-GDP SIP / Final Plats  
February 15, 2004 through December 31, 2007  
For All IZ Projects

Project Number	Owner/Rental	Project Address	Project Name	GDP Only <sup>1</sup>		Approved and Not Recorded		Approved for Construction	
				Total Units	IZ Units	Total Units	IZ Units	Total Units	IZ Units
Projects Approved under the Original Inclusionary Zoning Requirements									
1	Owner	802 Williamson St	Renaissance Housing					38	6
2	Other/Owner	501 Commerce Dr	All Saints Senior Campus					108	14
3	Owner	1817 Lake Point Dr	Lakepoint Condos					50	8
4	Owner	1824 S High Point Rd	Southern Ridge Plat					46	7
5	Owner	3701 Stonebridge Dr	Heather Glen Plat					144	22
6 <sup>a</sup>	Owner	513 Jacobson Ave	Starkweather Square Plat			11	2		
[6a] <sup>a</sup>	Rental	513 Jacobson Ave	Starkweather Square Plat			20	3		
7 <sup>a</sup>	Rental	815 Pleasant View Rd	Churchill Crossing			124	19		
8	Owner	309-333 W Washington	Capitol West - GDP	218	40				
[8a]	Owner	309-333 W Washington Ave	Capitol West - Phase 1 SIP					139	16
[8b]	Owner	33 S. Broem Street	Cap. West Broem St. Lofts- SIP					23	2
9	Owner	7213 Mineral Point Rd	Cardinal Glen					154	23
[9a]	Owner	302 Cross Oak Drive	CG - Lot 143 Townhouses					24	4
10	Rental	7213 Mineral Point Rd	Cardinal Glen - MF - GDP	60	10				
11	Owner	9105 Valley View Rd	Linden Park Plat					261	40
12	Owner	702 N Midvale Blvd	Hilldale Row Townhouses					40	6
13	Rental	409 W Gorham St	Equinox Student Housing					115	18
14	Owner	602-602 Troy Dr	Troy Gardens					30	5
15 <sup>a</sup>	Owner	802 E Washington Ave	800 E Washington Ave - GDP	309	47				
16	Owner	1802 Monroe St	Monroe Commons					61	3
17	Owner	4849 Meanders Rd	Owl Creek Plat - SF & DPLX					89	11
[17a]	Owner	4849 Meanders Rd	Owl Creek Plat - MF					16	6
18	Owner	8435 Valley View Rd	Pine Hill Farm Plat					75	8
19	Owner	202-302 Rusell Drive	First Addition to Nelson's Addition to Rustic Acres					32	3
20	Owner	4610 Rustic Drive	Nelson's Add to Rustic Acres					18	3
[20a]	Owner	4610 Rustic Drive	Nelson's Add to Rustic Acres					42	6
21	Owner	8603 Midtown Rd	Hawk's Meadows Plat					33	5
22	Owner	8320 Old Sauk Rd	Blackhawk Lofts Condos					30	5
23	Owner	1725 Waldorf Blvd	1725 Waldorf Condominiums			60	9		
24	Owner	4601 & 4613 East Buckeye Road	Buckeye Meadows					33	5
25	Rental	721 State Street	Press House GDP/SIP					44	25
26	Rental	202 N. Charter Street	Dayton Street Apartments - GDP/SIP					25	4
27	Owner	1835 Winnebago Street	Kennedy Point Condominiums- GDP/SIP					42	4
28	Owner	702 South Point Road	1000 Oaks - Varidian SF			274	29		
[28a]	Owner	702 South Point Road	1000 Oaks - Varidian DM			30	17		
[28b]	Unknown	702 South Point Road	1000 Oaks - Pellett R5 Rez			350	1		
29	Owner, Rental	2328 East Washington Avenue	Union Corners GDP	308	49				
[29a]	Owner	2340, 2416, 2540, and 2507 Winnebago Street	Union Corners - SIP			142	19		
30	Owner, Rental	5901 Milwaukee Street	Second Addition to Grandview Commons- GDP	352	38				
31	Owner	3540 Alwood Avenue	Park East Condominiums					16	0
32	Owner	8120-8160 Jeffy Trail	Hawks Creek (Single Family)					76	12
[32a]	Owner	8201-83 Flagstone Drive	Mill Creek Townhomes					40	5
[32b]	Owner	2502 Jeffy Trail	Hawks Creek Garden Homes					30	5
33	Rental	1 University Square	University Square Redev.					350	0
34	Owner	1135 Erin Street	Arboretum Cohousing GDP/SIP					41	6
35	43 Own, 89 Rent	505-555 S Midvale Blvd.	Midvale Plaza Redevelopment- GDP/SIP	99	15			43	7
36	Owner	8201 Maye Drive	Lot 60 Midtown Common- SIP					44	7
37	Rental	9201 Mid Town Road	Hawks Ridge Apartments					156	0
[37a]	Owner	9201 Mid Town Road	Hawks Ridge Townhouses					20	2
38	Owner	415-419 W. Dayton Street	Condominiums- GDP/SIP					20	1
39	Owner	8401 Mid Town Rd.	Hawks Ridge- GDP/SIP					24	0
[39a]	Owner	8401 Mid Town Rd.	Hawks Ridge Multi Family- GDP Only	24	0				
40	Owner	625 E Millin Street	The Colony- SIP (Amendment)					32	5
Sub Total				1,370	199	1,061	99	2,622	313
(Reviewed Under Original Ordinance)									

Projects Approved under the Revised Inclusionary Zoning Requirements- Adopted July 2006									
[12a]	Owner	702 N Midvale Blvd	Hilldale - The Heights (Phs 2)			208	39		
41	Owner	8102 Mid Town Road	Midtown Center - GDP <sup>2</sup>	188	27				
42	45 Own, 2 Rent	2607 Monroe Street	2607 Monroe			47	7		
43	Owner	8500 Normandy Lane	Normandy Square			159	14		
44	Unknown	4802 Sheboygan Ave.	Hill Farms- GDP Only <sup>4</sup>	350					
Sub Total				538	27	444	57	0	0
(Reviewed Under New Ordinance)									
Total Approvals				1,906	226	1,495	156	2,622	313

<sup>1</sup> Reflects only projects with GDP approval. Does not include any units that have obtained SIP approval.  
<sup>2</sup> Approved projects likely not to be built.  
<sup>3</sup> Range provided, exact number to be determined with SIP submittal. 27 used as midpoint.  
<sup>4</sup> Specific figures to be provided at SIP Phase.

Total Units  
GDP + SIP  
5,023

IZ Units  
GDP + SIP  
595

Table 1B: Projects With Inclusionary Dwelling Units  
Number of Units, Tenure, Approval Dates, Incentives, Construction Status

Project Number	Project Address	Project Name	Number of Units	Owner/Rental	Unit Type	Application Date	Approval Date	Base Density U/A	Approved Density U/A	Incentive Rights	Revenue Offsets/Incentives Sought	Revenue Offsets/Incentives Granted	Construction Status
1	303 William St	Remembrance Housing	6	Owner	M	3/24/2004	6/1/2004	38.0	90.0	2	None	Density Bonus	Completed
2	501 Commerce Dr	All Saints Senior Campus	14	Owner	M	3/24/2004	6/1/2004	21.8	22.9	2	None	Density Bonus	Under Construction
3	1817 Lake Point Dr	Lakepoint Campus	8	Owner	M	3/3/2004	6/15/2004	33.5	19.5	4	None	None	Under Construction
4	1624 S High Point Rd	Southern Ridge Plat	7	Owner	S/D	5/12/2004	8/3/2004	4.8	3.6	1	Expedited Review	Expedited Review	Under Construction
5	370 Sorensen Dr	Heather Glen Plat	22	Owner	S	6/22/2004	9/13/2004	21.8	6.5	2	Cash Subsidy	None Available	Under Construction
6	513 Jacobson Ave	Shirleyshire Square Plat	3	Owner	S/D	6/21/2004	9/21/2004	38.0	10.1	2	Park Fee & Park Deduction	None	Approval null & void
6a	513 Jacobson Ave	Shirleyshire Square Plat	3	Rental	M	6/23/2004	9/21/2004	38.0	19.9	5	Reduction	Density Bonus	Approval null & void
7	615 Pleasant View Rd	Chancellor Crossing	19	Rental	M	9/8/2004	12/14/2004	20.1	24.1	2	Density Bonus	Density Bonus	Not Started
8	309-333 W Washington	Capitol West - GDP	58	Owner	M	9/8/2004	12/14/2004	90.0	90.0	1	Parking Reduction, Cash Subsidy, Parking Permits, TIF, Partial IZ Waiver	TIF, Partial IZ Waiver	GDP Only
8a	309-333 W Washington Ave	Capitol West - Phase 1 SIP	16	Owner	M	3/23/2005	7/19/2005	90.0	90.0	1	Parking Reduction, Cash Subsidy, Parking Permits, TIF, Partial IZ Waiver	TIF, Partial IZ Waiver	Not Started
10b	33 S. Broome Street	Cap. West Broome St. Loft - SIP	2	Owner	M	10/25/2005	1/17/2006	68.75	68.75	1	Parking Reduction, Cash Subsidy, Parking Permits, TIF, Partial IZ Waiver	TIF, Partial IZ Waiver	Completed
9	7213 Mineral Point Rd	Cardinal Glen	23	Owner	S	10/13/2004	1/18/2005	12.0	8.5	3	Park Fee & Cash Subsidy	None Available	Under Construction
9a	302 Cross Oak Drive	CG - Lot 149 Townhouse	4	Owner	M	3/21/2007	6/4/2007	20.5	15.0	2	None	None	Not Started
10	7213 Mineral Point Rd	Cardinal Glen - MF - GDP	10	Rental	M	10/13/2004	1/18/2005	20.0	16.5	1	Park Fee & Cash Subsidy	None Available	GDP Only
11	9125 Valley View Rd	Linden Park Plat	8	Owner	S	11/10/2004	1/24/2005	4.0	4.2	1	Cash Subsidy	Density Bonus	Under Construction
12	702 N Midstate Blvd	Brilliant Bow Townhouses	40	Owner	M	11/10/2004	2/1/2005	38.0	20.4	2	None	None	Completed
12a	702 N Midstate Blvd	Brilliant - The Heights (Ph 2)	18	Rental	M	12/1/2004	2/1/2005	72.4*	20.0	2	None	Density Bonus, Density Height Bonus	Completed
13	409 W Gordon St	Equinox Student Housing	3	Owner	M	1/24/2004	2/22/2005	5.4	6.0	5	None	None	Completed
14	502-602 Troy Dr	Troy Gardens	47	Owner	M	1/29/2004	3/17/2005	38.0	68.6	2	Cash Subsidy, Expedited Review	Density Bonus	Approval null & void
15	802 E Washington Ave	800 E Washington Ave - GDP	3	Owner	M	10/27/2004	3/15/2005	38.0	55.4	0	Partial IZ Waiver	Partial IZ Waiver, Density Bonus	Completed
16	1802 Monroe St	Monroe Commons	11	Owner	S/D	1/26/2005	5/3/2005	4.0	5.4	2	Park Fee & Park Deduction Reduction, Street Trees & Cash Subsidy	Density Bonus	Under Construction
17	4949 Melindor Rd	Owl Creek Plat - SF & DPLX	8	Owner	M	1/26/2005	5/3/2005	4.0	12.9	0	None	Density Bonus	Under Construction
17a	4949 Melindor Rd	Owl Creek Plat - MF	8	Owner	S	1/26/2005	5/3/2005	4.0	12.9	0	None	Density Bonus	Under Construction
18	9435 Valley View Rd	Pine Hill Farm Plat	8	Owner	S	3/4/2005	9/3/2005	4.0	7.8	2	Park Fee & Park Deduction Reduction & Street Trees	Density Bonus	Roads & Utilities
19	202-302 Rustle Drive	First Addition to Nelson's Addition to Rustle Acres	5	Owner	S	3/9/2005	5/17/2005	4.0	4.2	2	Park Fee & Park Deduction Reduction, Cash Subsidy	Density Bonus	Under Construction
20	4610 Rustle Drive	Nelson's Add to Rustle Acres	5	Owner	S	1/28/2005	5/17/2005	4.0	5.0	2	Reduction	Density Bonus	Under Construction
20a	4610 Rustle Drive	Nelson's Add to Rustle Acres	6	Owner	D/M	1/28/2005	5/17/2005	16.0	11.7	0	None	None	Under Construction
21	9503 Midtown Rd	Bank's Meadows Plat	5	Owner	S	3/9/2005	5/17/2005	4.0	5.2	2	Park Fee Reduction & Cash Subsidy	Density Bonus	Under Construction
22	3220 Old State Rd	Blackhawk Lotus Condos	3	Owner	M	4/27/2005	7/5/2005	21.8	16.7	2	None	None	Completed
23	1725 Waldorf Blvd	1725 Waldorf Condominiums	3	Owner	M	4/27/2005	7/5/2005	33.3	39.6	3	Density Bonus	Density Bonus	Not Started
24	4601 & 4613 East Buckeye Road	Buckeye Meadows	5	Owner	D	6/30/2005	9/19/2005	8	3.8	2	Density Bonus, Non-city provision of street tree planting, cash subsidy	Density Bonus, Non-city provision of street tree planting, cash subsidy	Completed
25	731 State Street	Tres House GDP/SIP	25	Rental	M	7/12/2005	10/11/2005	32.6	72.1	2	Reduction in park fees, Eligibility for residential parking permits	Reduction in park fees, Eligibility for residential parking permits	Completed
26	202 N. Charter Street	Devon, Street Apartments - SIP	4	Rental	M	9/7/2005	1/25/2006	38	154.32	2	Density Bonus	Density Bonus	Completed
27	1835 Winnebago Street	Kennedy Point Condominiums - SIP	4	Owner	M	7/8/2005	11/29/2005	10.85	88.4	0	Density Bonus, IZ Waiver	Density Bonus, IZ Waiver	Completed

Project Number	Project Address	Project Name	Number of Units	Owner/Rental	Unit Type	Application Date	Approval Date	Base Density U/A	Approved Density U/A	Incentive Points	Revenue Offsets/Incentives Sought	Revenue Offsets/Incentives Granted	Construction Status
28	702 South Point Road	1000 Oaks - Verdian SP	29	Owner	S	9/21/2005	12/13/2005	6.0	6.0	1	Parkland Fee Reduction	Parkland Fee Reduction, Density Bonus	Not Started
[28a]	702 South Point Road	1000 Oaks - Verdian D/M	17	Owner	D/M	9/21/2005	12/13/2005	11.5	11.2	1	Parkland Fee Reduction	Parkland Fee Reduction, Density Bonus	Not Started
[28b]	702 South Point Road	1000 Oaks - Parker R/S Reg	1	Unknown Owner, Rental	M	9/21/2005	12/13/2005	20.5	21.0	1	Parkland Fee Reduction	Parkland Fee Reduction, Density Bonus	Not Started
29	2325 East Washington Avenue	Union Corners GDP	68	Owner	M	10/26/2005	1/17/2006	19.25	30.48	---	None	Density Bonus	GDP Only
[29a]	2340, 2416, 2540, and 2507 Whimbago Street	Union Corners - SRP	19	Owner	M	9/23/2006	1/21/2007	19.25	45.9	0	Parkland Deduction Fee Reduction, Cash Subsidy, Partial Waiver	Density Bonus, Partial Waiver, Cash Subsidy	Not Started
30	3901 Milwaukee Street	Second Addition to Orchardview Common - GDP	33	Owner, Rental	S/D/M	1/5/2006	4/1/2006	4.7	9.72	2	Parkland Deduction Fee Reduction, Density Bonus	Parkland Deduction Fee Reduction, Density Bonus	GDP Only
31	3540 Alwood Avenue	Park East Condominiums	0	Owner	M	9/29/2006	4/19/2006	36.6	48.8	0	Full Waiver, Density Bonus	Full Waiver, Density Bonus	Completed
32	2120-3160 Jeffy Trail	Hawks Creek (Single Family)	12	Owner	S	3/1/2006	5/16/2006	6	3.74	2	Non-City provision of street tree planting, Cash subsidy	Non-City provision of street tree planting	Under Construction
[32a]	8201-13 Flanagan Drive	Hawks Creek (Single Family)	5	Owner	M	10/26/2006	2/23/2007	15	13	2	None	None	Under Construction
[32b]	2502 Jeffy Trail	Hawks Creek (Single Family)	3	Owner	M	5/23/2007	7/9/2007	14.5	2.6	2	None	None	Under Construction
33	11 University Square	University Square Redevel.	0	Rental	M	1/11/2006	5/16/2006	38	102.9	0	Waiver	Full Waiver, Density Bonus	Under Construction
34	1135 Ethin Street	Arboretum Condoing - GDP/SRP	6	Owner	M	3/22/2006	6/16/2006	10.81	19.32	4	Density Bonus, Cash Subsidy, Release of SF homes from dispersion requirements	Density Bonus, Cash Subsidy, Release of SF homes from dispersion requirements	Under Construction
35	305-555 S Midvale Blvd.	Midvale Plaza Redevelopment - GDP/SRP	22	43 Own, 99 Rent	M	4/24/2006	7/18/2006	38	39.6	2	Cash Subsidy, Reduction in park development fees	Cash Subsidy, Reduction in park development fees	Phase 1 - Under Construction
36	8201 Maya Drive	Lot 908 Midtown Common - SRP	7	Owner	M	5/9/2006	8/12/2006	21.3	76.5	2	None	Density Bonus	Completed
37	9201 Mid Town Road	Hawks Ridge Apartments	0	Rental	M	5/24/2006	10/2/2006	20.5	32.9	0	Waiver, Parkland Development Fee Reduction, Density Bonus	Full Waiver, Density Bonus	Under Construction
[37a]	9201 Mid Town Road	Hawks Ridge Townhouses	2	Owner	M	5/24/2006	10/2/2006	20.5	12.1	2	Parkland Development Fee Reduction	None	Not Started
38	415-419 W. Dayton Street	Condominiums - GDP/SRP	1	Owner	M	6/21/2006	10/17/2006	72.6	66.2	0	Full Waiver	Partial Waiver	Completed
39	9401 Mid Town Rd.	Hawks Ridge - GDP/SRP	0	Owner	S/D	6/21/2006	9/17/2007	8.0	5.5	0	Density Bonus, Parkland Development Fee Reduction, Waiver	Full Waiver	Not Started
[39a]	9401 Mid Town Rd.	Hawks Ridge Multi Family - GDP Only	0	Owner	M	6/21/2006	9/17/2007	21.0	17.9	0	Waiver	Full Waiver	GDP Only
40	625 E. Millikin Street	The Colony - SRP (Assessment)	5	Owner	M	6/20/2007	10/4/2007	38	45.2	2	Cash Subsidy	Density Bonus	Under Construction
[40a]	762 N. Midvale Blvd	Hilldale - The Heights (Pia 2)	36	Owner	M	10/17/2006	12/2007	35.0	39.4	N/A	Unit Exclusion	Unit Exclusion	Under Construction***
41	8102 Mid Town Road	Midtown Center - GDP*	27	Owner	M	2/5/2007	4/17/2007	26	43.4	N/A	Density Bonus	Density Bonus	GDP Only
42	2607 Monroe Street	2607 Monroe	7	45 Own, 2 Rent	M	2/7/2007	5/1/2007	27.8	44.8	N/A	Density Bonus	Density Bonus	Not Started
43	6500 Normandy Lane	Normandy Square	14	Owner	M	3/21/2007	7/17/2007	5.44	54.5	N/A	Parkland Deduction Fee Reduction, Non-City provision of street tree planting, Cash subsidy, Density Bonus	Non-City provision of street tree planting, Cash subsidy, Density Bonus	Not Started
44	4802 Shadybark Ave.	Hill Prairie - GDP Only**	0	Unknown	M	5/9/2007	9/17/2007	31	4.18	N/A	Density Bonus	Density Bonus	GDP Only

\*\* Contained in GDP\* (Land Use Approval Only)  
 \*\*\* Contained in project approved but not recorded  
 \* Contained in projects approved for construction  
 \* Range provided, number to be determined with SRP submittal, 27 used as midpoint.  
 \*\* Specific figures to be provided as SRP Phase  
 \*\*\* Project revised since approval and now includes no residential units.  
 S: Single-family Unit  
 P: Duplex Unit  
 M: Multi-family Unit

**APPENDIX 2**

**Table 2: IZ Exempt Residential Projects- Conditional Uses and Specific Implementation Plans That are Part of Previously Approved General Development Plans February 15, 2004 through December 31, 2007**

Conditional Use Projects				
	Address	Description	Owner/Rental/Mix	Units
1	4001-4013 Maple Grove Drive	four 4-unit buildings	Apts.	16
2	575 Fargo Drive	one 6-unit buildings	Condo	6
3	2802 Dryden Drive	one 34-unit buildings	Apts.	34
4	1802 Maple Crest Drive	19 buildings	Apts.	114
5	8418-8428 Maywick Drive	two 4-unit buildings	Condo	8
6	4629 Verona Road	four buildings	Apts.	104
7	2002 Jeffy Trail	two 27-unit buildings	Apts.	54
8	4659 Trichel Lane	two 12-unit buildings	Condo	24
9	4808 Freese Lane	nine 2-unit buildings	Condo	18
10	4104-4109 Maple Grove Drive	two 18-unit buildings	Condo	36
11	1513 Lake Point Drive	one mixed use building	Apts.	60
12	614 Bear Claw Way	one 8-unit building	Condo	8
13	626 Bear Claw Way	one 6-unit building	Condo	6
14	6326 Maywick Drive	18-unit and 22-unit buildings	Apts.	40
15	141 W. Gilman	addition of one unit to existing 8-unit building	Apts.	1
16	5309 Brody Drive	one 16-unit building	Condo	16
17	4226 Owl Creek Drive	one four-unit building	Condo	4
Subtotal				539
Inclusionary Zoning Ordinance Change July 2006				
18	5002 Siggelkow Road	56-unit PRD in five buildings	Apts.	56
19	2 Greenside Circle	168-unit PRD in 22 buildings	Condo	168
20	6001 Canyon Parkway	32 units in 16 buildings	Condo	32
21	8753 Raymond Road	one 8-unit building	Apts.	8
22	892 East Pass	one 4-unit building	Apts.	4
23	6026 Canyon Parkway	30 units in ten buildings	Apts.	30
24	602 Bear Claw Way	one 8-unit building	Condo	8
25	293 Langdon	one 20-unit building (conversion of fraternity house)	Apts.	20
Subtotal				324
SIP Projects				
26	6701 Fairhaven Road	PUD-SIP three buildings	Condo	65
27	7001 Reston Heights Drive	PUD-SIP duplex - one family unit	24 single-family, 36 apartments	60
28	1921 Abwood Avenue	PUD-SIP two buildings	Apts.	69
29	528-558 Apollo Way	PUD-SIP one building	Condo	16
30	5801 Gemini Drive	PUD-SIP two buildings	Apts.	69
31	4008 Felland Road	PUD-SIP fifteen buildings	Apts.	300
32	734 Jupiter Drive	PUD-SIP one building	Apts.	51
33	302 East Hill Parkway	PUD-SIP four buildings	Condo	48
34	333 West Mifflin Street	PUD-SIP one building	Condo	164
35	8301 Mayo Drive	PUD-SIP one building	Condo	30
36	1702 Waldorf Drive	PUD-SIP two 5-unit buildings	Condo	10
37	401 Pleasant View Road	PUD-SIP duplex units	Condo	49
38	5817-5818 Gemini Drive	PUD-SIP two buildings	Condo	23
Subtotal				980
Inclusionary Zoning Ordinance Change July 2006				
39	6001 Kilpatrick Lane	PUD-SIP 10 townhouse units	Condo	10
40	301 Livingston Street	PUD-SIP 39 units in mixed use building	Apts.	39
41	201 South Ingersoll Street	PUD-SIP 76-unit	Apts.	76
42	437-439 West Mifflin	PUD-SIP 8-unit	Apts.	8
43	1610 Gilson Street	PUD-SIP 13-units in mixed use building	Apts.	13
44	8210 Highway Drive	PUD-SIP 58-unit assisted living units	Apts.	58
45	6809 Milwaukee Street	PUD-SIP 34 units in four buildings	Apts.	34
46	6506 Old Sauk Road	PUD-SIP 8-units	Condo	9
47	810 Hercules Trail	PUD-SIP 36-units in 8 buildings	Apts and Condos*	36
48	1507 Burning Wood Way	PUD-SIP 3-duplex buildings	Condos	6
49	810 Jupiter Drive	PUD-SIP 24-unit building	Condos	24
50	6733 Fairhaven Drive	PUD-SIP 12 unit townhouse	Condos	12
51	719 Jupiter Drive	Assisted Living Units	Apts. and Condos	119
52	639 Pleasant View Road	124-unit building	Apts.	124
53	22 East Dayton Street	PUD-SIP 48-unit building	Apts.	48
54	1815 University Avenue	PUD-SIP 64-unit building	Apts.	64
Subtotal				698

Conditional Use Total (Units)	863
SIP Total (Units)	1,660
Grand Total (Units)	2,523

\* Final Breakdown of Owner/Renter TBA

## APPENDIX 9



## IZ : 2008 Annual Report Priority Item Clusters List July 18, 2008

### Money Issues

Use other sources of funds, including Affordable Housing Trust Fund and TIF as a possible sources (both TIF 10% set aside and other TIF funds defined for affordable housing uses, funding resources, guidelines for use including types of projects, dollar amounts, grants or loans, explore the availability of City general revenue funds to provide monies for the fund

### Homebuyer Assistance

counseling, purchase (lots and/or units), marketing, possible provision of loans or payment of brokerage fees

### City's Role in IZ

Research, negotiation, data collection and research, purchase lots and/or units

### Current Ordinance Issues

Offset negotiation, discussion of when, how/ what who does this  
which AMI levels to apply IZ to  
marketing and bump out periods  
possible lowering of % of IZ units required  
complexity and interaction of gap and waiver analysis tools  
distribution of IZ units

### Issues outside IZ Committee purview but germane to IZ issue

public transportation (bus system), AHTF, TIF, Other affordable housing mechanisms

## APPENDIX 10

# **INCLUSIONARY ZONING PROGRAM POLICY AND PROTOCOLS**

**Adopted by the Inclusionary Zoning Oversight Committee: September 21, 2007**

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Note: This is an amended version of the "Policies and Protocols" Document adopted by the Council on January 2, 2007, and incorporates the ordinance revisions adopted by the Common Council on July 13, 2006. This document clarifies current policies of the inclusionary dwelling unit program, and should be read in tandem with the Inclusionary Dwelling unit ordinance and other documents to be found on the IZ web site at [www.cityofmadison.com/cdbg/iz](http://www.cityofmadison.com/cdbg/iz). The Inclusionary Zoning Oversight Advisory Committee will continue to review and improve the policies as it monitors the experience and effectiveness of the program.

## **INTRODUCTION:**

On October 3, 2006 the Common Council of the City of Madison created an Inclusionary Zoning Oversight Advisory Committee by adoption of resolution id #04568, and delegated additional charges by adoption of resolution id #04926 accepting changes in the policies document. The purpose of the Committee is to:

- a) Evaluate housing needs studies;
- b) Evaluate gap analysis and waiver methodologies;
- c) Revise the policies document;
- d) Make recommendations regarding the marketing of the program;
- e) Seek public input and make recommendations for improvement in the program; and
- f) Report annually in July to the Common Council.

## **Part I: INCLUSIONARY DWELLING UNITS AND PLANS FOR DEVELOPMENT**

### **A: POLICIES RELATED TO THE DEVELOPER'S APPLICATION, THE INCLUSIONARY DWELLING UNIT PLAN, AND DEFINITIONS OF THE INCLUSIONARY DWELLING UNIT.**

In order to facilitate the development and sale of inclusionary dwelling units, the City will publish information needed for developers, lenders, realtors, and buyers of inclusionary dwelling units, and maintain this information on a web site ([www.cityofmadison.com/cdbg/iz](http://www.cityofmadison.com/cdbg/iz)). The "developers' toolbox" will include these policies and other items, such as expected sales prices, a chart of the development review process, sample forms and documents, and other items that may help developers and buyers in understanding or using the City's inclusionary zoning program. This "Policies" document has been reviewed and approved by the IZ Oversight Committee.

#### **1. Application Submittal Requirements**

- a. The Developer/applicant shall submit an Inclusionary Dwelling Unit Plan to the Director of the Department of Planning and Community & Economic Development (hereafter the "Department") concurrent with the submittal of any other application required by M.G.O. Chapter 28 or any other applicable City ordinance. The City may reject the inclusionary dwelling unit plan if the proposal is incomplete, based on the information listed in 1b).

City staff shall send a copy of the proposed plan (including the proposed offsets) to the neighborhood association registered with the City of Madison for the area in which the development is proposed, if any, and to the alderperson for said area.

- b. The developer will provide the following materials as part of the general application and the Inclusionary Dwelling Unit Plan:
  1. Statement describing the general character of the intended development.
  2. Description of the total number of inclusionary and market-rate dwelling units that will be constructed, and the breakdown of unit size by number of bedrooms;
  3. Projected sales prices and targeted Area Median Income range for the inclusionary dwelling units, and a statement of the market value of the inclusionary units.
  4. Offsets sought from the City for the construction of the inclusionary dwelling units.

**Note:** The applicant/developer may submit a proposal seeking alternatives to on-site inclusionary dwelling units, including assignment of responsibility for inclusionary dwelling units, off-site units, and cash payment in lieu of producing the units or some

combination of on-site, off-site, and cash payments. An applicant developer/developer may also seek a reduction in the proposed percentage of inclusionary dwelling units if they meet the requirements of "financial infeasibility". (See Section C: Waiver.)

5. Physical plan or sketch of the proposed project showing sufficient detail to make possible the evaluation of the approval criteria, including the arrangement of buildings and their architectural character, and the location and distribution of the inclusionary dwelling units throughout the development.

6. General outline of the intended organizational structure, agreements, bylaws, deed restrictions or covenants related to the property owners' association, condominium association or homeowners association, if applicable:

7. Identification of the current owner, the proposed developer, and any entity that has an option to purchase or contractual interest in the property that is the subject of the application.

8. Construction schedule indicating the approximate dates when construction of the project and each of its phases can be expected to begin and be completed, and within each phase the schedule for completion of the inclusionary dwelling units.

9. Legal description of the property.

Note: It should also be noted that depending on the type of development approval requested, the level of detail for each of the items above might vary. For example, when the application submitted involves a plat and a zoning map amendment, depending on the type, the applicant may have insufficient information to fully comply with the submittal requirements. In these cases, the City will require compliance by recording deed restrictions against the lots rezoned and platted, with revisions to be made during the final land use approval process. The deed restrictions shall require compliance with the inclusionary zoning ordinance prior to City issuance of other permits, and will not be satisfied until the future land uses restriction agreement is recorded according to the revised final land use approvals.

## **2. Developer meetings with City staff regarding the Inclusionary Dwelling Unit Plan.**

The developer should discuss or meet with the Community Development Block Grant Office staff (hereafter referred to as Community Development) to review the inclusionary zoning plan or other related issues prior to the submission of an inclusionary dwelling unit plan.

## **3. Definition of Terms**

The City will use the following definitions in its review of the application and inclusionary dwelling unit plan.

### **"Bedroom" as Distinct from a "Den"**

The City shall use the definition of a 'bedroom' by the minimum bedroom standards as required by the State of Wisconsin Building Codes, as indicated at SS and MGO 24.... Factors to be considered include lighting, ventilation, and closets, and the Director of the Neighborhood Preservation and Building Inspection Division shall be the local authority on whether a room qualifies as a 'bedroom' for the purposes of these policies.

### **"Contiguous" Parcel (Section (26(c) 1 and 2)**

The city shall use a definition to include common ownership or substantial ownership participation by the same person or entity, of adjacent parcels or parcels even if separated by an alley, easement or street. "Ownership" includes land contract interests as well as fee simple ownership.

### **Covered Developments**

If an applicant seeks an amendment to an approved Planned Unit Development General Development Plan at the time the Specific Implementation Plan is submitted, then the Specific Implementation Plan will be subject to the inclusionary zoning requirements, provided that there

is an increase in the number of dwelling units proposed or other modifications deemed to be major amendment by the Director of the Department. Factors considered in determining if a change is a minor alteration or a major amendment include:

- a) Increase in the number of dwelling units.
- b) Change in the mix between owner and rental housing.
- c) Major alterations to the street layout, the size and height of buildings, the size of lots and their location and the provision of public parklands and their locations.

However, if these modifications are consistent with the goals of the General Development Plan they shall not be considered major amendments to the General Development Plan. Small changes, such as changes in the address numbering system or the location of a small number of inclusionary units, may be approved through the minor modification process with the approval of the alder and Director of the Department

#### **Family**

The inclusionary zoning ordinance is part of a broader City Ordinance M.G.O. 28 that defines 'family' in part as "an individual, or two or more persons related by blood, marriage or legal adoption, living together as a single housekeeping units in a dwelling unit. (See M.G.O. 28.03 for complete definition).

#### **Similar**

In the Inclusionary Zoning Ordinance, the word "similar" is used to compare the market rate and inclusionary dwelling units in terms of the: appearance of inclusionary dwelling units, the proportion of attached and detached units to be provided, the mix of units based on number of bedrooms, the proportion of rental and owner-occupied units, and the dispersion of units throughout the development. For the purpose of this ordinance, the term similar shall mean that the inclusionary dwelling units must be comparable to the market-rate units in all respects under each of these sections of the ordinance, unless approved as part of the Revenue Offset/Gap Analysis or Waiver. The Inclusionary Dwelling Unit Plan must document how the proposed development will comply with the provisions of the ordinance.

The physical exterior appearance of inclusionary dwelling units shall be similar to the market-rate units. Staff will use the type of building materials provided on the market-rate units and the inclusionary dwelling units to determine whether this requirement has been met. All architectural details will be included in this review, including entrance doors, lighting, window trim, siding, roof materials, front porches, columns, fascia and soffits.

#### **Similar Schedule**

The City will use this term to indicate that the pace of the construction of inclusionary dwelling units will be defined by the mix of inclusionary zoning and market rate units in each phase in which construction has begun according to the approved plan.

#### **Square Footage of Units**

The City will use the gross square footage (minus the garage, attic, and unfinished basement) to calculate the minimum dwelling size of inclusionary dwelling units

### **B: REVENUE GAP OFFSETS ANALYSIS**

The City requires a developer to provide 15% of the dwelling units as affordable units. The developer may seek City approval of some combination of on-site inclusionary units, off-site inclusionary units, and in-lieu payments sufficient to balance the offsets offered by the City, if the

offsets do not cover at least 95% of the revenue differential gap as defined by the City during the revenue gap offset analysis process.

If the City agencies recommend against the approval of any offsets sought by the developer under this ordinance, the agency shall provide in writing the reasons for their recommendation.

The offsets may include such items as added density, extra floors, cash subsidy, park fee and park development credit, and expedited decision processes.

For the purposes of establishing an inclusionary zoning revenue gap, the City will use the following policy assumptions in the calculation of the 'Revenue Gap Offset Analysis':

1. Land as percentage of value: The City will use the following as a simplified method to value the cost of developed land: 21% of the projected sales price (or appraised value) for each additional bonus dwelling.
2. Margin on bonus unit: The City will use the assumption of 11.5% as the development's 'margin' for purposes of the gap/offset model.
3. Sharing of margin: The City will use the assumption of sharing the margin in the added density on a 50/50 basis with City and Developer, since both parties contribute to the added value of the margin.

If the analysis shows that the value of the offsets exceeds that of the revenue gap by 10%, the Plan Commission shall use the following procedure to prioritize the evaluation of incentives for potential removal:

1. Incentives for cash offsets (M.G.O. 28.04 (d) 2 e and f) will be reduced and park development fees will be restored to the point that the offsets cover no more than 105% of the revenue differential.
2. The Plan Commission will evaluate the following offsets to determine if they should be reduced or if the offsets should stay in place beyond 105% of the revenue differential because they achieve other goals of the City, and do not create excessive costs for the City of Madison:
  - a. Park Dedication requirements (MGO 28.04 (d) 2.c.)
  - b. Parking requirements (MGO 28.04 (d) 2.d)
  - c. Additional Story in downtown design zone (MGO 28.04 (d) 2.g)
  - d. 20% Inclusionary zoning free zones (MGO 28.04 (d) 2.h. and i.)
  - e. Residential parking permits (MGO 28.04 (d) 2.k)
  - f. Advanced neighborhood planning (MGO 28.04 (d) 2.n)
  - g. Expedited review (MGO 28.04 (d) 2.m)
  - h. Shifting commercial uses to residential (MGO 28.04 (d) 2.n.)
  - i. Reduced street widths (MGO 28.04 (d) 2. o)
  - j. Other (MGO 28.04 (d) 2.p.)
3. The density bonus (MGO 28.04 (d) 2.a.) and Inclusionary Zoning shift from single family to multi-family (MGO 28.04 (d) 2.j. offsets shall only be reduced in cases where they conflict with adopted City Plans or other stated City goals.

If the developer plans to provide inclusionary dwelling units off-site, the developer shall provide the units within one year of the date when they would have otherwise been provided consistent with the phasing approved in the Inclusionary Dwelling Unit Plan and the provision of off site units shall be proportional to the construction of the market units.

### **C: WAIVER STANDARDS AND WAIVER PROCESS POLICIES**

In developments where the revenue gap offset analysis shows that the City offsets do not cover at least 95% of the revenue differential, and where providing the inclusionary dwelling units on-site, off-site or a payment in lieu would still render providing the inclusionary dwelling units "financially infeasible" according to adopted City standards, a developer may request a waiver to reduce the percent or number of inclusionary units to the point where the project becomes financially feasible.

The developer must request a waiver as part of the submittal of the inclusionary dwelling unit plan or its revisions, and provide evidence regarding why this request for a waiver should be granted.

The City shall restrict or deny access to any record, as that term is defined under sec. 19.32(2) of the Wis. Stats., or portion of a record submitted to the City under MGO 28.04 if the applicant identifies the information as being confidential, and

- (a) The record contains information that is competitively sensitive to the person submitting the record requested and
- (b) The City determines that restricting or denying access to the record or portion of a record outweighs the public interest in full access to the record or portion of the record involved.

Community Development Office staff will analyze this evidence and make a recommendation to the Plan Commission as to whether to grant a waiver as part of the Inclusionary Dwelling Unit Plan review.

Staff will select the offsets that the developer will use to base the claim of financial infeasibility and staff will select the combination of reduction alternatives (on-site, off-site or payment in lieu) for the purpose of the waiver analysis

The Plan Commission shall review the developer evidence, staff recommendations, and testimony taken at a public hearing to review a waiver request.

If the project meets the threshold criteria, and the revenue gap and the gross profit margin differential can be demonstrably linked to one of the criteria A through D outlined below, the Plan Commission may determine that all or part of the inclusionary dwelling unit component of the project is "financially infeasible" at the ordinance goal of 15% of the project's units. If the Plan Commission makes such a finding, the Plan Commission may reduce the number of inclusionary dwelling units (on-site, off-site or payment in lieu) that must be achieved to the point where the project becomes financially feasible, according to the adopted City standards.

The Plan Commission shall consider the following in recommending a reduction in the required percentage of inclusionary units or their alternatives:

- A) Projected resident condo fee on the inclusionary dwelling unit, in addition to the regular payments for mortgage, taxes, and insurance would substantially exceed the inclusionary dwelling unit affordability standards of 30% of income due to high condominium fees; or,
- B) Site development costs of the project (excluding land acquisition costs) involve extraordinary site development costs such as contaminated soil or water drainage issues; or,
- C) Estimated marginal costs of on-site inclusionary dwelling units exceeds the overall revenue added to the total development through the value of the offsets provided by



the City, including such items as added density, cash subsidy, park fee and park development credit, or expedited decision processes, or

- D) Acquisition and site development costs associated with sites available on the market or available to the developer cost more than the on-site project and exceed the value of the offsets offered by the City. Furthermore the developer must demonstrate a good faith effort to contact other developer/builders and arrange for the assignment of the obligation to provide the targeted number of comparable inclusionary dwelling units within the time frame outlined in the ordinance.

If the Plan Commission or Common Council denies an offset as part of the Inclusionary Dwelling Unit Plan, for which the developer is eligible under City ordinances and for which the City staff has recommended adoption, the Plan Commission or Common Council shall grant a reduction in the number of the inclusionary dwelling units to a point that makes the provision of inclusionary dwelling units feasible.

Once the Plan Commission makes its determination, the developer can either agree with the determination or appeal the determination to the Common Council. The Common Council will consider the evidence that was put before the Plan Commission and decide whether to confirm the Plan Commission determination or not. If the Common Council does not confirm the Plan Commission determination the Council can make its own determination or refer the decision back to the Plan Commission for reconsideration.

Regardless of whether the Common Council confirms or modifies the determination of the Plan Commission, the developer can appeal to the Circuit Court.

#### **D: CITY MONITORING OF INITIAL DEVELOPER COMPLIANCE WITH THE INCLUSIONARY DWELLING UNIT PLAN**

The City will monitor the construction phases of the overall development, to verify progress in accordance with the zoning requirements, the Inclusionary Dwelling Land Use Restriction Agreement, and the subdivision improvement contract, where applicable. This monitoring shall include on-site visits as necessary. The Inclusionary Dwelling Land Use Restriction Agreement enforcing the City Council-approved Inclusionary Dwelling Unit Plan shall define the threshold requirements to move forward with each phase and shall outline requirements to be fulfilled prior to moving to the next phase of the development. The City may negotiate either deed restrictions or options to purchase undeveloped lots as a way to guarantee developer compliance with later phases of the Inclusionary Dwelling Unit Plan, but shall not impose a performance bond or letter of credit for such guarantee. If the inclusionary dwelling units are not built according to the approved Inclusionary Dwelling Unit Plan, the City may withhold approval of construction of the remainder of the project until the inclusionary dwelling units are provided or the marketing requirements are met.

The City will consider each phase that has been initiated when making a determination as to whether the developer is providing the appropriate proportion of inclusionary dwelling units and market rate units consistent with the approved plan. Any lots owned by the City will be considered complete regardless of the status of construction. The developer shall be responsible for guaranteeing that the units are provided as consistent with the Inclusionary Dwelling Unit Plan, including lots no longer under ownership by the developer.

The City may audit some inclusionary dwelling units on an annual basis to confirm that the household qualifying at the time of the last sale is indeed the occupant of the premises.

## **Part II: ELIGIBLE BUYERS**

Under the terms of the ordinance, the City uses the term "family" to include households of one person as well as households of two or more people.

### **A: "FAMILIES" AND HOUSEHOLDS**

Annually, the Department will issue income guidelines associated with inclusionary dwelling units. These guidelines will publish the income levels by family size, note the comparable dwelling unit size to be associated with each family size solely used to determine the sales price as defined in MGO 28.04(26)(c)2, and articulate the method for calculation and documentation of income. The City will use Areas Median Income (AMI) data provided by the Federal Department of Housing and Urban Development (HUD) as the figures for the standard metropolitan area.

A certifying agency (developer, non-profit agency, or developer agent) may use either a) gross income from the previous tax year, or b) projected income for the current tax year based upon current earnings to qualify a family for purchase of an inclusionary dwelling unit.

The certifying agency shall include the household income of the parents, guardian or a trust for purposes of determining income eligibility of any person who is dependent for more than half of their income on their parents, guardian or trust.

The certifying agency shall collect documentation that includes a copy of the filed income tax forms from the previous year, or three current wage receipts, depending on the method used to qualify the family for eligibility.

The City will expect the certifying entity to collect and retain the documents needed to establish eligibility for at least a three-year period starting from the date the family receives an accepted offer for the inclusionary dwelling unit home.

### **B: NON-PROFIT AGENCIES**

The City will recognize a non-profit agency as an 'income eligible family' upon official review of the non-profit agency's application to the Community Development Office for certification, and the determination that it meets the following conditions:

- a) Registered and in good standing with the State of Wisconsin as a not-for-profit organization with affordable housing as a stated objective;
- b) Applied for, and received Federal tax-exempt status;
- c) Demonstrates two years of continuous operation in housing development, property management or housing counseling;
- d) Commits to providing a full accounting of its finances either through an annual audit or a public financial statement;
- e) Demonstrates willingness to enter into an option to purchase with the City to provide affordable housing under the terms of the ordinance; and.
- f) States its intention to either rent or purchase an inclusionary dwelling unit for the purpose of renting or selling the unit itself to an income-eligible family.

A non-profit agency may apply to the Community Development Office for City certification as an income-eligible family at any time during the year, but need become certified only once unless it changes its basic qualifying characteristics.

Note: The ordinance named the Madison Community Development Authority as an "eligible family" for the purposes of the inclusionary zoning ordinance.

### **Part III: SALES PRICE, PURCHASE, RESALE AND REFINANCING POLICIES FOR INCLUSIONARY DWELLING UNIT OWNERS**

#### **A: INITIAL SALES PRICE TARGETED FOR OWNER UNITS**

The City will calculate the maximum household share of the sales price of the inclusionary dwelling unit based upon the average household's ability to pay 30% of their family income for principal, interest, taxes, insurance, and, if applicable, homeowner or condo fees. The City will base this calculation on the following sources:

- 1) Applicable family income by household size, using HUD area median income figures
- 2) Principal and interest: average 30-year mortgage low rate published by Freddie Mac each January 1, April 1, July 1, or October 1 or soon thereafter;
- 3) Calculation of taxes based upon the average fair market value, as determined by the City Assessor using the mill rate set annually as of January 1 of each calendar year;
- 4) Calculation of insurance for a similar size and type of property, as determined by the City Risk Manager x/\$1000, or as adjusted by staff for specific developments based on insurance coverage included in the condominium or resident association fee.
- 5) 5% down payment and the correlating private mortgage insurance
- 6) Condo or homeowner resident association fee (excluding any component already covered above) that is applicable to the inclusionary dwelling unit home, (such as building structure insurance if included in the condo fee). Condo fees will only count for the portion of the condo fees that are for housing costs as defined in the ordinance, and exclude such items as maintenance fees or utilities or supportive services for the resident. Homeowner association fees for detached housing will be counted as housing costs.

In determining the initial sales price (and later sales price) of a home, the City will use the definition of dwelling unit in Chapter 28 that includes a full kitchen facility (including at a minimum a stove and refrigerator) in the targeted sale price of the unit. The costs of additional appliances, a higher level of finish or landscaping, or optional upgrades, (such as an additional parking stall in a condo development where the parking is sold separately for non-IZ units) and that may increase the purchase mortgage amount, shall not be considered as part of the IZ target price.

#### **B: REFINANCING**

For inclusionary dwelling units where the owner wishes to refinance the property, the owner will notify the Director of the Department or assignee of the amount and term, the interest rate, the refinancing fees and the lending institution that will approve the terms of the refinance agreement.

If there is a refinance where the homeowner does not withdraw any equity from the home, the Director of the Department must be notified. If there is a refinance where the homeowner does withdraw equity, the Director of the Department shall determine if the homeowner has sufficient equity to offset the refinance amount and any related costs, will inform the lending institution the maximum amount of equity available to the homeowner, and approve such a request. It is the seller's responsibility to provide proof of improvement equity if they want to receive improvement equity.

### **C. FORECLOSURE**

In case of foreclosures involving an inclusionary dwelling unit, the City will review the notice of foreclosure required of the family by the City's exclusive option to purchase agreement. The Community Development staff would determine whether to exercise its option to buy or transfer the property to the City of Madison Community Development Authority or a non-profit agency, or forego its interest in the property, based upon the criteria in E. The City's lead contact shall be the Community Development Office.

### **D. RESALES**

The seller of an inclusionary dwelling unit, where the City (and its assignees) has refused to exercise its option to purchase, must sell the unit/property at no less than the assessed value to a bona fide disinterested party, unless the seller receives a written determination from the Director of the Division of Economic and Community Development that the inclusionary dwelling unit could be sold at less than current City assessed value. These circumstances will be narrowly confined to cases of hardship for the seller, such as short-notice job transfers outside of Dane County, a sudden drop in value not recognized in the official Assessor's figures, or unanticipated events outside of the control of the seller (such as rising medical bills).

### **E. SALES PROCEDURE AND CITY OPTION TO PURCHASE**

The City shall exercise its option to purchase an inclusionary dwelling unit offered for resale unless one of the following occurs:

- a) The value of the city's share of equity in the inclusionary dwelling unit is less than 95% of the funds needed to keep the unit affordable to the subsequent buyer at the same AMI% as the current owner. Or
- b) The value of the City's share of equity in the inclusionary dwelling unit is at least 95% of the funds needed to keep the unit affordable to the subsequent buyer at the same AMI% as the current owner, but existing funding sources are insufficient to cover the shortfall amount needed, or
- c) The home is nearing the end of its useful life or the physical condition of the unit is such that it makes more sense to capture the City's equity share before the value of the home stagnates, keeping the home affordable through market forces, or
- d) The value of the property has increased disproportionately to the value of the surrounding properties and the value of the equity share could be better used to create additional housing units.

The Council has authorized Community Development staff to exercise the option to purchase on behalf of the City of Madison Community Development Authority or a qualifying non-profit agency. If staff determines that the City (or its assignees) should not purchase the property offered by sale, then the Community Development Office will report its determination to the Common Council. The Community Development Office may assign the City the option to purchase a unit to a qualified non-profit or to the CDA.

## **Part IV: CITY PLAN FOR PURCHASE OF INCLUSIONARY UNITS**

The City's role in purchasing inclusionary zoning lots or dwelling units will be to facilitate transfer to an income eligible family. The City does not intend to own and operate the inclusionary dwelling units on a long-term basis.

The City, working with the City of Madison Community Development Authority, will produce a purchase plan for how many units the City of Madison Community Development Authority and other certified nonprofit agencies can purchase in a year. (Example: The City of Madison Community Development Authority may establish a goal to purchase at least 10% of the available inclusionary zoning owner units.) The plan shall include the number of units proposed to be purchased for homeownership and the criteria for determining where the units will be purchased including how this meets the goals of the City of Madison Fair Share and Diversity Plan.

The City shall expect that any inclusionary dwelling units abide by the covenants and restrictions of the particular condo or resident association. The CDA or another qualified non-profit may occasionally arrange a lease-purchase sale if permitted by the particular condo or residence association, if applicable.

For City of Madison Community Development Authority owned inclusionary zoning properties, the Community Development Authority shall pay a payment in lieu of taxes (PILOT) to the City of Madison. If the City of Madison Community Development Authority does not have the resources to purchase the units, the City will designate particular agencies as "eligible families."

The City may arrange with the developer, as part of the Inclusionary Dwelling Unit Plan review, to purchase a set number of units or parcels for residential use, which will be stipulated in the approved Inclusionary Dwelling Unit Plan. Lots would be purchased for transfer to the CDA or certified non-profit agencies. The City will exercise its initial option to purchase lots or newly built inclusionary dwelling units during the appropriate development phase.

## **Part V: ANNUAL REPORT**

The Planning Division and the Community Development Office shall submit a report on the Inclusionary Zoning Program within six months after the end of the calendar year to be reviewed by the Common Council, Housing Committee, Plan Commission, and related city policy bodies. The City may also share the report with other public and private groups, such as the Madison Metropolitan School District, to encourage discussion about the status of the inclusionary zoning program and changes for its improvement.

## APPENDIX 11

# Gap Analysis: Appraised Value Model

Developer-provided independent variables =  
 City-provided independent variables =  
 Appraiser-provided independent variables =  
 IZ Sales Price Data

DEVELOPER NAME, NAME OF DEVELOPMENT AND ADDRESS  
 Date of Form completion:

Market	Single Family	Bedroom Count	Unit Square Feet	Number of Decking Units	IZ Final Unit Sales Price	Appraised Value	Total Sales	Total Revenue
(Value assigned by third party appraiser)	Type A Type B Type C	2 3 4						
Duplex	Type B Type D Type E	2 3 4						
Total Market Rate Units						0	\$	-
Total Market Rate Sales						0	\$	-
Average Market Rate Price						\$0.00		

Market	Single Family	Bedroom Count	Unit Square Feet	Number of Decking Units	IZ Final Unit Sales Price	Appraised Value	Total Sales	Total Revenue
(Value assigned by third party appraiser)	Type A Type B Type C	2 3 4						
Duplex	Type B Type D Type E	2 3 4						
Total IZ Units						0	\$	-
Total IZ Sales						0	\$	-
Average IZ Price						\$0.00		
Total Units						0		
Average Unit Price						\$0.00		
Total Sales						\$		
Total IZ Gap								

Market	Single Family	Bedroom Count	Unit Square Feet	Number of Decking Units	IZ Final Unit Sales Price	Appraised Value	Total Sales	Total Revenue
(Value assigned by third party appraiser)	Type A Type B Type C	2 3 4						
Duplex	Type B Type D Type E	2 3 4						
Total Market Rate Units						0	\$	-
Total Market Rate Sales						0	\$	-
Average Market Rate Price						\$0.00		

Market	Single Family	Bedroom Count	Unit Square Feet	Number of Decking Units	IZ Final Unit Sales Price	Appraised Value	Total Sales	Total Revenue
(Value assigned by third party appraiser)	Type A Type B Type C	2 3 4						
Duplex	Type B Type D Type E	2 3 4						
Total IZ Units						0	\$	-
Total IZ Sales						0	\$	-
Average IZ Price						\$0.00		
Total Units						0		
Average Unit Price						\$0.00		
Total Sales						\$		
Total IZ Gap								

Variable	Value	Unit	Weight	Impact
General Information				
Parcel Address				
Not Developed Area				
Not Developing Units Per Acre				
Variable Height Cost of Lot/Land				
City of Home Information				
Neighborhood Plan Unit Population				
Low Density				
Low-Medium Density				
Medium Density				
Total Neighborhood Plan Units				
Total Development Plan Units				
IZ Units Available				
Bonus area above base density (provided by Planning Dept)				
Bonus units that are in units	10%	bonus units		
Not in the IZ bonus units				
Park Fee Information				
Park Fee Cost				
Park Maintenance Cost per Year				
Park Maintenance Length	Years			
Park Dedication Information				
Park Dedication Deduction	Storage Fee			
Park In-Lieu of Deduction	\$/sq ft			
Restriction to Deduction Contribution				
Average cost of parking units				
Parking Unit Deduction				
Extra Floor Information				
Number of Extra Units				
Average Value of Extra Units				
IZ Unit Price				
IZ Price (Sum Number of Units Price)	Minimum 20%			
IZ Price (Sum Number of Units Price)				
IZ Price				
Number of 1-4 units available to affected units	Minimum 75%			
Residential Parking Spaces				
Parking Space Impact Value				
Parking Density Change				
Advanced Neighborhood Characterization Review				
Number of months since last rezoning/development plan				
Number of months since last rezoning/development plan				
Neighborhood Planning Cost				
Modified Neighborhood Plan				
Sales units in Modified Neighborhood Plan				
Average Value of Bonus Units				
Reduced Street Width				
Length of Reduced Street Width	Linear Feet			
Cost per Linear Foot "Impacted Street"				
Cost per Linear Foot "Other Street"				
Other				

Variable	Value	Unit	Weight	Impact
1. Sum of sales differential between Market Rate and IZ units				
2. IZ Units Available				
A. Density Bonus Available from a modified plan				
(1) Limited coverage for bonus	5%	2%	\$0.00	
(2) Opportunity for greater coverage provided in bonus area/lot sale units	15.00%	5%	\$0.00	

B. Park Fee Reduction									
C. Parked Employee Deductions									
D. Deduction in Parking Requirement (Due to Study)									
E. Cash subsidy to lower income or other									
F. Cash subsidy to Projects #18 #19 or #2 stories of neighborhood parking									
G. Extra floor in downtown design									
H. 1) Land cost coverage for bonus market rate units on bonus floor only		50%	21%	1					
2) Opportunity for greater margin provided in bonus market rate units		11.50%	10%	1					
I. 20% of Free Zone Building		11.50%							
J. 20% of Free Zone Plus		City above of at least amount of 15% of 2							
K. 20% SP to MF in the SHIK									
L. One level of parking. Permit revenue shared by tenant									
M. Advance neighborhood plan									
N. Respected Parking									
O. In addition of Neighborhood Plan									
P. 1) Land cost coverage for modified neighborhood units		50%	21%	1					
2) Opportunity for greater margin provided in bonus market rate units		11.50%	10%	1					
Q. Reduced Street Width									
R. Other									

B  
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E  
F  
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P

**SUM TOTAL OF VALUE OF INCENTIVES** #0200

**Cost of Incentives** #0200

**Cost of Incentives** #0200

**Difference** #0200  
(Note: Positive number indicates value of incentives outweighs estimated costs.)

**Minimum Threshold** #0200

**Over/Under adjustment** #0200

Average price per unit #0200  
Expected to units #0200  
Payment in \$ to 10% of value #0200



Peak Fire Credit: (Maintenance Cost per year) \* Maintenance Length  
Fire In Lieu of Value: Square Foot of Peak Deduction Reduction  
Average cost to municipal parking stall \* Number of reduced stalls

Direct \$

Direct \$

Number of Bonus Floor Units \* Average Value of Bonus Floor Unit \* City Share \* Cost Per Unit

Average value of units on bonus: Number of units on Bonus Floor \* Assumed Margin / City Share

Assumed Margin = (Average Value Market Rate Unit - Average Value \$2 Unit) \* Number of \$2 Free Units \* 22 Percentage (15%)

Assumed Margin = (Average Value Market Rate Unit - Average Value \$2 Unit) \* Number of \$2 Free Units \* 10%

Total Revenue Pool (\$2): Total Revenue Pool - \$2

Per \$2 Assumed \* Revenue Collected

Daily Holding Cost \* Months Served \* Neighborhood Planning Cost

Monthly Holding Cost \* Months Served

Number of Modified Units \* Average Value of Modified Units \* City Share \* Cost Per Unit

Average value of modified units: Number of modified units \* Assumed Margin / Average value of modified units \* Number of modified units \* Assumed Margin / City Share

Linear Feet of Narrow Stalls: Cost per Linear Foot \* Standard Cost of Linear Foot (Redwood)

**POST-IZ QUESTIONS TO ANSWER FOR "FINAL" POLICIES & PROCEDURES  
DOCUMENT**

Approval Date Determination: What official action determines the applicable ordinance, if any, for purpose of Inclusionary Zoning Issue in a development project? Council approval? **Final approval body.**

A. For Existing Approvals with IZ components:

1. What if a phased development, that is partially completed, requests a replat?
  - a. Could the IZ requirement be modified or removed at the SIP Stage? **Depends on whether staff determines whether such a change should be done via an amended GDP. Not all developments are PUDs. Most are not. A zoning map amendment approved by the Common Council could remove the IZ requirements.**
  - b. What would happen with condos within one building that are partially occupied? **(don't understand the question)**
  - c. Could Lot lines be re-drawn? **If a replat is done, lot lines could be redrawn.**
  - d. Would Plan Commission have to decide these issues? **If Plan Commission is an approval/recommendation body for any changes proposed, then it would consider the item. For Plats and Zoning Map amendments, the final decision making body is the Common Council.**
2. Are there any other zoning changes or site modifications that can happen administratively that, if approved, might remove the IZ requirements? **No.**
3. Could IZ be removed by a minor modification to the Plat? **No.**
4. Clarify marketing obligations when approved IZ units have yet to be built. **Whichever version of the ordinance applies to the development will determine which marketing requirements apply.**

B. For Projects "in the pipeline" before sunset but no approval or action taken by January 2, 2009:

1. How is it determined whether IZ ordinance(s) apply to a given project? **If final approval occurred prior to sunset date, the ordinance applies.**

C. Sale of IZ Units:

1. Will the City/CDA consider exercising its option to purchase? **Will be determined by Common Council or CDA as each unit becomes available.**
  - a. Does it make a difference whether the unit is occupied or for sale by the developer? **(don't understand question)**
2. If the City/CDA chooses not to buy?
  - a. What happens to the funds repaid to the City? **According to the ordinance, all funds go into the IZ Special Revenue Fund**
  - b. Can all IZ Special Reserve Funds be deposited into the Affordable Housing Trust Fund? **If the Common Council specifies.**
3. Could an IZ unit that cannot bump out of its sale requirement under IZ, due to all the market rate units not having been sold, be turned into an affordable rental unit to be monitored by City at the request by developer(s) until there is an IZ buyer for the unit? **There is no provision in an ordinance for the City to monitor a rental unit in this context, so new legislation would be necessary.**

D. Rental IZ Units:

1. How are these units (built before the rental element of the IZ ordinance was invalidated) being administered? Need clarification from City Attorney. **Not sure what 'being administered' means. The requirements for rental projects approved prior to the Court decision are still in place. Like all zoning requirements, if a complaint regarding a rental unit is received, zoning staff would act as it would for any other complaint of a zoning violation.**

E. Other issues

1. If future policy questions arise regarding existing IZ units or developments who provides direction to staff or the Plan Commission? **Not sure what type of policy questions are of concern, however, in the past, staff and the OCA have discussed issues of interpretation of the ordinance or the policy manual.**

2. How will current IZ status of developments or units be codified or tracked? **The implementation of the ordinance is the joint responsibility of the CDBG Office, the Zoning Administrator and the Planning Division. The tracking of projects subject to IZ has been the responsibility of these offices.**