

JD#02320

MEMO

To: Alders, Madison Common Council
From: Phil Salkin, Government Affairs Director
REALTORS Association of South Central Wi.
RE: Information Regarding Inclusionary Zoning
Date: 1/16/06

Dear Alders:

As you consider the question of the repeal or the modification of the Inclusionary Zoning (IZ) Ordinance, I hope you will consider the following information

- * "Inclusionary Zoning: Myths and Realities" by Dr. Kerry D. Vandell, Center for Urban Land Economics Research, U.W.-Madison. This document was presented prior to the adoption of IZ. Some of you were not on the Council when this study was released and several alders have indicated that they would like an additional copy.
- * Statistics on 2005 (1/1/05 - 12/5/05) MLS Housing Sales in Madison. The purpose of this study was to document the number of sales of houses and condos at several price points considered by housing type (condo vs single family detached) by general location (east vs. west) and by more specific location (MLS district). The purpose is to help explain why the available IZ units are not selling in the context of a market which offers numerous units at comparable prices -and without the restrictions imposed on IZ homes.

One alder has noted that the statistics are not valid as condo fees are not included in the cost of such units. Please note that the statistics were intended to indicate solely the number of units which sold. The alder is correct that condos do have fees that impact their affordability. The same, of course, applies for IZ condos. There are no uniform condo fees, they vary from project to project.

The data also includes the number of market-rate units sold with three bedrooms and the number of units available on the MLS as of 12/15/05.

* Page 50 from "Housing Wisconsin: A Guide to Preparing the Housing Element of a Local Comprehensive Plan, Second Edition" by Brian, Ohm, et al (2004). As noted, this page addresses inclusionary zoning and the preference for voluntary incentive-based programs over mandatory programs.

We hope this information is useful in your consideration of the questions to repeal or amend the ordinance. Please do not hesitate to inquire for additional information we may provide. Thank you.

Sincerely,

Phil Salkin
438.7993
241.2047

Housing in Madison – The Numbers

The following tables show the distribution of housing sold through the Multiple-Listing Service (MLS) from January 1st to December 5th, 2005. The headings are as follows:

Housing Type:

The numbers are broken out between condos and detached housing.

Area:

The numbers are first broken down by east versus west as defined by the South Central Wisconsin MLS map. The first column, "Area" includes the sub-areas as shown on the same map. Thus, for eastside condos, Area 1 refers to a segment covering most of the Isthmus (see map).

Price:

The second column tabulates homes and condos sold for under \$150,000. Although an arbitrary figure, many would agree that a \$150,000 unit is at least relatively affordable. The third column relates to homes sold for between \$150,000-\$185,000. The fourth column is a total of columns 2 and 3.

The figure \$185,000 was used as it reflects a price below 65% of the 55 IZ units listed by the City with prices (see attached).

Total:

This column reflects the total number of MLS sales in the particular area. The final column simply expresses this as a percent.

Eastside Condos

Area	0-149,999	150-185,000	TA	Total	%A
1	1	1	2	40	5.0
3	32	9	41	55	74.5
4	6	1	7	7	100.0
5	27	1	28	29	96.6
7	38	19	57	58	98.3
8	15	4	19	19	100.0
9	1	0	1	3	33.3
11	45	19	64	81	79.0
12	101	17	118	123	95.9
13	26	0	26	27	96.6
15	5	4	9	9	100.0
16	6	0	6	6	100.0
Total	295	75	370	457	81.0

Eastside Homes

Area	0-149,999	150-185,000	TA	Total	%A
1	1	7	8	30	26.7
3	13	75	88	126	69.8
4	38	43	81	88	92.0
5	35	33	68	93	73.1
7	0	12	12	46	26.1
8	13	25	38	110	34.5
9	0	1	1	25	4.0
10	14	48	62	68	91.2
11	3	30	33	180	18.3
12	1	36	37	175	21.1
13	14	42	56	70	80.0
15	0	5	5	15	33.0
Total	132	357	489	1016	48.1

Westside Condos

Area	0-149,000	150-185,000	TA	Total	%A
1	1	1	2	69	2.9
3	26	6	32	41	78.0
5	50	34	84	132	63.6
6	10	3	13	17	76.5
7	45	2	47	47	100.0
8	94	25	119	189	63.0
9	26	80	106	160	66.3
10	1	4	5	5	100.0
11	2	0	2	2	100.0
12	1	0	1	1	100.0
13	1	4	5	6	83.3
14	3	1	4	6	66.7
17	7	0	7	7	100.0
18	19	0	19	19	100.0
	286	160	446	701	63.6

Westside Homes

Area	0-149,000	150-185,000	TA	Total	%A
1	0	1	1	4	25.0
3	0	7	7	37	18.9
5	0	2	2	117	1.7
6	3	7	10	47	21.3
7	0	1	1	10	10.0
8	0	23	23	210	11.0
9	3	31	34	237	14.3
10	7	9	16	24	66.7
11	0	5	5	61	8.2
12	0	4	4	66	6.1
13	3	9	12	126	9.5
14	2	0	2	87	2.3
15	11	8	19	28	67.9
17	1	1	2	2	100.0
18	0	2	2	11	18.2
	30	110	140	1067	13.1

Total Number of Sales - 3241
Total Under \$150,000 - 743 (22.9%)
Total \$150,000-\$185,000 - 702 (21.7%)
Total Under \$185,000 - 1445 (44.3%)

In addition, the following are the sales for all units under \$200,000.

Eastside Condos – Under \$200,00

Area	Under \$200,000	Total	%A
1	4	40	10.0
3	43	55	78.2
4	7	7	100.0
5	29	29	100.0
7	58	58	100.0
8	19	19	100.0
9	2	3	66.7
11	64	81	79.0
12	118	123	95.9
13	27	27	100.0
15	9	9	100.0
16	6	6	100.0
	376	457	82.3

Eastside Homes – Under \$200,000

Area	Under \$200,000	Total	%A
1	12	30	36.7
3	105	126	83.3
4	85	88	96.6
5	88	93	94.6
7	26	46	56.5
8	53	110	48.2
9	2	2	100.0
10	57	58	98.3
11	53	180	29.4
12	70	175	40.0
13	62	70	88.6
15	10	15	66.7
	<u>623</u>	<u>1016</u>	<u>61.3</u>

Westside Condos – Under \$200,000

Area	Under \$200,000	Total	%A
1	4	69	5.8
3	34	41	82.9
5	90	132	68.2
6	14	17	82.4
7	47	47	100.0
8	127	189	67.2
9	141	160	88.1
10	5	5	100.0
11	2	2	100.0
12	1	1	40.0
13	5	6	83.3
14	5	6	83.3
17	7	7	100.0
18	19	19	100.0
	<u>501</u>	<u>701</u>	<u>71.5</u>

Westside Condos – Under \$200,000

Area	Under \$200,000	Total	%A
1	1	4	25.0
3	9	37	24.3
5	6	117	5.1
6	15	47	31.9
7	3	10	30.0
8	37	210	17.6
9	75	237	31.6
10	20	24	83.3
11	13	61	21.3
12	7	66	10.6
13	23	126	18.3
14	6	87	6.9
15	21	28	75.0
17	2	2	100.0
18	3	3	100.0
	<u>240</u>	<u>1067</u>	<u>22.5</u>

Total Under \$200,000 - 1740 (53.7%)

Three Bedroom Units:

A question has arisen as to whether the large number of homes and condos under \$185,000 reflect only studio, one and two bedroom units. The following are numbers for units with three or more bedrooms as sold on the MLS from January 1st to December 5th, 2005. These were all sold at \$185,000 or below.

Eastside Condos	75
Eastside Homes	366
Westside Condos	40
Westside Homes	<u>108</u>
	589

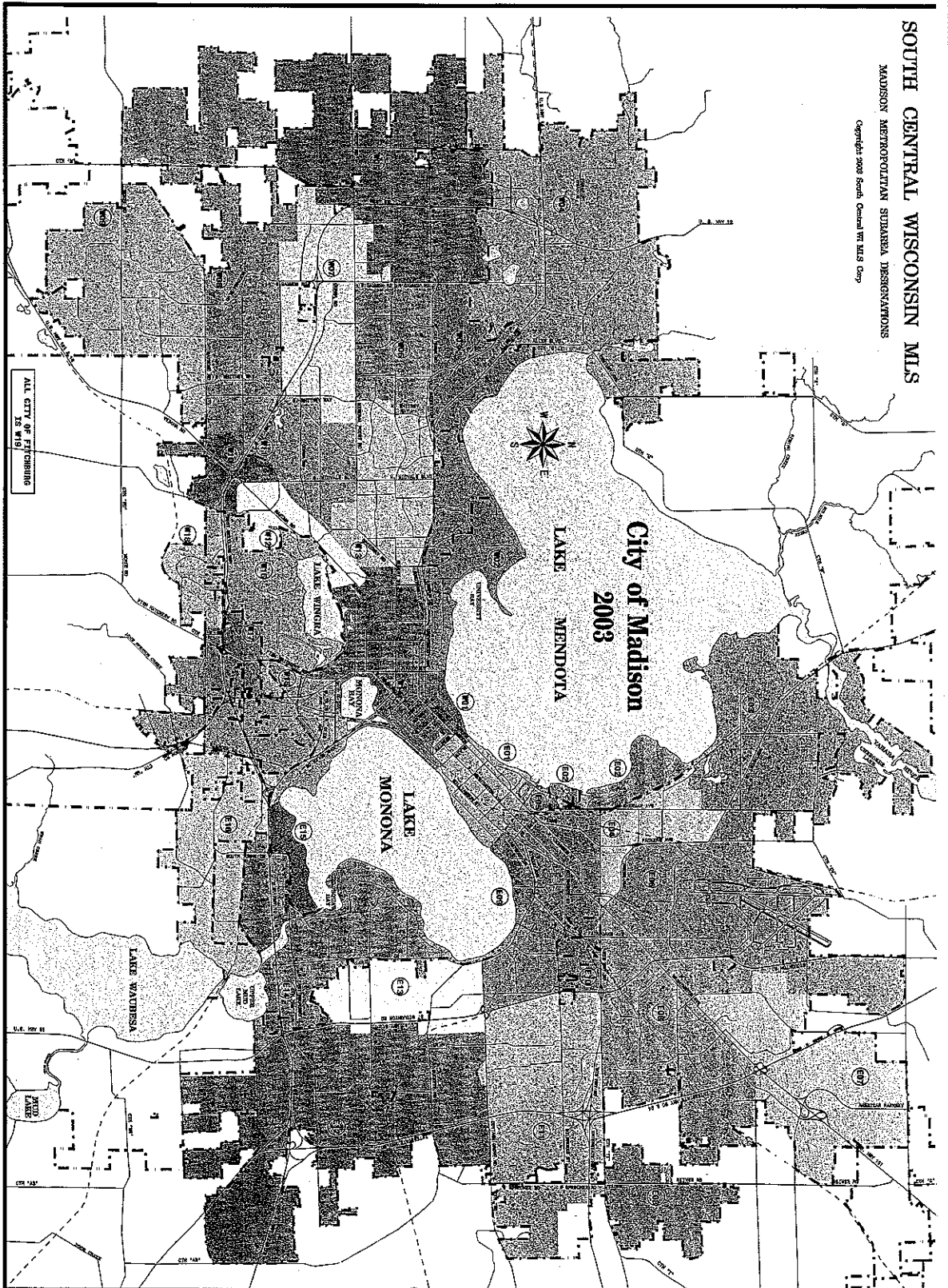
Active Listings – MLS as of December 15th, 2005

Cost	Single Family	Condominium	Total
Under \$150,000	54	236	290
\$150,000-\$185,00	118	131	249
\$185,000-\$200,000	96	89	185
	<u>268</u>	<u>456</u>	<u>724</u>

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MADISON METROPOLITAN SUBURBAN DESIGNATIONS

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- **Density Bonuses** allow developers to build more units in a new development project than would otherwise be permitted. Bonuses may be offered in exchange for preservation of open space or other uses valued by the community. Density bonus programs may be implemented through zoning or subdivision ordinances, or both. Density bonuses increase the value of the overall project and may make certain projects economically feasible when they may not be otherwise. Their use may offer a positive alternative to mandatory programs that may be resisted by developers. Developers decide for themselves whether participation will be cost effective. The community will need to decide the amount of increased density given in exchange for the desired development features. Because the market ultimately determines the success of density bonus programs, program designers will need to have a thorough understanding of the local and regional real estate market. For example, if current zoning already allows enough density to satisfy market demand, developers will have no interest in a density bonus.
- **Inclusionary Zoning** is used to insure that a certain number of units in new developments are set aside as affordable. Inclusionary programs may apply to both rental and owner-occupied units and may be mandatory or voluntary. Some communities have found that *mandatory* programs impose costs on developers that are too heavy and actually retard new construction of both affordable and market-rate units by making them economically unfeasible. If requirements are imposed, they should be modest enough to ensure developers an adequate return on their investment. *Voluntary incentive-*

based programs are preferable to mandatory programs if the incentives are sufficient to gain developer participation. Voluntary programs allow developers to determine for themselves whether participation will be cost effective. Incentives may be some combination of density bonuses, waiver of development fees, or financial assistance through federal, state, and local programs.

- An **Accessory or “Granny” Apartment** is a living unit that is separate from the primary residential unit. It may include a separate kitchen, sleeping, and bathroom. Accessory apartments may be attached to the primary dwelling or detached. Attached accessory units typically involve some space in the existing home, such as an attic, garage, or basement family room. Detached units are sometimes also referred to as “accessory cottages.” Depending on how the ordinance is written, these units can make it possible for a family member to live with some independence in a single-family home that has space to accommodate the separate use. The space may be converted from space that once served as guest or servant quarters, converted sheds, garages, or other under-used space that meets code requirements. These households may accommodate the special needs of an older or younger family member who would benefit

