

From: Evers, Tag

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Cc: Vidaver, Regina; Tucker, Matthew; Bannon, Katherine J; Mayor

Subject: Joint Statement by Alders Vidaver and Evers RE: Request to Refer Item 10 - Legistar # 74885

Dear Plan Commissioners,

We appreciate and wish to second Mayor Rhodes-Conway's request for a delay. Like the Mayor, we agree the current policy must be changed. Our response to the issue when it first came up was that this change was needed, because the City should have no role in determining which people live together. Furthermore, the family definition policy is clearly outdated and discriminates against renters.

However, well-intentioned changes can have negative impacts. We are primarily concerned that this change will in fact make housing more expensive for one and two-income households seeking to rent, as well as for potential homebuyers. Such a lasting, structural change in the economics of housing (discussed in detail below) has the potential to negatively impact the City as a whole.

As alders representing two districts that likely would be heavily impacted by this change, we took care to consult our constituents. A community informational meeting we organized on December 19 was attended by 115 residents – almost all of whom strenuously opposed the change.

Former District 13 alder Bonnie Gruber was in attendance and related some relevant history – what happened in the sixties and seventies when families in several central city neighborhoods moved to the suburbs. With other families not seeking to replace them, houses were bought by landlords who could rent to unrelated adults at rates beyond what a family could afford to pay. The result was a precipitous decline in student enrollments resulting in the closing of several schools, including Lincoln, Central High, Doty, Washington, Longfellow, Dudgeon, and Lapham.

We were told by staff that night that Madison wasn't alone in using family definition occupancy restrictions to maintain a mix of rental and owner-occupied housing. Cities across the country had done so, which raised the question: Do we have data from cities that have rescinded their policies? The answer was no.

As a follow up, the two of us posed a series of questions to staff, suggesting the need for a delay to allow for more study. Matt Tucker directed us to the Mayor whom he identified as the lead sponsor, along with the suggestion that if we were to delay, we would need to do so until at least June to give incoming alders enough time to grasp the issue. The Mayor agreed and Plan Commission referred the matter to June 12, 2023, but one of the sponsoring alders strongly objected. Staff indicated they believed they could answer all the questions by the time of Plan Commission's February 13 meeting, and so here we stand.

Staff indeed have generated responses to many, but not all our questions. Staff tried researching the report records surrounding the origin of the policy and apparently very little documentation could be found. Staff continue to state the policy was devised principally to deal with student conflicts in residential neighborhoods, particularly those adjacent to the UW campus. However, we note that the occupancy restriction applies to residential neighborhoods throughout the city, not just around the campus, a fact that supports the broader narrative attested to by Ms. Gruber.

Staff did contact various cities that have similar policies, both within the Big Ten system and UW branch campuses, but were not able to glean any data from the few cities that have very recently lifted those restrictions. In the absence of data, staff assert they don't *think* there will be significant unintended consequences, but offer no modeling, projections, or market analysis to support their claims.

Which brings us to our principal concern: What will the impact of this policy change be on our lower-priced housing stock citywide, particularly “Naturally Occurring Affordable Housing” (NOAH) properties that currently function as potential entry points for first-time homebuyers, many of whom may be people of color or recent immigrants? We know that generational wealth accrues primarily from home ownership, not rental, so it is possible this change could actually exacerbate inequity in our City.

A second and related concern is this: Would this policy change bid up rents in residential districts throughout the city, therefore making secure housing more untenable for one and two-income families of modest means?

As we said, we are concerned about the possibility of the unintended, but decidedly adverse, consequences. But we recognize that we lack empirical data. Which is why we support taking the time to consult with local experts such as the La Follette Institute or the Department of Urban and Regional Planning. After all, that’s what the Wisconsin Idea is all about.

Residents in our districts have been meeting on their own to come up with alternative solutions, such as an overlay for the campus-adjacent areas, as these may be more likely to be exploited by speculative real estate investors. These alternatives have not been well received by staff and residents feel like their concerns are being ignored. Indeed, some of the concerns are hyperbolic, of the “Chicken Little” variety. On the other hand, some of the stronger advocates for this change have been contemptuous of those raising concerns, dismissing them in ad hominem terms. As is often the case these days, it’s either black or white, and all nuance is lost.

We close with the personal testimony of a neighborhood leader as to how the proposed change would incentivize conversions of owner-occupied homes into rentals. Here’s what Doug Carlson, president of the Vilas Neighborhood Association, had to say:

My wife and I bought our home at 1018 Oakland Ave. in 2000...3-bedroom home on a 3,600 sq. ft. lot and is very typical for this area....It’s about half-way between Grant and Regent Streets and two blocks in from Mickey’s Dairy Bar. Roughly one-half of the homes in this area are rentals and half are owner occupied. On my short block from Adams to the alley, three houses are rentals and three are owner-occupied. It’s a diverse mix of families and students. It’s a great location that allows me to walk to work on Regent St., my wife to bike to UW Hospital, and my son to walk to West High School and to work at Trader Joe’s.

City staff claims that the proposed occupancy change will cause few owner-occupied houses to be converted to rentals because the economics don’t make sense. However, I have seen no quantitative examples and don’t believe this to be the case, so I ran the numbers on my house.

Home stats: Assessed at \$484,200 with a fair market value of about \$505,000.

Easy upgrade: The dining room becomes a bedroom by adding a wall, door, and outlets. <\$5,000.

The rental house across the street of the same size but with five bedrooms squeezed in rents for \$4,245/month (1544 Adams; Tallard) but does not have amenities and no garage. My house with four bedrooms, garage, storage shed, deck, etc. would conservatively rent for \$4,000/month plus utilities.

Using a rule-of-thumb of value at 12x annual gross rent = \$4,000 x 12 months x 12 = \$576,000. That is about a 15% premium over the current value as owner-occupied including costs to add a bedroom. Another calculation from Craig Stanley, a property investment consultant, calculated the following:

“Yes this works. I did some quick finance. Assuming 20% down and 6.5% interest rate with a 25-year amortization...you can make more than 6% return on your equity...basically a no brainer.”

The case for conversion appears obvious -- should Mr. Carlson’s home go on the market after the proposed change, the likely outcome is its purchase by a real estate investor for use as a rental.

It's worth noting that Greenbush, the neighborhood adjacent to Vilas, currently has just 25% owner occupancy, roughly half the city average. Greenbush is an area of the city where well-intentioned urban renewal policies of the past devastated a once-vibrant neighborhood. It is no coincidence that significant opposition to the apparent rush to move forward with this change comes from Greenbush residents.

Considering these concerns, we join Mayor Rhodes-Conway in asking for a delay to allow for more thoughtful and careful consideration of unintended consequences. One approach would be to increase the limit now to 3, a 50% increase, with a commitment to monitor impacts. Such monitoring in subsequent years could lead to raising the limit to 4 or 5 or perhaps doing away with limits altogether, sticking only with safety limits based on square footage. Presumably, these changes could then be matched with increased funding for programs to assist first-time homebuyers in building generational wealth, as well as other programs such as the TIF program used not so long ago in the Greenbush neighborhood to achieve a more optimal mix of owner-occupied vs. rental housing. Other solutions may be identified with the time afforded by a delay, with the levers of City policy then used to mitigate negative downstream consequences.

At any rate, it's critically important we take time to get this right. Let's dispense with the hyperbole and the vitriol and work together to move forward with the best possible solution.

Regina Vidaver
District 5 Alder

Tag Evers
District 13 Alder