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## ACKNOWLEDGEMENTS

The Housing Strategy Committee and City of Madison would like to thank the many community leaders, industry leaders, residents, and City staff who contributed their time and expertise to help develop this report.

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## INTRODUCTION

No matter the circumstances or phase of life, every person deserves access to quality housing options that work for their lifestyle and budget, and that allow them to live with dignity. The City of Madison is a very diverse community with households of various sizes, housing preferences, and arrangements – renters, homeowners, traditional and multi-generational families, singles, students, older adults and more.

The challenge of meeting Madison’s varied, and growing, housing needs is the main focus of the City’s Housing Forward Initiative. The vision embodied in Housing Forward is to support quality, accessible, affordable housing choices for all Madison households. Launched in April of 2021, its goals include:

- ❖ Increase Housing Choices
- ❖ Create Affordable Housing Throughout the City
- ❖ Combat Displacement and Segregation
- ❖ Ensure Older Adults and Others Can Remain in Their Homes
- ❖ Work to End Homelessness

Appendix A provides a summary of progress that has been made toward achieving those goals in the first three years of Housing Forward. *[Will add summary from power point presentation given to [Council](#) on May 7th, once draft is finalized.]*

Despite these early gains, there is general consensus in the community that many in Madison continue to face housing challenges. On October 6, 2023, the Madison Common Council passed a resolution (RES-23-00606; [Legistar #79226](#)) directing the Housing Strategy Committee to review the Housing Forward Initiative with an eye toward building on its impact. Specifically, the Committee was asked to consider and formulate recommendations around the following:

- ❖ How can the City support the creation of more ownership housing types?
- ❖ How can the City help scale up the development of new affordable rental units beyond the current 400 per year pipeline?
- ❖ How can the City support the creation of affordable student housing?

In addition, the Council requested that recommendations focus on:

- ensuring affordable housing choices for people with the lowest incomes who may also be facing compounded challenges and higher needs, and;
- efforts to expand housing options in every Madison neighborhood to improve equitable access to City resources.

The recommendations included in this report were developed through the work of two HSC sub-committees that focused on Rental Housing and Homeownership. The sub-committees held fourteen in-person meetings to engage with subject matter experts on a wide variety of topics and used a survey to gather input from area developers. The recordings and minutes of all sub-committee and HSC meetings can be accessed on the City’s [Legislative Information Center](#).

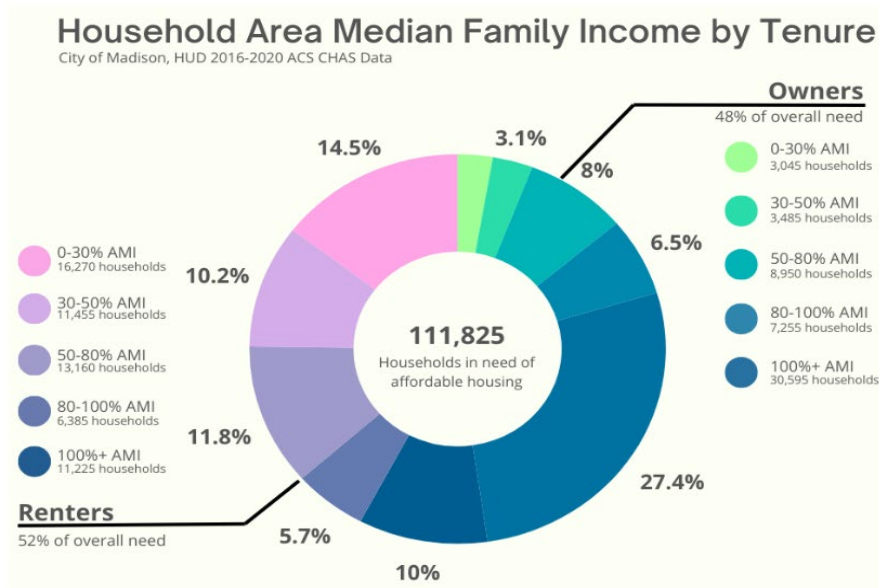
A third group, the Affordable Housing Student Housing Working Group, was formed to study and make recommendations regarding the growing affordable housing, and housing insecurity, challenges facing college students in Madison. It included Madison Alders Bennett and Govindarajan, as well as

representatives from Downtown Madison Inc. (DMI), the University of Wisconsin, private partners, local housing experts and City staff.

The group developed a separate set of policy recommendations and a proposal to establish a public-private partnership to create a bridge between public resources and private capital. The group brought its recommendations to the Housing Strategy Committee - addressing issues across three categories: UW/Madison College Recommendations, City of Madison Recommendations, and Private Development Recommendations. As of August 6, 2024, the Student Housing workgroup was still engaged in discussing and finalizing results from a survey conducted on its behalf by JLL. Thus, at this point, its recommendations are preliminary and subject to modification. The group expects its final recommendations will be completed and incorporated into this report prior to final Council action.

### MADISON'S AFFORDABLE HOUSING NEEDS

The City of Madison's housing needs reflect a fundamental mismatch between household incomes and housing costs, resulting in high levels of housing cost burden. Housing cost burden, generally defined as the need to devote more than 30% of household income to housing costs, is particularly prevalent among non-family renter households with incomes below 30% of the area median income (AMI.) It is exacerbated in Madison by the substantial undersupply of rental housing, particularly at price points affordable to very low-income households, and this shortage serves only to exert upward pressure on rents. Table A depicts the median income for both households that rent and own in Madison to reflect the need of affordable housing based on median family income.



The median renter household in the City of Madison, with an income of \$46,151, can “afford” (spending 30% of their income) an all-inclusive rental cost of \$1,171 per month before becoming cost-burdened. Gaps between wages and rents are a significant problem facing low to moderate income households. To afford the 2024 monthly median rent of \$1,466 in Madison, renters would need to earn at least \$28.18 per hour at a full-time

job, or \$58,632 annually. If only one resident in the household works and earns the state’s minimum wage of \$7.25 per hour, then that person would need to work at least 168.5 hours per week to afford the median rent.

In the Madison metropolitan area, close to 202,060 jobs (51% of total jobs) pay less than \$28.18 in mean hourly wages. Table B shows the mean wage information and affordable rent estimates for some of the largest lower-paying occupations in Madison and indicates that each of these occupations provides insufficient wages to afford the median rent.

Occupation	Entry-Level			Median		
	Entry-Level Wage (Annual)	Maximum Home Value at Entry-Level Wage	Affordable Gross Rent at Entry-Level Wage	Median Wage (Annual)	Maximum Home Value at Median Wage	Affordable Gross Rent at Median Wage
Cashiers	\$22,970	\$111,100	\$574	\$29,880	\$135,700	\$747
Childcare Workers	\$22,900	\$110,900	\$572	\$29,830	\$135,500	\$745
Restaurant Cooks	\$28,950	\$132,300	\$723	\$36,660	\$159,800	\$916
Janitors and Cleaners	\$28,370	\$130,300	\$709	\$34,820	\$153,200	\$870
Teacher Assistants	\$46,120	\$193,200	\$1,152	\$46,120	\$189,600	\$1,152
Pharmacy Technicians	\$34,440	\$154,700	\$861	\$39,640	\$170,300	\$990
Dental Assistants	\$38,540	\$169,600	\$963	\$47,470	\$194,200	\$1,186
Construction Laborers	\$35,650	\$159,100	\$891	\$48,920	\$199,300	\$1,223
Licensed Practical and Vocational Nurses	\$50,060	\$207,200	\$1,251	\$58,480	\$232,400	\$1,461
Child, Family, and School Social Workers	\$43,010	\$182,100	\$1,075	\$56,600	\$225,900	\$1,415
Firefighters	\$25,330	\$119,500	\$633	\$60,800	\$234,700	\$1,520
Elementary School Teachers	\$48,700	\$202,300	\$1,217	\$62,600	\$240,800	\$1,565
Secondary School Teachers	\$50,230	\$207,800	\$1,255	\$62,940	\$241,900	\$1,573
Police and Sheriff’s Patrol Officers	\$57,200	\$232,500	\$1,430	\$80,690	\$301,700	\$2,017
Waiters and Waitresses	\$16,530	\$87,600	\$413	\$29,390	\$133,900	\$734
Hairdressers, Hairstylists, and Cosmetologists	\$22,160	\$108,200	\$554	\$34,150	\$150,800	\$853

Occupation Employment and Wage Statistics - Madison, Wi, May 2023  
Bureau of Labor Statistics

Maximum home values calculated using FHA Mortgage Calculator, down payment \$35,000, 30-yr fixed FHA, 7.669% interest rate, credit score 800+.  
Affordable gross rent calculated by 30% of monthly gross income, not including other household costs or debt payments.

After cost burden, the next largest challenge has been the development of new multi-family structured homeownership types, such as condominiums. The development of owner-occupied homes has failed to ease demand for housing or to address cost increases. There hasn't been a substantial rise in the number of new single-family permits since the 2008 economic downturn. Since the COVID-19 pandemic began, the burden of housing costs has significantly increased for both homeowners and renters, pointing to a surge in housing expenses outpacing most income levels.

The majority of newly constructed owner-occupied dwellings are unaffordable for both typical renter households and the average household as a whole. Although there has been some stabilization in interest rates (albeit still higher than the lows seen during the pandemic), a scarcity of supply (property owners choosing to remain in their homes rather than selling and moving up or downsizing), and a surge in demand from the expansion of high-income households have further fueled property appreciation among homeowners. These developments in availability and pricing in both the ownership and rental markets have resulted in a significant imbalance between supply and demand, disproportionately

affecting lower-income households as they compete with higher-income counterparts for the same housing units.

## AFFORDABILITY DEFINED

For purposes of public policy discussions around affordable housing, City officials generally accept the standard that recognizes the concept of “housing cost burden” as the condition in which housing costs consume more than 30% of a household’s income, and “serve housing cost burden” as one in which 50% or more of household income goes to housing costs. Further, in policy and program initiatives geared to promoting affordable housing including, for example, by providing financial incentives to developers of affordable housing, the City defines “affordable housing” as income-restricted housing for renter households with incomes at or below 60% of area median income (AMI) (\$65,940 in 2024 dollars for a three-person household) or for homeowners with incomes at or below 80% AMI (\$85,200 for a three-person household). A full glossary of other commonly used terms relevant to affordable housing can be found in Appendix B.

## PLANS FOR ACTION: OTHER STRATEGIES TO MEET THE HOUSING NEEDS

The local understanding of housing needs has been shaped over the years by housing data and reports prepared by City staff and shared with policy-makers. These recommendations draw on their findings.

### [2023 Housing Snapshot Report](#)

This details high-level trends and needs of the City’s housing market, while also highlighting outcomes of key City initiatives. Because the housing market continues to change, and needs of residents change with it, this report provides residents and City policy makers an annual overview of key data points and the status of housing-related initiatives underway.

### [2024-2028 Dane County Regional Housing Strategy Strategic Action Plan](#)

This provides information on regional housing trends and needs with a focus on affordable and workforce housing development, regional growth, and individual production targets for each municipality. The 80-member Housing Advisory Committee responsible for the plan included strategies to guide and prioritize investments in housing, tenant protections/stability, and education.

### [Imagine Madison Comprehensive Plan](#)

The Comprehensive Plan uses data and input from the community to shape the City’s long-term land use policies and investments to equitably and sustainably manage Madison’s projected future growth. The Plan looks 20 years into the future but prioritizes City strategies and actions for the decade ahead. The Comprehensive Plan is required to be updated every ten years, next scheduled for 2028.

### [2019 Analysis of Impediments to Fair Housing Choice Full Report 2019 AI Summary Report \(AI\)](#)

As a condition of federal funds awarded to the City of Madison, the U.S. Department of Housing and Urban Development requires the City to prepare this report every five years. The AI assesses housing disparities and barriers to housing access for groups of residents based on their protected class status. This report provides useful data to guide equitable decision-making about City funding for housing and

planning initiatives, helping inform ways to make Madison a more sustainable and equitable City for everyone. (The report is scheduled to be updated in 2024.)

[2016 City Biennial Housing Report](#)

This is a comprehensive discussion of housing needs across different market segments in Madison, and potential strategies to address them. Last completed in 2016, it still serves as a useful foundation for the reports and plans, including those listed above.

VISION AND VALUES

The Housing Strategy Committee recognized the value of a lot of things the City has done, and is doing, and recommends sustaining those efforts and building on them, where possible. These HSC developed this report with the equity principles of affordability, quality, accessibility, and choice in mind.

- **Affordability:** Housing is available to serve very low-income populations in Madison.
- **Quality:** Housing supply is in quality condition and is operated that allows residents to live with dignity.
- **Accessibility:** New housing developed in areas with access to transit and amenities.
- **Choice:** Housing options are available city-wide and prevent the displacement of existing residents.

No single strategy should be relied upon exclusively by city staff to address this issue, it is crucial to emphasize the importance of prioritizing the construction of very low-income housing units (30% CMI), particularly larger (3-and 4-bedroom) units and allowing for the implementation of supportive housing initiatives. Additionally, directing development efforts towards areas with ample amenities is essential in the pursuit of providing housing options for the most economically disadvantaged households. These two strategies are the most constructive to ensuring affordable housing choices for people with the lowest incomes who may also be facing compounded challenges and higher needs and expand housing options in every Madison neighborhood to improve equitable access to City resources.

RECOMMENDATIONS

Meeting our local need for affordable housing is only possible if many stakeholders work together towards common goals. While these recommendations focus on ways the City of Madison can continue to support housing initiatives, it acknowledges reliance on investment from and collaboration with private and non-profit partners. While recommendations were discussed with the specific goal to increase student housing, affordable multi-family rental and homeownership supply, some recommendations could be applicable to all three.

Sustain, and build on, the City’s Affordable Housing Initiative which focuses primarily on the production and preservation of affordable rental housing by leveraging federal low-income housing tax credits.	Status	Focus
Within the structure of WHEDA’s tax credit program, prioritize City Affordable Housing Fund (AHF) support to developments most responsive to areas of acute need in the Madison market – housing for households with very low incomes (30% CMI), larger (3- and 4-bedroom) units, or those that face higher barriers to housing (permanent supportive housing).	Ongoing	Rental

Steer developments to amenity-rich areas of the city – close to public transit corridors, parks, employment and retail centers, etc.	Ongoing	Rental
Strengthen efforts to acquire desirable properties and make them available for affordable housing development.	Ongoing	Rental
Use City financial support to leverage longer periods of affordability.	Ongoing	Rental

<b>Continue efforts to support a variety of affordable housing development types and scales, acknowledging that the amount of City subsidy per home may be far greater than when leveraging federal low-income tax credits.</b>	<b>Status</b>	<b>Focus</b>
Continue to dedicate a portion of City AHF funds for smaller scale developments.	Ongoing	Rental/ Homeowner
Prioritize efforts of mission-driven, non-profit housing developers, particularly those that serve lower-income households and/or offer longer-term, or permanent, affordability.	Ongoing	Rental
Conduct a systematic review of all City-owned properties to identify sites that might be suitable for affordable housing development, and where appropriate, make those sites available for development.	Ongoing	Rental
Use land banking funds to acquire properties suitable for a variety of development types and sizes including duplexes, fourplexes and similar small-scale projects.	Ongoing	Rental/ Homeowner
Maximize the redevelopment potential of CDA-owned public housing sites for a variety of new affordable housing options.	Ongoing	Rental

<b>Pursue a regulatory framework that ensures high quality development outcomes without imposing unnecessary burdens on developers.</b>	<b>Status</b>	<b>Focus</b>
Establish performance and accountability measures around review processes.	New	Rental/ Homeowner
Explore ways for the City to streamline the scheduling and review of affordable housing development proposals.	New	Rental/ Homeowner



Create pre-approved building plans for very small-scale developments that could be used by developers/property owners to help expedite the permitting process.	New	Rental/ Homeowner
Explore opportunities to improve communications and alignment between City agencies involved in the review of housing development.	Ongoing	Rental/ Homeowner

<b>Explore and leverage partnerships with community technical colleges and trade programs to promote and encourage careers in construction trades.</b>	<b>Status</b>	<b>Focus</b>
Advocate for State/Federal funding for technical school recruitment and training for careers in the trades	New	Rental/ Homeowner

<b>Expand efforts to support development community in Madison and regionally.</b>	<b>Status</b>	<b>Focus</b>
Leverage federal infrastructure funding, such as the Inflation Reduction Act (IRA), for the production, preservation, and improvement of local housing supply by aligning housing, infrastructure and climate resilience planning.	Ongoing	Rental
Technical Assistance: Beyond one-on-one technical assistance provided now, establish an annual or biennial workshop to inform new developers about opportunities to finance projects and details of the development review and permitting processes. Record all or portions of this workshop so that it can be viewed on-demand.	New	Rental/ Homeowner
Review Tax Incremental Financing (TIF) policy to more aggressively support affordable housing development	Starting	Rental
Explore policies that could relieve a portion of public infrastructure improvement costs from affordable housing developers	Starting	Rental
Consider policies to reduce the risk of pre-development costs for non-profit and BIPOC developers	New	Rental

<b>Engage local developers, real estate professionals, residential homebuilders and community members to refine local housing supply goals.</b>	<b>Status</b>	<b>Focus</b>
Annual Public Hearing by Housing Policy Committee, invite developers to discuss City process that relates to approval processes for plans, funding and operations to gather feedback on challenges to increasing, preserving and improving housing.	New	Rental/ Homeowner
Capacity building for new ownership models, such as co-housing	New	Homeowner

Play an active role in regional efforts to promote affordable housing development outside of Madison	Ongoing	Rental/ Homeowner
Explore what can be done to encourage “overhoused” homeowners to downsize and, in turn, free up existing housing stock in the Madison market.	New	Homeowner
Explore infill opportunities for low density residential, that results in net gain of units. Including lot sub-division, single lot re-development and allowing 2 family dwelling units or Accessible Dwelling Units.	New	Homeowner
Explore partnerships for manufactured and modular housing to be created in Madison.	New	Homeowner

<b>Make a concerted effort to address current market barriers to residential condominiums</b>	<b>Status</b>	<b>Focus</b>
Work with Wisconsin Realtors Association to revise State law affecting condominium conversions.	New	Homeowner
Advocate to WHEDA to provide financial support for condominium developments	New	Homeowner
Encourage local lenders to ease financing restrictions (pre-sale requirements) for condominium developments Explore development of a local pipeline of interested condominium buyers	New	Homeowner
Consider Affordable Housing Fund initiative for expansion of affordable owner-occupied opportunities.	Ongoing	Homeowner

<b>PRELIMINARY STUDENT HOUSING RECOMMENDATIONS</b>	<b>Status</b>	<b>Focus</b>
Entitlement process changes		
Speed up pre and post entitlement processes	Starting	Student
Comprehensive Plan and zoning changes by eliminating any height limits more restrictive than the State Capitol view preservation	New	Student
Comprehensive Plan and zoning changes by eliminating subjective approvals	New	Student
Prioritize new area plans; while adding more density to plans	Ongoing	Student
Prioritize new area plans; encourage City of Madison grant/small-cap TIF funding for smaller housing projects.	Ongoing	Student
Allow a developer to pay for an outside consultant to lead an amendment to an existing neighborhood plan so that higher-density housing can be approved before a new area plan is adopted	New	Student

## CONSTRAINTS

There are many other factors that impact the local housing market, some of which impede the ability to expand the supply of affordable housing. These include, for example, limitations on primary sources of funding, labor shortages, rising costs of construction and access to first mortgage financing.

## **FUNDING**

The City's commitment of local tax dollars to affordable housing development since 2014 has done much to increase the level of development activity. The Committee recognizes that impact and encourages the City to sustain its commitment. However, these funds have been used primarily to attract and leverage other financing. Most notably, for multifamily projects, that other financing has included low-income housing tax credits (LIHTC). While a powerful resource, the availability of these credits in any year is limited as they are allocated to projects across the state of Wisconsin. Moreover, the tax credits heavily influence the profiles of the developments including, for example, the rent levels and household incomes that are served.

## **LABOR**

The construction and preservation of housing requires a specialized workforce. As with many parts of the country, the supply of skilled workers in the trades is declining, making it more difficult for developers to secure needed labor, and raising wage rates. The local market needs more individuals working in the construction trades. Training that workforce should be a priority.

## **COST OF CONSTRUCTION**

One of the enduring effects of the pandemic has been the disruption in the nation's supply chains and resultant volatility in materials' costs, which have led to project delays or cancellations. While it is difficult to predict cost of materials with much precision, it is reasonable to expect that cost pressures and volatility in supply chains will persist during the next ten years. In addition, land costs in Madison have steadily increased, further exacerbating development costs and increasing financing gaps that developers turn to local, state, or federal funding sources to close.

## **PRIVATE MORTGAGE FINANCING FOR HOUSEHOLDS EARNING LESS THAN 80% AMI:**

Anyone who has purchased a home knows that the process itself can be challenging. Buyers must first determine how much mortgage financing they can secure and then find a home to suit their budget. For lower-income households that process is even more difficult. While programs like Madison's Home Buy-the American Dream can offer assistance for households with incomes below 80% AMI, it is still difficult for them to qualify for a first mortgage or to find a home that they can afford.