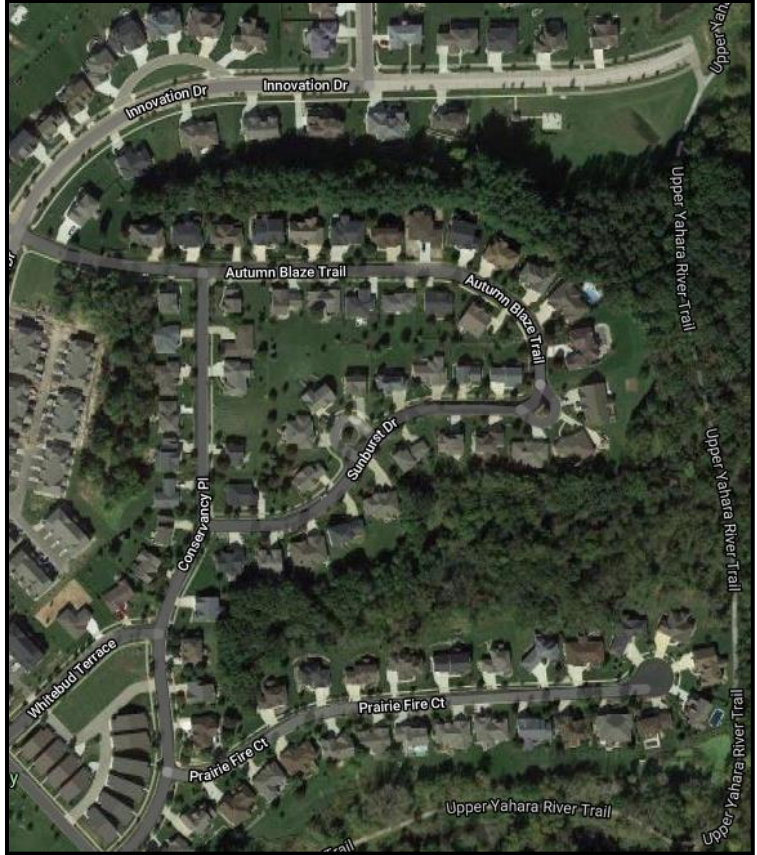
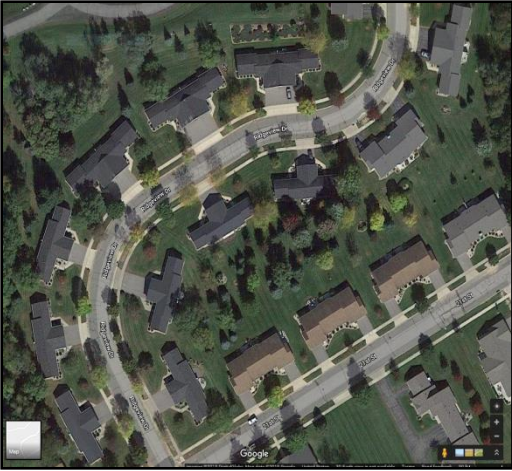


# Spurring Single Family Residential Investment



Wisconsin Economic Development Academy  
August 12, 2020 Webinar



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GRANTS & TIF



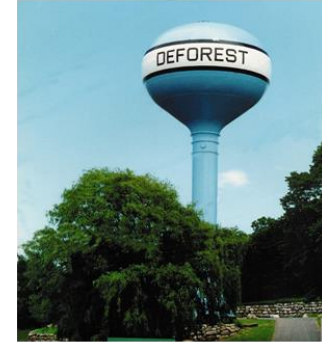
URBAN REDEVELOPMENT



DOWNTOWN REVITALIZATION



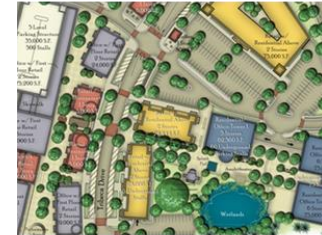
MUNICIPAL INFRASTRUCTURE



RECREATION TRAILS



REAL ESTATE DEVELOPMENT



BUSINESS & INDUSTRIAL PARKS



WATER RESOURCES



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# Session Agenda

- Barriers to Home Ownership
- Development Costs
- Affordable Housing Strategies
- Example Projects





# Barriers to Home Ownership

## Affordability Gap Between Cost & Income

- Existing Housing Costs are High
  - Selling at or above list price
  - Many times dwelling is in need of remodeling
- New Construction is Even Higher
  - Development costs: Land, infrastructure, entitlements, etc.
  - Construction costs: Contractors & materials
- Costs are Higher than FMV
- Lack of Equity



# Barriers to Home Ownership

## Housing Costs

- Median Sale Price Existing Homes = \$192,200
  - Sauk County (Zillow)
- 2019 Avg. Constr. Cost New Home = \$257,720
  - 1,640 sf, 3 bedroom, 2 car garage
  - \$157 per square foot
  - Does not include lot & fees
  - Total cost = \$300,000+



# Barriers to Home Ownership

## What is Affordable?

- Industry Standards: **Housing costs that are 28% to 30% of the owners gross income.**

- **For example:**

- Sauk County Median Household Income = \$ 56,732
- Allowable Housing Cost: ( $\$56,732 \times 30\%$ ) = \$ 1,418 / month

- Example: Housing Costs for \$200,000 home
  - Debt Service: \$1,000 / month (\$185,000 loan)
  - Real Estate Taxes: \$355 / month
  - Insurance: \$65 / month



# Barriers to Home Ownership

## Workforce Housing

- Wisconsin Realtors Association; **“Workforce housing is the supply of housing in a community that meets the needs of the workforce in the community.”** (Teachers, police officers, firemen, factory workers, etc.)
- Urban Land Institute; **“Housing that is affordable to households earning 60% to 120% of the area median income.”**



# Barriers to Home Ownership

## What is Affordable Workforce Housing?

- **For example:**

- 2018 Sauk County Median Household Income = \$ 56,732
  - Allowable Housing Cost: ( $\$56,732 \times 30\%$ ) = \$ 1,418 / month
  - Affordable house = +/- \$200,000
  
- 60% of Median Household Income = \$ 34,039
  - Allowable Housing Cost: ( $\$34,039 \times 30\%$ ) = \$ 850 / month
  - Affordable House = +/- \$120,000
  
- 120% of Median Household Income = \$ 68,078
  - Allowable Housing Cost: ( $\$68,078 \times 30\%$ ) = \$ 1,702 / month
  - Affordable House = +/- \$240,000





# Barriers to Home Ownership

## Fair Market Value vs. Actual Cost

- **For example:**

- New house: land & construction cost = \$350,000
- Fair market value based on appraisal = \$270,000
- Normal down payment (5% of FMV) = \$13,500
- Actual down payment = \$93,500



# Development Costs

## New Single Family Residential

- Land Acquisition
- Entitlements & Fees
- Professional Services
- Infrastructure
- Home Construction
- Marketing & Commissions
- Carrying Costs



# Development Costs

## On-Site Infrastructure

<u>Activity</u>	<u>Cost Per Foot*</u>
Street	\$ 225
Sidewalk	\$ 25
Watermain	\$ 115
Sanitary Sewer	\$ 95
Storm Water	<u>\$ 105</u>
Total	\$ 565



\*Note: Infrastructure cost can vary depending upon geographic location, street width, design standards and soil conditions.

\*\*Note: Off-site infrastructure may also be required: sewer & water extensions, lift station, water main loop, etc.



# Development Costs

## Infrastructure Cost Per Lot

<u>Lot Size</u>	<u>Cost Per Lot</u>
100' wide	\$ 28,250
80 ' wide	\$ 22,600
60' wide	\$ 16,900



# Home Affordability Conclusion

Gap Between Housing Cost & Income





# Affordable Housing Strategies Community Best Practices

## Ways to Encourage Affordable Housing

1. Create Awareness – Make it a High Priority
2. Update Local Development Regulations
3. Utilize Good Land Use Practices
4. Proactive Use of Public Funding
5. Develop Public/Private Partnerships



# Affordable Housing Strategies

## Community Best Practices

### 1. Create Awareness: Make it a Priority

- Get the Facts and Educate the Public
- Involve Key Stakeholders
- Create & Adopt a Plan to Create Affordable Housing for all Residents
- Encourage Fair Housing Opportunities
- Take a Leadership Role in Implementation



# Affordable Housing Strategies Community Best Practices

## 2. Update Local Development Codes

- Update Zoning Ordinance – Density, Mixed-Use, Zero Lot Line, PUDs or Special Zoning Districts, etc.
- Update Development Regulations – Infrastructure, Permit & Impact Fees, Parking, etc.



# Affordable Housing Strategies

## Community Best Practices

### 3. Utilize Good Land Use Practices

- Smart Growth & New Urbanism –  
Development of Mixed-Use, Higher-Density  
Town Centers
- Infill Development – Restoration of Existing  
Structures & Use of Vacant or Underutilized  
Land Within Urbanized Areas
- Urban Redevelopment –  
Acquisition/Demolition of Blighted Structures  
& Develop New Residential



# Affordable Housing Strategies

## Community Best Practices

### 4. Proactive Use of Public Funding

- Tax Incremental Financing
- Intergovernmental Programs
  - Grants, Tax Credits, Low Interest Loans, Subsidies, etc.
- Funding Agencies
  - Wisconsin Department of Administration (DOA)
  - WHEDA
  - USDA Rural Development
  - Wisconsin Department of Health Services
  - Community Action Agencies





# Affordable Housing Strategies

## Community Best Practices

### 5. Develop Public/Private Partnerships

- Local Development Corporations & Housing Authorities – Collaborative Effort
- Regional Development Organizations & Housing Authorities – Utilize Outside Resources
- Partner With Developers & Landlords – Facilitate and Incentivize



# Affordable Housing Strategies

## Community Best Practices

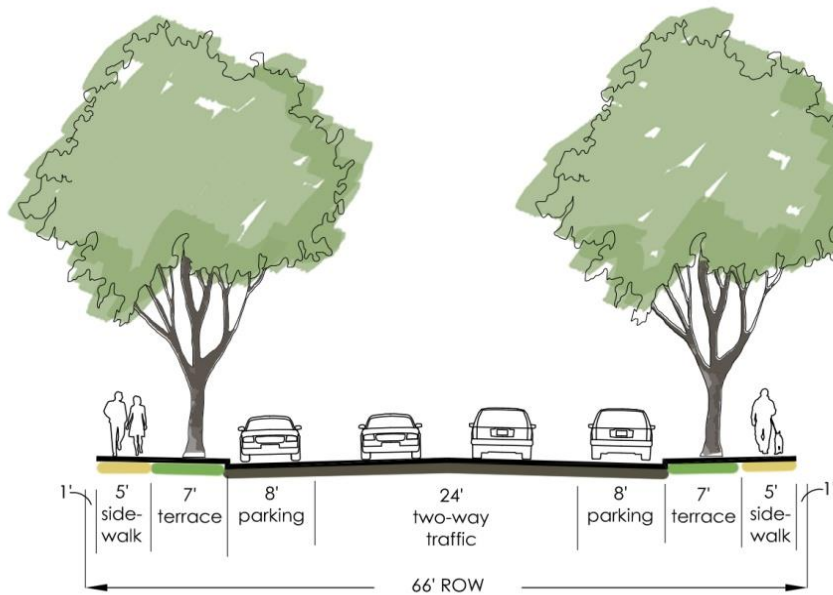
### Benefits From Best Practices

- Reduces Land & Infrastructure Costs
- Eliminates Blight & Revitalizes Distressed Neighborhoods
- Reduces Sprawl & Preserves Land
- Increases Tax Base
- Provides Affordable, Decent, Safe & Sanitary Housing



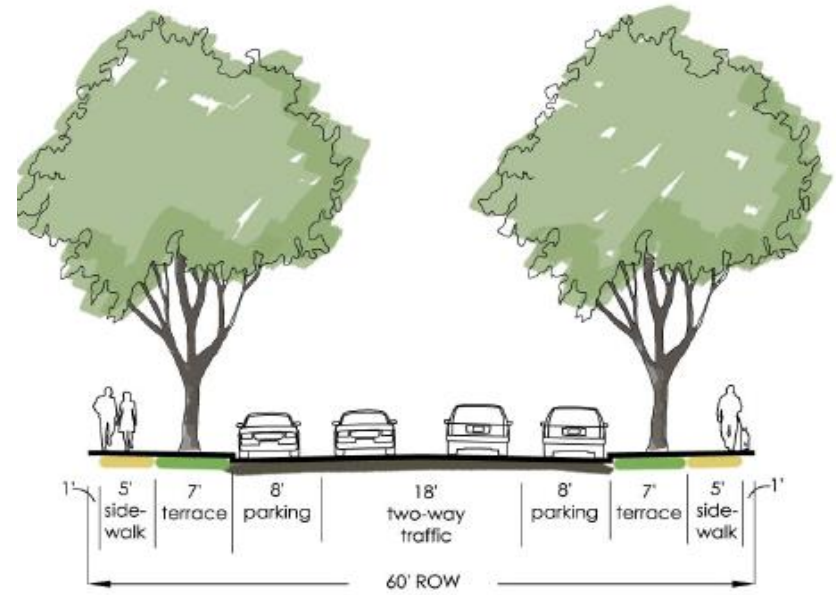
# Affordable Housing Strategies

## Alternate Infrastructure Design



### Standard Design

Cost per Lineal Foot = \$250



### Reduced Width

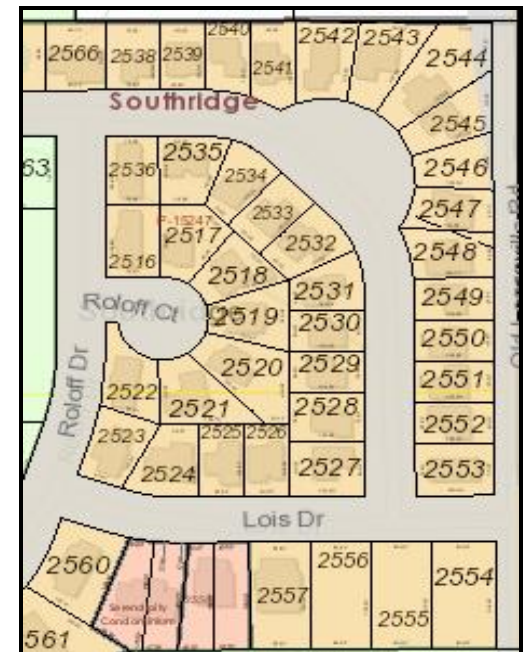
Cost per Lineal Foot = \$220

12% Cost Reduction

# Affordable Housing Strategies

## High-Density Single Family

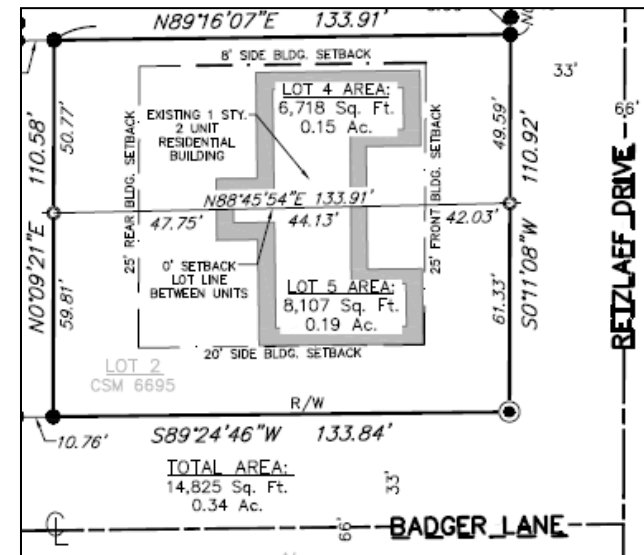
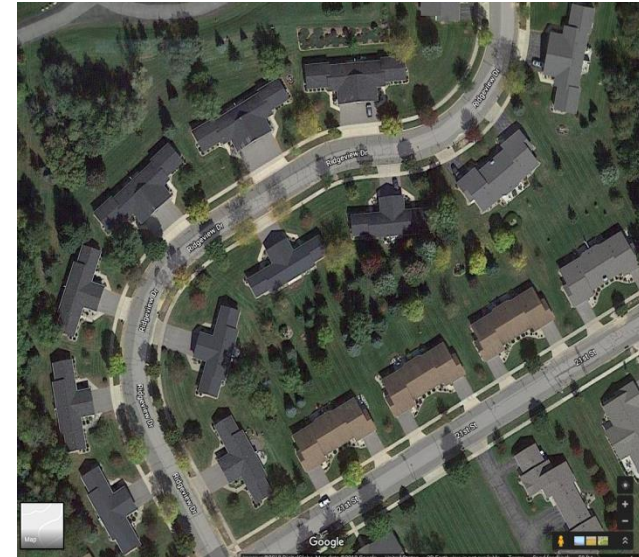
- New Workforce Housing
- Public/Private Partnership (City & Private Developer)
- Zoning – Planned Unit Development (Smaller Lots & Smaller Houses)
- Special Conditions to Address Quality of Life Within Higher Density Subdivision
- 100% Private Developer Funded
- 60' Wide Lots vs. 80' or 100'
- Reduce Land & Infra. Cost by 25% to 40%



# Affordable Housing Strategies

## Zero Lot Line Zoning

- Owner Occupied Housing
- Lower Infrastructure & Land Cost
  - 50' Wide Lot Per Unit vs. 80' or 100'
  - 40% to 50% Cost Savings
- Reduces Building Costs
  - Shared Common Wall
- Lower Admin. Cost vs. Condos
- Easier to Finance vs. Condos
- Market Response
  - Very strong for 1<sup>st</sup> buyers, empty nesters & retired





# Affordable Housing Strategies

## Senior / Workforce Housing Transition

- 36.9% of Households in Wis. are Occupied by Seniors
- Create New Senior Housing
  - Independent Living - Multi-Family - Assisted Living Units
- Transition Existing Senior Housing Units to Families
  - Creates Affordable Housing for Workforce
  - Creates Affordable Housing for Young Families with Children
  - Increases Population in Existing Housing Stock  
(Convert 50 Units from 1.3 to 3.5 Persons/Household = 110 More Persons)
  - Increases Workforce & Student Populations
- Provide Incentives
  - Senior – Tax Credits, TIF, Grants, Etc.
  - Workforce – Down Payment, Rehab, Energy, TIF, Etc.



# Affordable Housing Strategies

## Tax Incremental Financing

- Best Financial Tool Available to Municipalities
- Mixed-Use TIDs
  - Up to 35% can be Newly Platted Residential
  - Residential must meet one of the following:
    - At least three units per acre density
    - Conservation subdivision
    - Traditional neighborhood
- Affordable Housing Extension
  - TID may be extended one year
  - 75% of funds must be used for affordable housing
  - Remaining funds may be used to improve housing stock
  - Affordable Housing means costs are less than 30% of income



# Affordable Housing Strategies

## Tax Incremental Financing Eligible Costs

- Land Acquisition
- Infrastructure
- Developer Incentives
- Site Development & Redevelopment
- Marketing & Promotion
- Affordable Housing Activities
  - RLF for Rehabilitation
  - First Time Homebuyer Program
  - Homeowner Incentives



# Example TIF Project #1

## Private Developer With TIF Assistance

- 40 acres in a Mixed-Use TID
- Development Plan
  - Meets 3 lot per acre density & conservation subdivision reqmt's.
  - 22 conventional single family lots
  - 34 zero lot line lots
  - 64 multifamily units
  - 34' wide streets
  - No sidewalks – Ped./bike trail
- Development Agreement
- Developer Financed
- City provides PayGo TIF



# Example TIF Project #2

## Community is Developer

- 7 acres in a Mixed-Use TID
- Development Plan
  - Meets 3 lot per acre density reqmt.
  - 7 conventional single family lots
  - 12 zero lot line lots
  - 48 multifamily units
- Community Financed
- Private Developer for Apts.
- TIF Assistance for Multi-Family & Single Family





# Questions?

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