Spurring Single Family Residential Investment

Wisconsin Economic Development Academy
August 12, 2020 Webinar
• Planning & Civil Engineering Firm

• Office Locations:
  - Reedsburg
  - Madison
  - Milwaukee
  - Prairie du Chien

• Vierbicher Website
  www.vierbicher.com
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)

  - 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 x 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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost Per Foot*</th>
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</thead>
<tbody>
<tr>
<td>Street</td>
<td>$ 225</td>
</tr>
<tr>
<td>Sidewalk</td>
<td>$  25</td>
</tr>
<tr>
<td>Watermain</td>
<td>$ 115</td>
</tr>
<tr>
<td>Sanitary Sewer</td>
<td>$  95</td>
</tr>
<tr>
<td>Storm Water</td>
<td>$ 105</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 565</strong></td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Lot Size</th>
<th>Cost Per Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>100’ wide</td>
<td>$28,250</td>
</tr>
<tr>
<td>80’ wide</td>
<td>$22,600</td>
</tr>
<tr>
<td>60’ wide</td>
<td>$16,900</td>
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</tbody>
</table>
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
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
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.
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
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 1st 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.
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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