

CITY OF MIDDLETON WORKFORCE HOUSING STRATEGY RECOMMENDATIONS

PREPARED BY THE WORKFORCE HOUSING TASK FORCE

ADOPTED BY COMMON COUNCIL ON SEPTEMBER 15, 2015

## INTRODUCTION

The City of Middleton was named one of Money Magazine's "Best Places to Live" in 2011. Middleton is a growing and thriving city, with a high quality of life and growing economic development. Over 8,000 people commute into Middleton to work each day, and over 1,000 new jobs are planned to come to Middleton within a few years.

The Workforce Housing Task Force was established by former Mayor Doug Zwank in 2007 to explore recommendations for furthering the availability of workforce housing in the City of Middleton.

The Workforce Housing Task Force advances these Housing Strategy recommendations with the goal of supporting the growth of Middleton as an emerging job center by **"encouraging compact development and a mixed-income and diverse community where people who work in Middleton are able to afford to live in Middleton."**

The City of Middleton Workforce Housing Task Force has closely followed the development of the Dane County Housing Needs Assessment that was adopted by the County Board in January 2015. This "Needs Assessment" includes demographic and housing data about the municipalities in Dane County. Excerpts of the Housing Needs Assessment – which contains the best and most current data available - are shown on the next few pages. The availability of new data and an increased demand for affordable housing in Middleton make this a critical time to address these housing goals.

Since its inception, the Workforce Housing Task Force has:

- Drafted and received approval for an exemption of impact fees for low-cost housing.
- Administered a down payment assistance program (DPAP) funded by the Community Development Authority (CDA) which provided down payment assistance loans to 18 households with incomes between 40-80% of Dane County's median income. Of the loans, 14 are still active.
- Partnered with the Dane County Housing Authority (DCHA) to provide employer outreach in Middleton to determine the housing needs and locate appropriate partner organizations.
- Submitted unsuccessful funding applications for Home Investment Partnership Initiative (HOME) and Housing Cost Reduction Initiative (HCRI) funding to support DPAP.
- Negotiated a workforce housing agreement with Hidden Oaks (Veridian Homes), which was discontinued due to the economic downturn and reduced sales prices without the workforce housing subsidy.
- Negotiated a workforce housing agreement with Whispering Pines (Ellefson Companies) for condominium homes at prices affordable to households earning 80% or less of Dane County's median income. Of the 33 units sold, 9 have been qualified under the 80% income threshold. Staff continues to monitor compliance with this agreement annually.
- Supported the development of Parmenter Circle Phase I, which includes 40 units of affordable rental housing for residents earning between 30-80% of the Dane County median income.
- Supported the development of the Heritage Middleton Senior Housing Campus, which includes 56 units of affordable rental housing for elderly residents earning less than 60% of the Dane County median income.

- Staff continues to monitor compliance with a workforce housing agreement for The Elmwood, which requires a set aside of units affordable to renters earning less than 80% of the Dane County median income. This agreement was negotiated in exchange for a deferral of parkland fees.
- Continue to support the development of Meadow Ridge Apartments, which is planned to include 76 units of affordable rental housing for residents earning below 60% of the Dane County median income.
- Prepared recommendations and supported the redevelopment of 10 blighted duplex units into 10 single-family homes on Amherst Road.

## **WORKFORCE HOUSING STRATEGY**

The Dane County Housing Needs Assessment identifies a *present* affordable housing “gap” or “need” of between 295 to 795 units in the City of Middleton. 295 units represents the gap between the number of very-low income households currently living in Middleton and the number of units which would be affordable to these households. 795 units represents the number of “cost-burdened<sup>1</sup>” very-low income<sup>2</sup> renter households (paying more than 30 percent of their income in rent) currently residing in Middleton.

The Workforce Housing Task Force recommends that the City of Middleton adopt a goal to encourage, facilitate, and support affordable homeownership for families earning up to 80% of the AMI and to increase Middleton’s supply of affordable housing units by at least 295 units in the next 3-5 years. This supply of affordable housing can come either through new construction or through rehabilitation of existing units (with subsidies attached).

Developers seeking residential developments in the City are expected to align their strategies with the City’s Comprehensive Plan and incorporate workforce housing for families earning up to 80% of the area median income (AMI).

The Workforce Housing Task Force recommends the following strategies and policies to increase the supply of affordable housing in Middleton.

1. Encourage the establishment of a revolving loan fund (RLF) for smaller projects serving families earning less than 80% of the County Median Income (CMI), such as rehabilitation of owner occupied housing and/or down payment assistance loans for new home owners.
2. Utilize tax increment district (TID) 3 and 5 funding for affordable workforce housing to match other funding sources. Encourage that all residential projects receiving a tax increment financing (TIF) subsidy have a percentage of affordable units.
3. Incentivize housing developers to include workforce housing units in new developments, through the use of TID 3 and 5 funding, through impact fee waivers, through the deferral of parkland fees, and through possible reductions in required number of parking spaces for affordable units
4. Develop a program that will assist low-income seniors to stay in their homes longer (providing energy efficiency upgrades, assistance with home repairs, etc.).

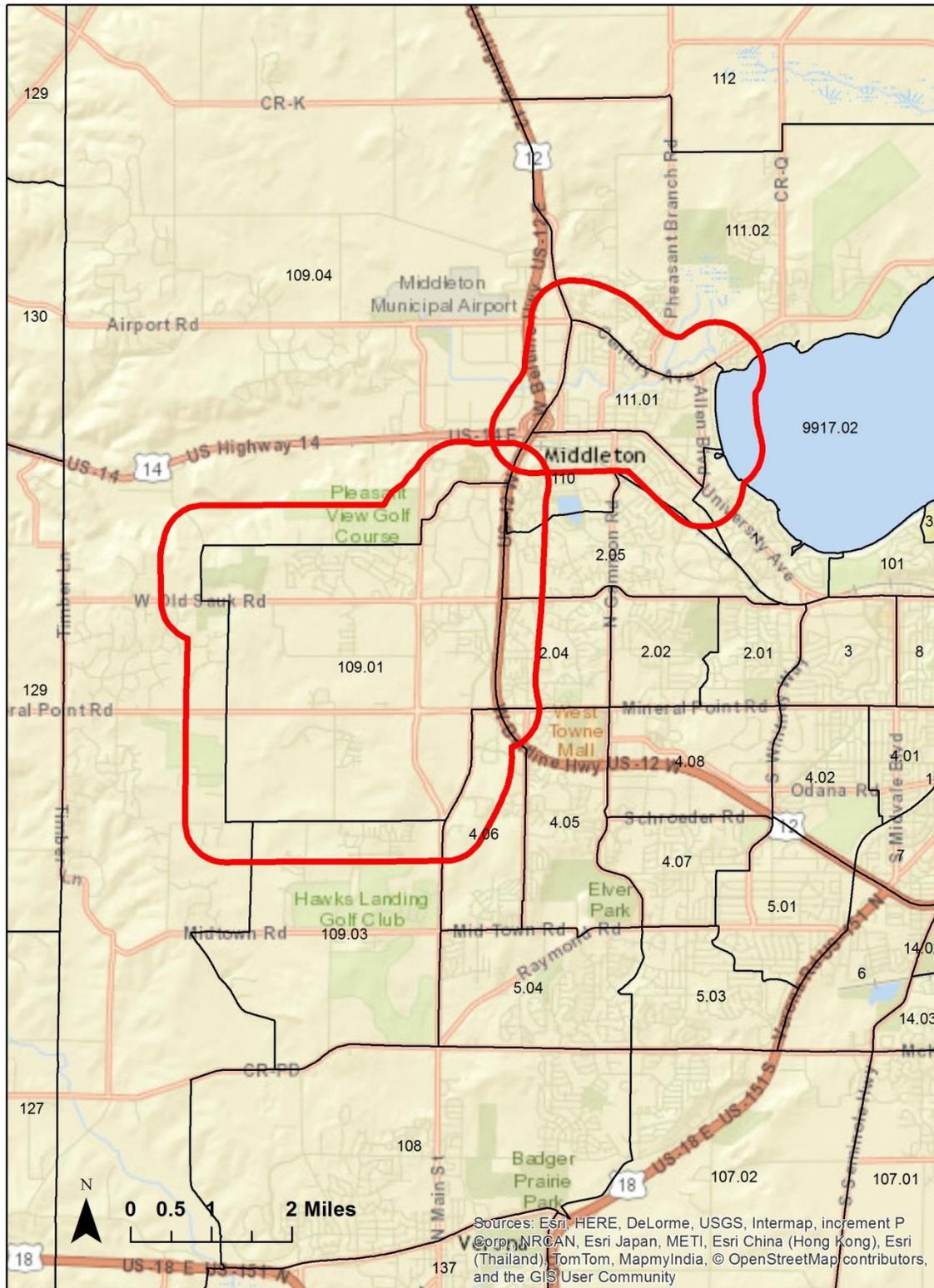
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<sup>1</sup> When families pay more than 30% of their income for housing, this means that other important household expenditures such as food, health care, education, and transportation are negatively impacted. In housing needs analyses, households who pay more than 30% of their income for housing are called “cost-burdened” households.

<sup>2</sup> Very low income households are those defined as making 50 percent of area-median-income or less.

5. Work aggressively to seek State (LIHTC, etc.) and County funding (CDBG, HOME, The Affordable Housing Development Fund) for private (including non-profit) affordable development projects and rental rehabilitation projects in Middleton.
6. Encourage production of affordable housing in or near those areas identified by WHEDA (Wisconsin Housing and Economic Development Authority) as “High Need” or “Employment Center” Census-tracts (see map on following page).
7. Work with developers to provide support for affordable housing projects (including recommendations for available land, financing sources, and letters of support).
8. Promote and support the Dane County Housing Authority’s programs and services.
9. Partner with the Dane County Homebuyer’s Roundtable and other organizations to provide accurate public informational materials about affordable options, including a guide to programs available from area financial institutions.
10. Update the Comprehensive Plan Housing Element with new data on the need for housing in Dane County and goals for workforce housing creation.
11. Update the Comprehensive Plan Housing and Land Use Elements to examine and promote an adequate “availability of land for the development or redevelopment of low–income and moderate–income housing.” (Wis. Stat. § 66.1001(2)(b)).
12. Develop criteria for and a listing of potential workforce housing sites.
13. Develop a task force that includes Plan Commission and Workforce Housing Task Force members to explore long-term affordable homeownership.
14. Explore small lots and flexible design standards to encourage smaller, more affordable, homeownership opportunities.

# WHEDA-designated "High Need" and "Employment Center" Census Tracts in Middleton



Notes: Red areas indicate 0.5 mile buffer around designated census tracts, as per WHEDA scoring criteria. Projects located within a designated census tract or within 0.5 miles may be eligible for additional points on WHEDA LIHTC applications.

## **DANE COUNTY HOUSING NEEDS ASSESSMENT**

Excerpts of the Dane County Housing Needs Assessment are shown below. This is a sampling of the tables that are included in the report. The full report can be found at:

[https://www.countyofdane.com/plandev/pdf/Housing\\_Needs\\_Assessment\\_01152015.pdf](https://www.countyofdane.com/plandev/pdf/Housing_Needs_Assessment_01152015.pdf).

Key findings from the report are as follows:

1. The growing diversity of household types – including seniors and single-person households – requires a diverse housing supply in terms of unit sizes and locations.
2. Madison has less than 48 percent of the county’s population, and houses 73 percent of the county’s extremely low-income renter households.
3. Madison and Dane County housing markets are relatively expensive compared to the rest of the state and the nation.
4. Rental housing vacancy rates are extremely low. (The most recent vacancy rate information available from MGE shows Middleton’s vacancy rate at 1.08%. <https://www.mge.com/customer-service/multifamily/vacancy-rates/>)
5. The main rental housing affordability challenge is for very low income households (those defined as making 50 percent of area median income or less).
6. In Dane County, over 22,000 households with very low income pay more than 30 percent of their income in rent. Over 12,000 very low income households pay more than 50 percent of their income in rent. Of these 12,000 “severely cost burdened” households, over 2,200 are senior households.
7. Forecasts of future affordable housing needs indicate that Dane County’s need for affordable housing units could be somewhere between 16,000 and 31,000 in the next 26 years, or between 648 and 1209 affordable units each year.

In Table 1.2, the most recent (FY14) income category cutoffs by HUD for different AMI (area median income) levels for Dane County (including Madison) are presented. In Table 1.3, these income levels are shown as “affordable” monthly housing costs (spending no more than 30 percent of income on “gross rent.”) For example, a family of 3 people with income at 30-percent-of-AMI (\$21,850) would need to find rental housing for \$546 per month (including utilities) to be considered affordable.

Table 1.2 Dane County (including Madison) FY 2014 Income Limits  
 Median Family Income (family of 4): \$80,800

	Persons in Family					
	1	2	3	4	5	6
Low Income Limits (80% of AMI)	\$44,750	\$51,150	\$57,550	\$63,900	\$69,050	\$74,150
Very Low Income Limits (50% of AMI)	\$28,300	\$32,350	\$36,400	\$40,400	\$43,650	\$46,900
Extremely Low Income Limits (30% of AMI)	\$17,000	\$19,400	\$21,850	\$24,250	\$27,910	\$31,970

Source: HUD, Office of Policy Development and Resesarch, Income Limits Briefing Materials, FY 2014 at: <http://www.huduser.org/portal/datasets/il.html>  
 Additional data are released for family sizes larger than 6, but are not reported here for space considerations.



Table 1.3. Dane County (including Madison) FY 2014 "Monthly Affordable Housing Cost" Limits

	Persons in Family					
	1	2	3	4	5	6
Low Income Limits (80% of AMI)	\$1,119	\$1,279	\$1,439	\$1,598	\$1,726	\$1,854
Very Low Income Limits (50% of AMI)	\$708	\$809	\$910	\$1,010	\$1,091	\$1,173
Extremely Low Income Limits (30% of AMI)	\$425	\$485	\$546	\$606	\$698	\$799

Source: Author's calculations, based on data from HUD, Office of Policy Development and Resesarch

In Table 1.4, we present data on the “starting” wages (10th percentile) and median (middle) wages for a number of selected occupations. These occupations include categories such as teachers, police officers, nurses, retail workers, drivers, and construction and landscape workers. These occupations are just a sample of different types of occupations to illustrate the relationships between income and housing affordability. For each occupation, Table 1.4 shows the maximum affordable “gross rent” (rent + utility costs) for that wage level. It also shows the price of a house which that income level could potentially afford with an FHA mortgage (3 percent down-payment) with a 30-year fixed rate, with calculations and adjustments for property taxes and home insurance.

Table 1.4 Income and Affordable Housing Cost Limits for Selected Occupations, Madison Metropolitan Area (2013)

Occupation (Standard Occupation Code)	"Starting" Wage (Annual)	Median Wage (Annual)	Maximum House		Affordable Gross Rent, Starting Wage	Affordable Gross Rent, Median Wage
			Value, Starting Wage	Value, Median Wage		
Waiters and Waitresses (353031)	\$16,050	\$18,660	\$57,528	\$68,747	\$401	\$467
Retail Salespersons (412031)	\$16,480	\$21,150	\$59,376	\$79,450	\$412	\$529
Childcare Workers (399011)	\$17,030	\$22,190	\$61,740	\$83,921	\$426	\$555
Landscaping and Groundskeeping Workers (373011)	\$17,760	\$27,990	\$64,878	\$108,852	\$444	\$700
Home Health Aides (311011)	\$19,300	\$23,730	\$71,498	\$90,540	\$483	\$593
Light Truck or Delivery Services Drivers (533033)	\$21,120	\$32,840	\$79,321	\$129,700	\$528	\$821
Construction Laborers (472061)	\$21,850	\$42,560	\$82,459	\$171,481	\$546	\$1,064
Child, Family, and School Social Workers (211021)	\$30,550	\$51,330	\$119,856	\$209,179	\$764	\$1,283
Postal Service Clerks (435051)	\$30,970	\$53,840	\$121,662	\$219,969	\$774	\$1,346
Elementary School Teachers (252021)	\$33,840	\$51,620	\$133,998	\$210,426	\$846	\$1,291
Police and Sheriff's Patrol Officers (333051)	\$41,800	\$55,260	\$168,214	\$226,072	\$1,045	\$1,382
Registered Nurses (291141)	\$53,000	\$71,270	\$216,358	\$294,892	\$1,325	\$1,782

Source: Occupational data from US Bureau of Labor Statistics. "Starting" wage is the 10th percentile of all wages for that occupation in the region. "Median" wage is the 50th percentile annual wage.  
 Notes: Affordable ownership values calculated based on current FHA mortgage rates as of 12/4/2014, 30-year fixed, 3.5% interest rate to determine maximum loan amount. Assumes 3-percent downpayment, or 9% LTV. Calculation of affordable housing expenditure based on limiting Principal, Interest, Taxes and Insurance to no more than 30 percent of monthly income. Assumes closing costs and downpayment paid out of savings. Estimation of property tax rates based on reports by Dane County Treasurer. Average city property tax rate is \$18.37 per \$1000 value; village average rate is \$17.98 per \$1000. This analysis uses \$18 per \$1000 in value Estimation assumes homeowners insurance of \$800 per year.

Table 2.1 presents some basic demographics of each Dane County community, including homeownership rates and indicators of housing demand (over age 65, households with children present, and single-person households.)

Table 2.1 Basic Demographics: Indicators of Housing Demand

	Population	Households	Average Household Size	Homeownership Rate (percent)	Age 65+ (percent)	Households with Children (percent)	Single-person Households (percent)
<b>DANE COUNTY (Total)</b>	477,748	196,383	2.43	62%	10.0%	29.4%	31.4%
<b>CITIES:</b>							
Fitchburg	24,466	9,392	2.60	53%	7.5%	34.9%	24.7%
Madison	229,236	98,216	2.33	52%	9.4%	23.5%	37.4%
Middleton	17,164	7,756	2.21	61%	10.8%	26.4%	34.2%
Monona	7,598	3,872	1.96	61%	19.3%	19.1%	46.1%
Stoughton	12,599	5,121	2.46	66%	14.4%	33.0%	30.2%
Sun Prairie	27,808	10,941	2.54	64%	9.7%	35.9%	26.3%
Verona	10,033	3,919	2.56	74%	10.1%	40.5%	28.3%
<b>Cities Total/Averages</b>	<b>328,904</b>	<b>139,217</b>	<b>2.38</b>	<b>61.7%</b>	<b>11.6%</b>	<b>30.5%</b>	<b>32.5%</b>

Table 2.2 reports data on the distribution of racial and ethnic categories across municipalities. This table focuses on three categories: non-Hispanic White, African-Americans (non-Hispanic) and persons of Hispanic or Latino origin. These categories are what is reported in HUD's data and may not reflect the full diversity of communities.

Table 2.2 Basic Demographics: Racial and Ethnic Composition

	Non-Hispanic White (percent)	African American (percent)	Hispanic Origin (percent)
<b>DANE COUNTY (Total)</b>	82.8%	4.8%	5.5%
<b>CITIES:</b>			
Fitchburg	69.4%	7.9%	13.9%
Madison	76.6%	7.4%	6.3%
Middleton	83.2%	1.9%	5.0%
Monona	92.3%	1.1%	5.5%
Stoughton	93.3%	0.3%	2.3%
Sun Prairie	86.4%	3.9%	4.0%
Verona	90.5%	0.4%	3.8%
<b>Cities Total/Averages</b>	<b>78.6%</b>	<b>6.3%</b>	<b>6.4%</b>

“Table 3.2 focuses on those households more likely to have housing affordability concerns. The measures of potential need include households at or below the federal poverty line (FPL), and households at 30 and 50 percent of area median income, respectively. Rather than reporting raw numbers, Table 3.2 indicates each municipality’s percent of the county’s overall population in each category. The relative balance of lower-income households across communities reflects the availability of a range of housing choices of types, sizes and prices. The type of analysis shown in Table 3.2 is used in other states to examine what can be called “regional balance” or “fair share.”

Table 3.2 Household Income: Relative Distribution of Lower-Income Households, by Municipality

Percent of County's Population	Percent of County's Persons in Poverty	Percent of County's Households below 30% AMI	Percent of County's Renter Households below 30% AMI	Percent of County's Households below 50% AMI	Percent of County's Renter Households below 50% AMI
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**CITIES:**

Fitchburg	5.12%	4.56%	3.80%	4.23%	4.23%	4.64%
Madison	47.98%	72.88%	68.80%	73.86%	62.36%	68.23%
Middleton	3.59%	1.60%	2.40%	2.20%	3.29%	3.20%
Monona	1.59%	1.18%	2.40%	2.41%	2.27%	2.13%
Stoughton	2.64%	2.15%	1.89%	1.84%	2.63%	2.53%
Sun Prairie	5.82%	3.81%	3.85%	3.35%	4.58%	4.49%
Verona	2.10%	0.46%	1.04%	1.06%	1.24%	1.29%
<b>Cities Total</b>	<b>68.84%</b>	<b>86.66%</b>	<b>84.19%</b>	<b>88.95%</b>	<b>80.60%</b>	<b>86.51%</b>

Table 4.2 presents the median value of owner-occupied housing and the contract rents for units in Dane County communities in 2010.

Table 4.2 Housing Costs: Median House Prices and Rents, by Municipality

Median Value of Owner-Occupied Housing	Median Contract Rent (all rented units)
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<b>DANE COUNTY (Total)</b>	<b>\$230,800</b>	<b>\$747</b>
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**CITIES:**

Fitchburg	\$270,800	\$729
Madison	\$220,200	\$768
Middleton	\$262,900	\$720
Monona	\$213,100	\$622
Stoughton	\$191,800	\$660
Sun Prairie	\$213,400	\$760
Verona	\$253,600	\$795

Table 5.2 Housing Supply: Housing Stock (units in structure), by Municipality, as of 2010

	1-unit, detached	1-unit, attached	2-4 units	Multi-family (5+ units)	Percent 1-unit detached	Percent 1-attached to 4-units	Percent Multi-family (5+ units)
<b>DANE COUNTY (Total)</b>	114,701	16,706	21,694	59,995	53.8%	18.0%	28.2%
<b>CITIES:</b>							
Fitchburg	4,474	1,037	697	4,423	42.1%	16.3%	41.6%
Madison	46,472	7,187	13,789	40,039	43.2%	19.5%	37.3%
Middleton	3,694	781	719	3,533	42.3%	17.2%	40.5%
Monona	2,493	91	206	1,471	58.5%	7.0%	34.5%
Stoughton	2,985	555	788	1,075	55.2%	24.9%	19.9%
Sun Prairie	6,016	1,804	1,353	2,501	51.5%	27.0%	21.4%
Verona	2,470	625	232	795	59.9%	20.8%	19.3%
<b>Cities Total/Averages</b>	<b>68,604</b>	<b>12,080</b>	<b>17,784</b>	<b>53,837</b>	<b>45.0%</b>	<b>19.6%</b>	<b>35.3%</b>

Table 6.1 shows the percentage of ownership and rental units in each municipality which are affordable at different income levels.

Table 6.1 Affordable Housing Supply: Units Affordable for Various Income Levels

	Percent Ownership Units Affordable for Households at 50% AMI	Percent Ownership Units Affordable for Households at 80% AMI	Percent Ownership Units Affordable for Households at 100% AMI	Percent Rental Units Affordable for Households at 30% AMI	Percent Rental Units Affordable for Households at 50% AMI	Percent Rental Units Affordable for Households at 80% AMI
<b>DANE COUNTY (Total)</b>	2.1%	13.2%	27.5%	5.0%	30.1%	71.3%
<b>CITIES:</b>						
Fitchburg	0.4%	4.8%	16.6%	2.3%	31.3%	77.2%
Madison	2.0%	14.2%	29.8%	5.4%	29.0%	71.5%
Middleton	3.7%	12.2%	26.6%	4.3%	34.8%	78.1%
Monona	1.1%	17.1%	35.4%	9.7%	47.7%	75.3%
Stoughton	2.9%	21.4%	37.7%	8.4%	46.0%	80.1%
Sun Prairie	0.9%	13.7%	30.7%	2.7%	27.8%	66.1%
Verona	0.0%	8.3%	21.8%	4.8%	25.1%	64.1%
<b>Cities Total/Averages</b>	<b>1.8%</b>	<b>13.6%</b>	<b>29.1%</b>	<b>5.1%</b>	<b>30.2%</b>	<b>72.1%</b>

In Table 6.2 we present this “affordable needs gap” for each municipality in the county. (As above, this calculation only examines the actual number of households at 30 or 50 percent of AMI already residing in each municipality, not the broader number of 30 and 50 percent AMI households in the county who would otherwise want to live in each community if additional housing opportunities were available.)

Table 6.2 Affordable Housing Supply: Affordable Units Available vs. Eligible Households

	Rental Units Affordable for Households at 30% AMI	Number of Renter-Households 0-30% AMI	Gap (Households minus affordable units)	Rental Units Affordable for Households at 50% AMI	Number of Renter-Households 0-50% AMI	Gap (Households minus affordable units)
<b>DANE COUNTY (Total)</b>	3,725	19,280	11,414	22,425	33,395	5,800
<b>CITIES:</b>						
Fitchburg	100	815	715	1,375	1,550	175
Madison	2,530	9,955	7,425	13,640	17,435	3,795
Middleton	130	425	295	1,055	1,070	15
Monona	145	465	320	715	710	5
Stoughton	145	355	210	795	845	50
Sun Prairie	105	645	540	1,090	1,500	410
Verona	50	205	155	260	430	170
<b>Cities Total</b>			<b>9,660</b>			<b>4,620</b>

Table 7.1 shows the number and percentage, by municipality, of households with income 30 and 50 percent of AMI who currently pay more than 30 percent of their income on housing costs (= “cost burdened”). When families pay more than 30 percent of their income for housing, this means that other important household expenditures such as for food, health care, education, and transportation are negatively impacted. In housing needs analyses, households who pay more than 30 percent of their income for housing are called “cost-burdened” households.

Table 7.1 Cost Burdened Renter Households

	Number of Cost-Burdened Renter-Households with Incomes 0-30 % AMI	Percent of Renter-Households with Incomes 0-30% AMI Cost-Burdened	Number of Cost-Burdened Renter-Households with Incomes 30-50% AMI	Percent of Renter-Households with Incomes 30-50% AMI Cost-Burdened
<b>DANE COUNTY (Total)</b>	<b>12,063</b>	<b>80.4%</b>	<b>10,293</b>	<b>78.9%</b>
<b>CITIES:</b>				
Fitchburg	740	90.8%	665	90.5%
Madison	7,855	78.9%	5,790	77.4%
Middleton	305	71.8%	490	76.0%
Monona	355	76.3%	185	75.5%
Stoughton	280	78.9%	395	80.6%
Sun Prairie	535	82.9%	720	84.2%
Verona	165	80.5%	149	66.2%
<b>Cities Total</b>	<b>10,235</b>	<b>79.6%</b>	<b>8,394</b>	<b>78.6%</b>

In Table 9.1 we show the number of cost burdened lower-income senior households (both renters and owners) in each municipality. Recall the households who pay more than 30 percent of their income on housing costs are considered “cost-burdened” while households who pay more than 50 percent of their income on housing are considered “severely cost-burdened.” These data only represent those households who currently reside in each municipality.

Table 9.1 Cost-burdened Lower-Income Senior Households, by Municipality

	Cost-burdened Senior Renter Households with incomes below 50% AMI	Severely Cost-burdened Senior Renter Households with incomes below 50% AMI	Cost-burdened Senior Owner Households with incomes below 80% AMI	Severely Cost-burdened Senior Owner Households with incomes below 80% AMI
<b>DANE COUNTY (Total)</b>	<b>3795</b>	<b>2255</b>	<b>5630</b>	<b>2615</b>
<b>CITIES:</b>				
Fitchburg	90	55	155	60
Madison	1705	1035	2710	1345
Middleton	115	55	219	105
Monona	240	145	165	65
Stoughton	230	140	110	25
Sun Prairie	270	215	320	110
Verona	125	60	85	30
<b>Cities Total/Averages</b>	<b>2775</b>	<b>1705</b>	<b>3764</b>	<b>1740</b>