

Wisconsin's Workforce Housing Shortage



Workforce Housing Study

- Presentation is based upon research published in “Falling Behind: Addressing Wisconsin’s Workforce Housing Shortage to Strengthen Families, Communities and Our Economy,” July 2019
- Study was prepared by Professor Kurt Paulsen, UW-Madison, Urban and Regional Planning
- Study will be officially released in beginning of September.

Definition of “workforce housing”

- Workforce housing is the supply of housing in a community (variety of types, sizes, locations, prices) that meets the need of the workforce in a community.
- In this report -- housing that is affordable to the workforce:
 - For renters, up to 60 % of area median income (AMI)
 - For owners, up to 120 % of area median income (AMI)

- The affordable workforce housing “gap” for a **family** is the gap between the home they can afford based on their wages (income) and the price of available housing in the market.

2 Bedroom apartment, median rent
(Madison, WI): \$1,176 per month

→ \$1176

\$350/month

Affordable
workforce
housing gap

→ \$826

3-person family, earning 40% of Area Median
Income (Madison, WI) = \$33,040 per year.

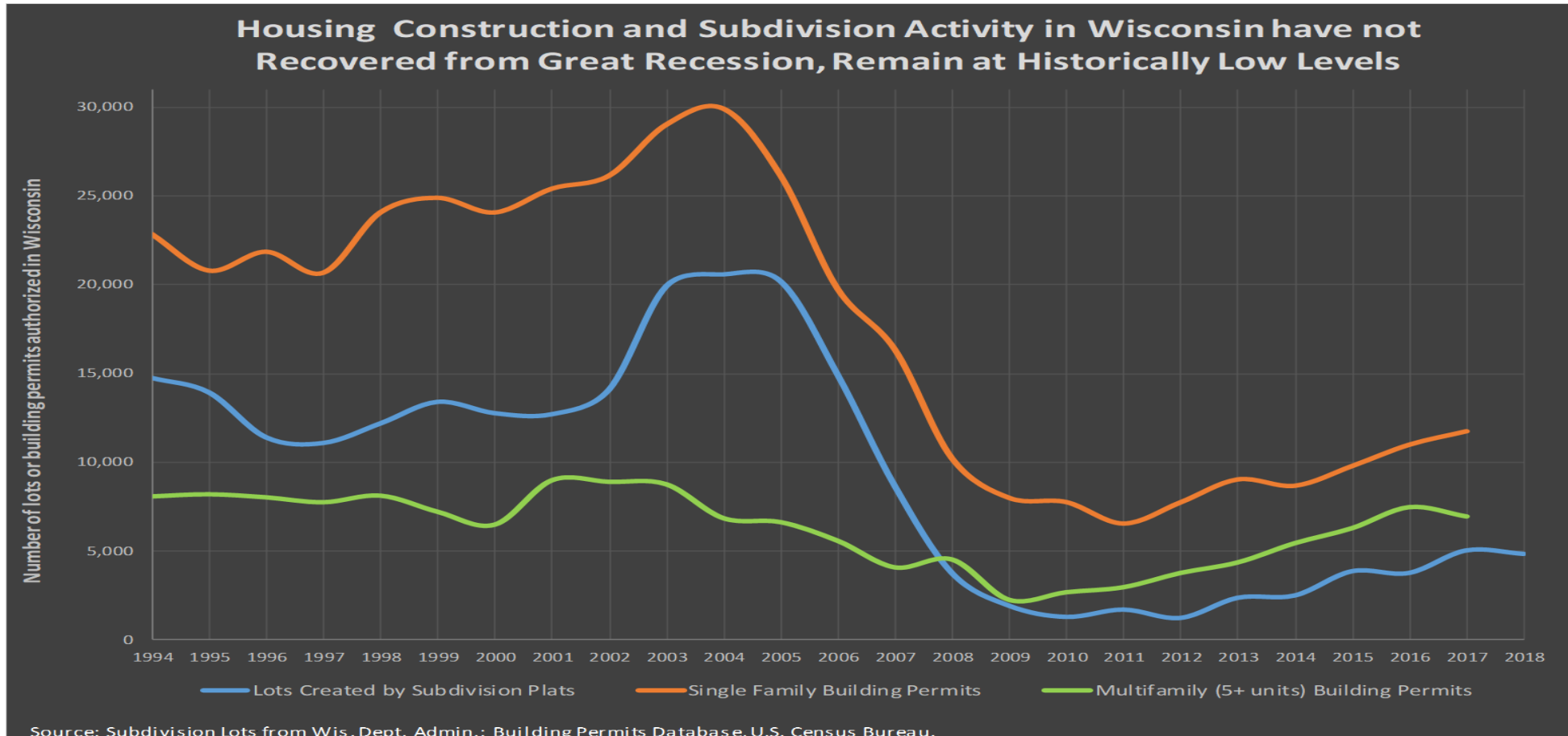
→ 2 bedroom affordable rent = \$826 per month



Wisconsin REALTORS' Association

3 Primary Causes of Workforce Housing Shortage

Cause #1: Not enough supply to keep pace with population and income growth.



Cause #2: Construction costs are rising faster than inflation.

From 2010-2017, construction costs (RS Means index) increased:

- 14.7 percent in Madison region
- 14.9 percent in Milwaukee region
- 16.2 percent in Green Bay region
- ?? percent in Eau Claire region



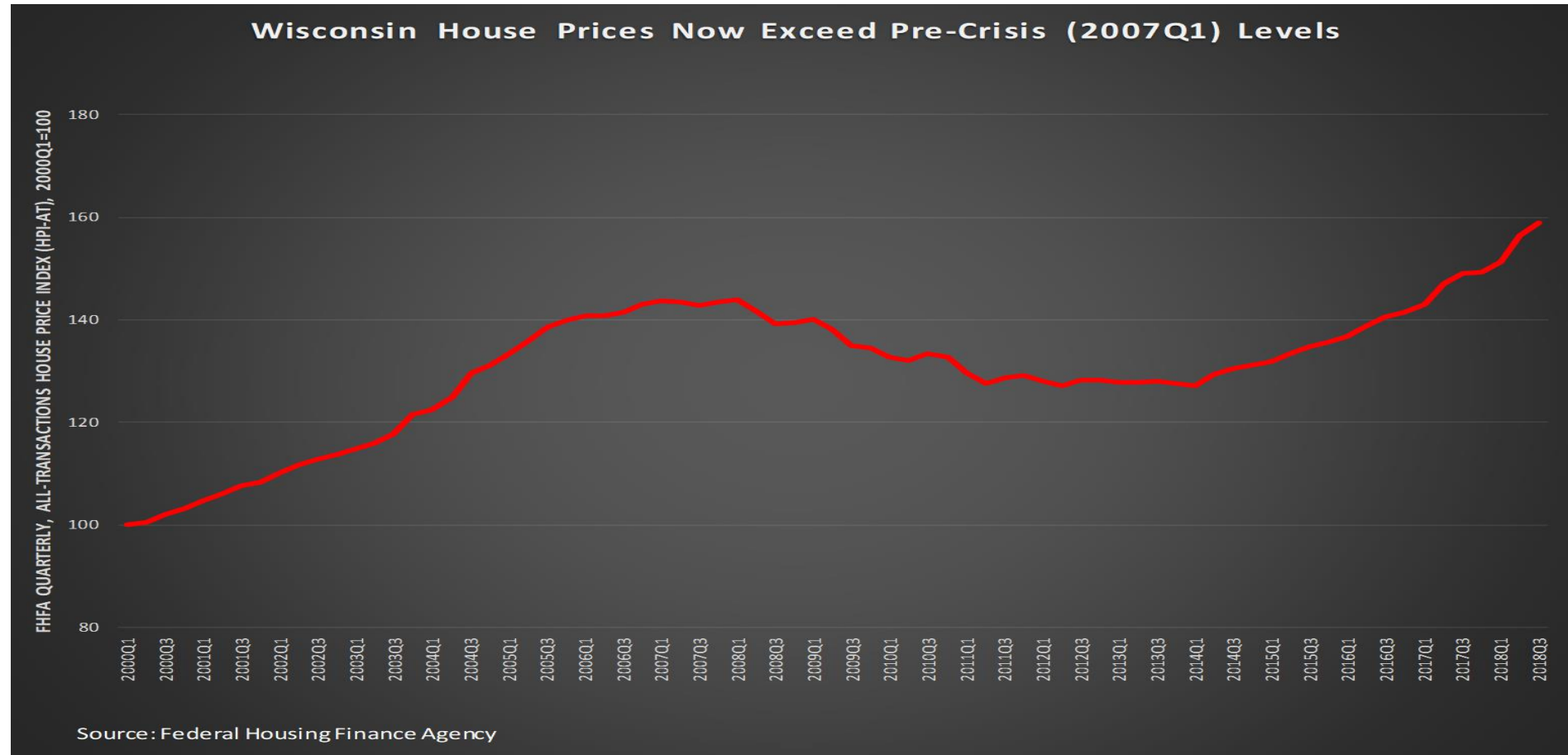
Cause #3: Outdated land-use regulations drive up the cost of housing.

- Excessive minimum lot sizes
- Delays, long processes
- Conditional use rather than by-right for many housing types.
- Many zoning ordinances have limited areas or ban completely building “missing-middle” and multifamily homes
- Regulations which increase finish level not related to health/safety



3 Results of Workforce Housing Shortage

Result #1: Housing costs are rising (both ownership and rental)



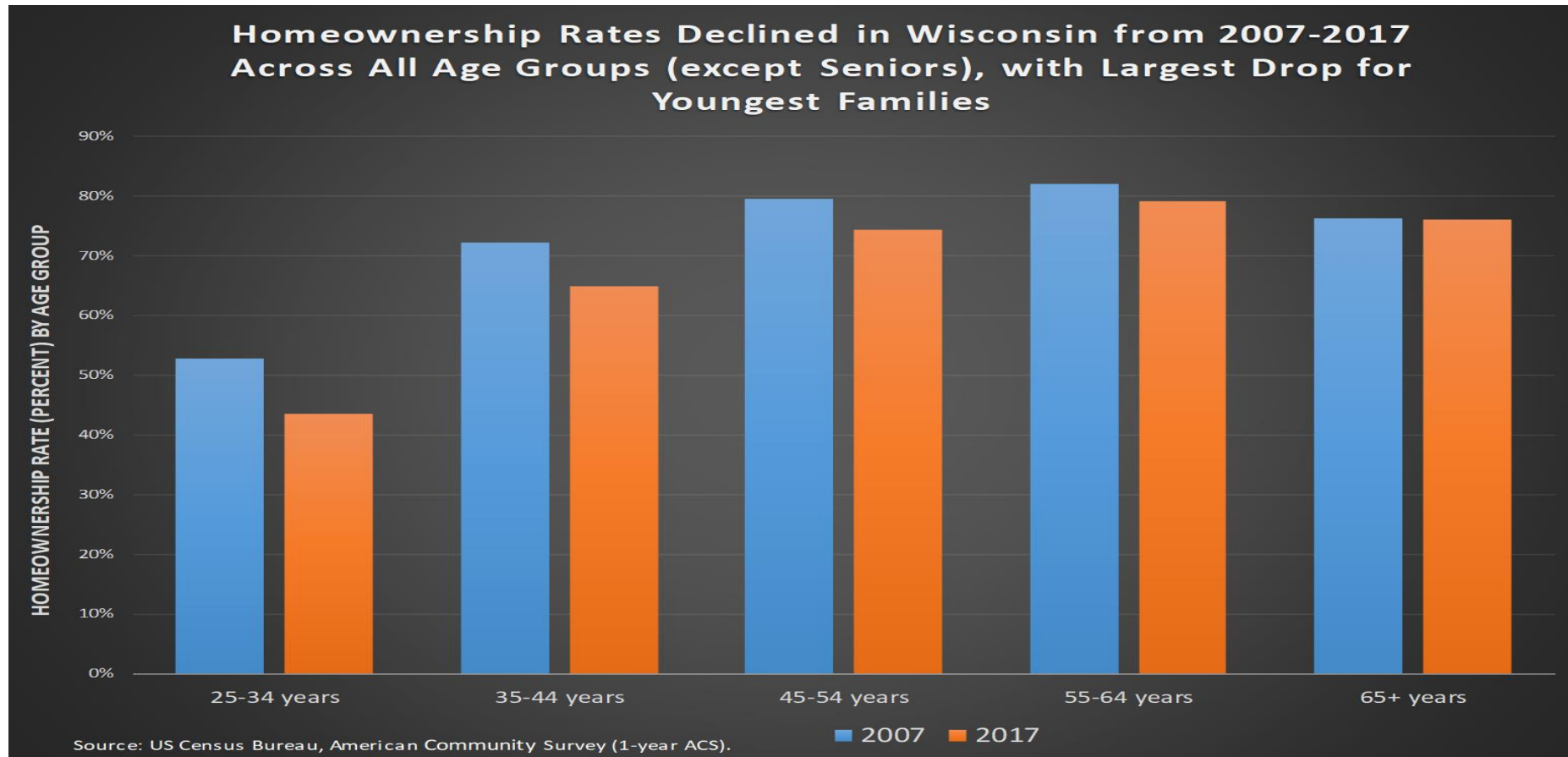
Median rents have increased more than median incomes.

Rents rose faster than household incomes in Midwestern states

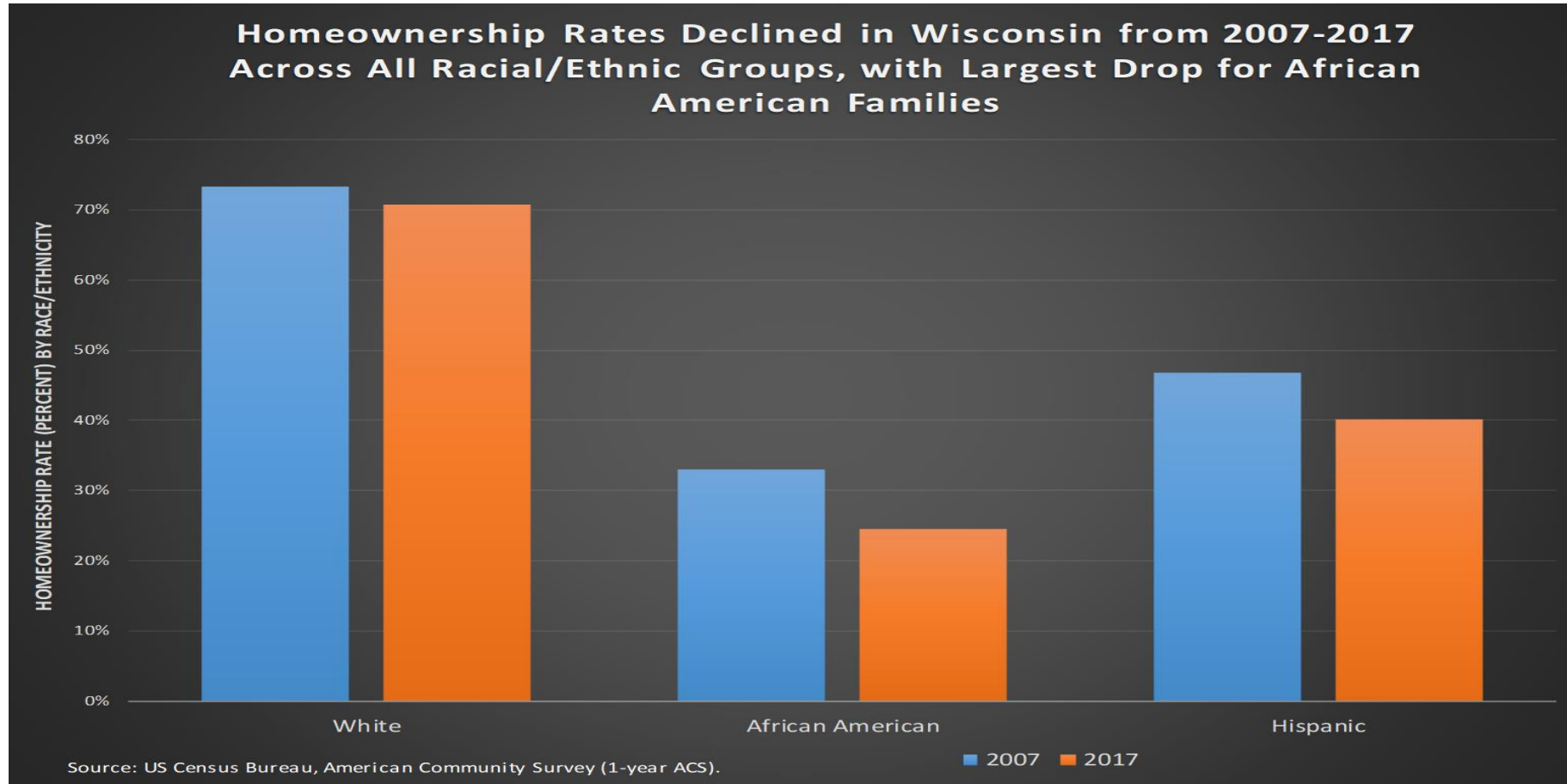
<i>State</i>	<i>Increase median rent, 2007-2017</i>	<i>Increase median income, 2007-2017</i>
ILLINOIS	24.4%	16.4%
INDIANA	24.3%	14.2%
IOWA	34.0%	23.8%
MICHIGAN	22.3%	14.5%
MINNESOTA	32.1%	22.6%
WISCONSIN	21.7%	17.3%
<i>U.S. AVERAGE</i>	28.3%	18.9%

Source: US Census, 1-year American Community Survey (ACS) data, not inflation adjusted

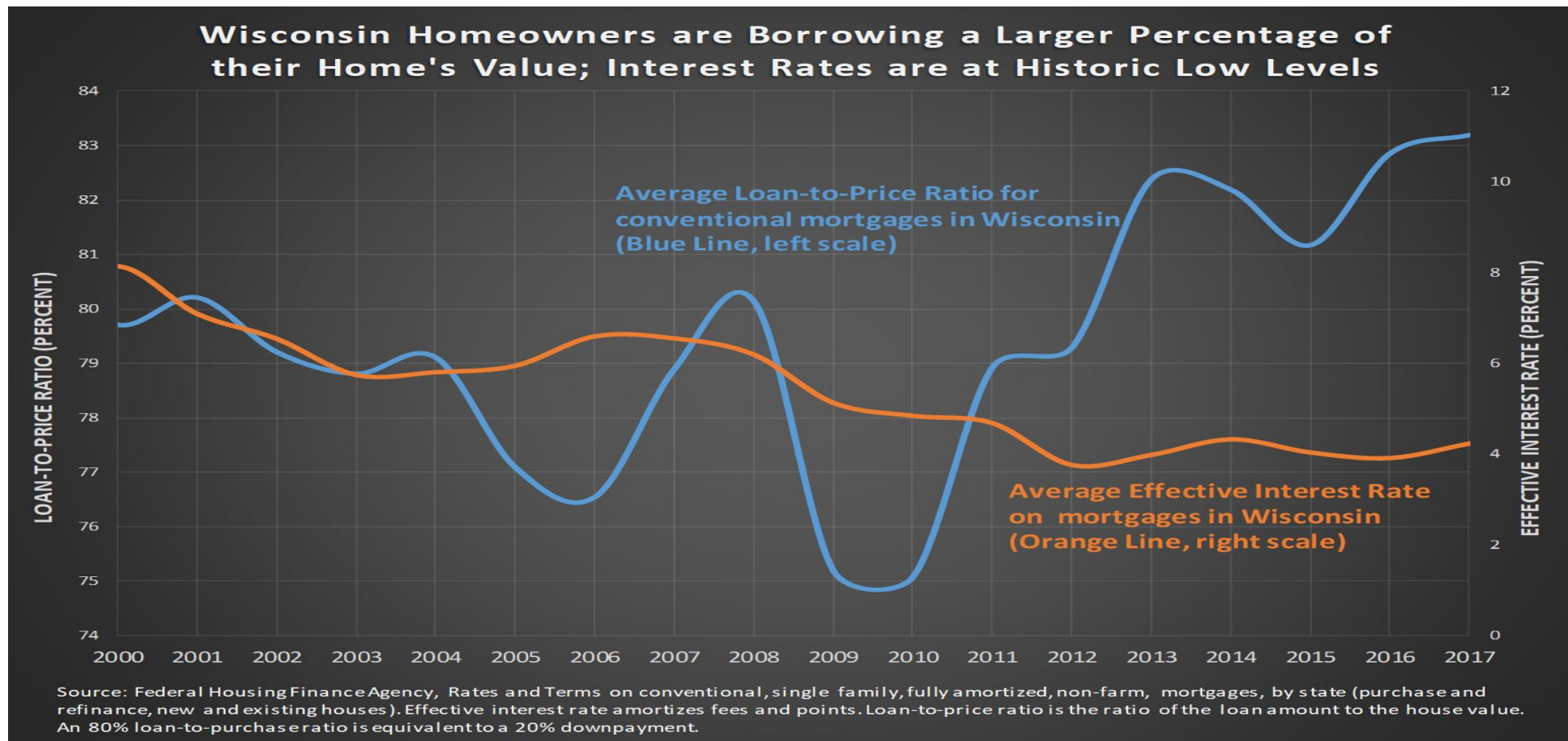
Result #2: Declining homeownership rates in Wisconsin across all age groups



Homeownership rates in Wisconsin have declined across all racial/ethnic groups



Result #3: Declining affordability

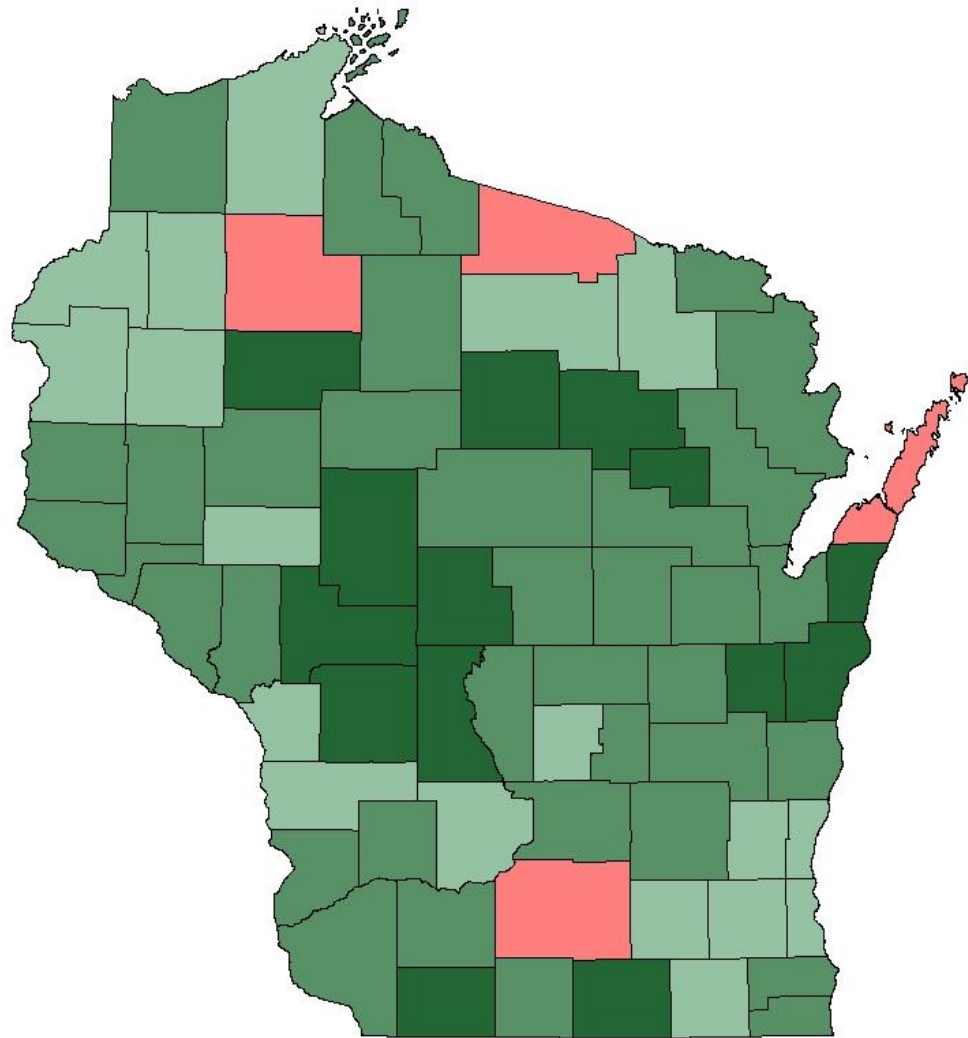


The “Entry-level housing affordability index” (for each county) is constructed like the NAR “Affordability index”:

The ratio of median household income to the income needed to purchase the median home with an FHA (low down-payment) product.

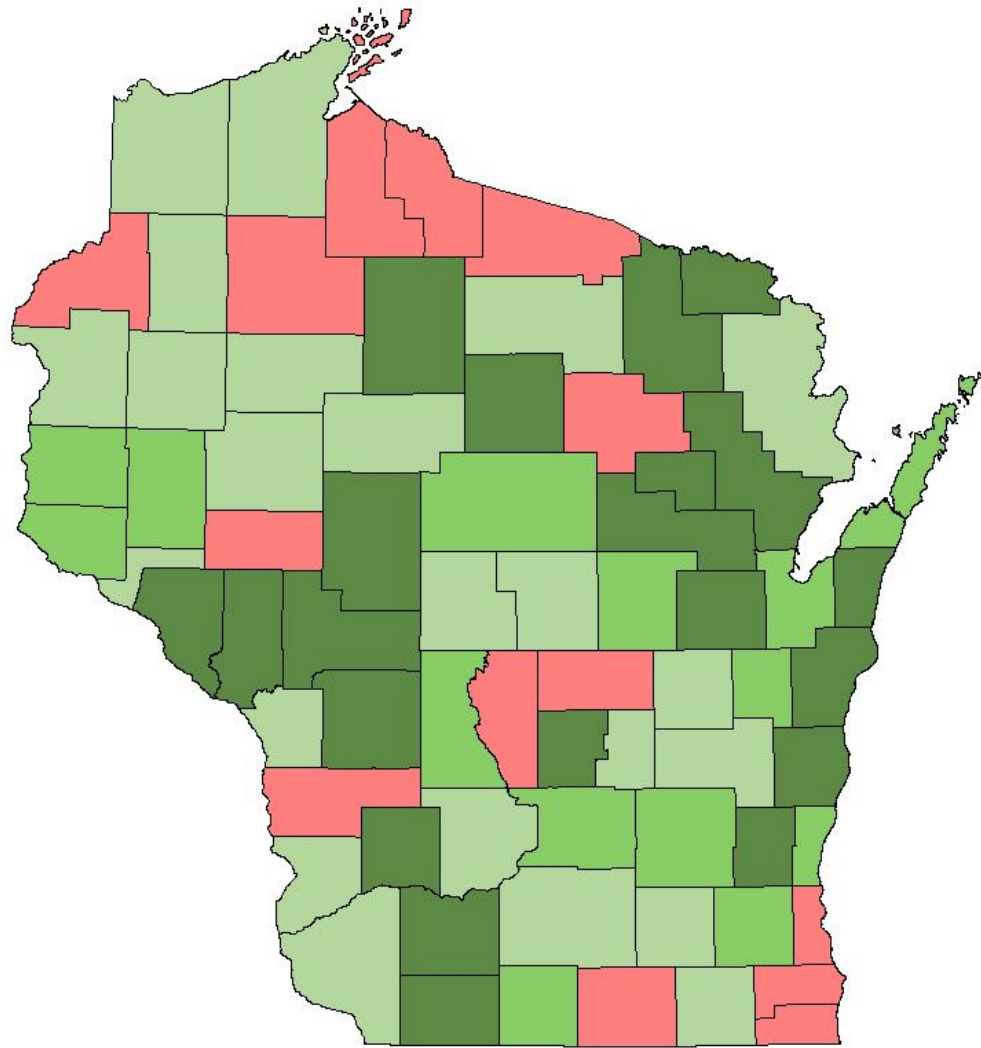
A score less than 100 means the median income family cannot afford the median priced home with an FHA product.

From 2010-2017, this index declined in all but 14 of Wisconsin’s counties.



Wisconsin County Entry-Level Housing Affordability Index, 2017





Wisconsin County Renter Affordability Index, 2017



The “County Renter Affordability Index” measures whether the median income household can afford the median-priced rental unit.

It is the ratio of median household income in the county to the median rent.

A score less than 100 means the median income household cannot afford the median rent home.

From 2010-2017, this index declined in all but 21 of Wisconsin’s counties.

Thank You