Affordable Housing in Madison

Heather Cherin
Lisa Ellinger
David Reznichek
Arnold Shober

PA 869 – Professor John Witte
Robert M. La Follette Institute of Public Affairs
University of Wisconsin–Madison
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Introduction

The discussions regarding affordable housing in the City of Madison are a microcosm of an ongoing and controversial national debate. The growing scarcity of housing available for the low-income segment of our population is part of a national trend in which the cost of housing is increasing at a rate that is outpacing that of income.

According to recent U.S. Department of Housing and Urban Development (HUD) estimates, since 1996, the number of apartments nationwide that rent for $300 or less (per month) has decreased by 900,000 units. In the same time period, waiting lists for the limited supply of federally subsidized housing increased 50 percent, and the wait for vouchers has climbed up to 10 years in major cities across the nation (*Business Week*, Public Housing Finally Gets it Right, 4/19/99, Issue 3625, p 124).

A record 5.3 million people earn less than $20,000 per year and 12.5 million people are either paying more than half their income in rent or living in substandard conditions. Forty-three percent of renters cannot afford the national median-priced two-bedroom apartment at $576 per month *(Milwaukee Journal Sentinel,* 9/19/99*).* To do so, the wage earner would need to be a full-time employee earning $11.08 hourly, which is more than twice the federal minimum wage.

Our group examined the affordable housing situation in Madison using selected variables from 1990 Census Data (provided by the City of Madison Department of Planning and Development). Specifically, we focused on the supply and demand for affordable housing. We then mapped out where affordable housing exists in Madison with respect to the low-income population. This report describes the methodology for our analysis, our findings, current housing programs and initiatives in Madison, and model housing programs being developed elsewhere. The goal of this report is to establish data and analysis measures that will allow the city to reexamine the state of affordable housing in Madison with the 2000 census data.

Census Variables, Methodology, and Findings

Race, age, and poverty were identified as key demographic variables for the analysis. We determined the stock of affordable housing for three income categories: low household income, moderately low household income, and very low household income. Finally, we identified the mismatches, or affordable housing gap, where the demand for affordable housing exceeds supply. All analysis was based on "block group" level census data, or population groupings of approximately 1,000 people.

Maps depicting the identified block groups are in Appendix A. A more detailed description of the census data variables can be found in Appendix B.

Race

We identified block groups of "high minority concentration," which is defined as three times the city average minority population. The average for the City of Madison is 9.19%; high concentration is 27.57%.

Seven block groups fit this criteria, representing 25% of the city's minority population. Concentration ranged from 31.3% to 52.4% of persons in the block group

Age

We identified block groups of high elderly concentration (65 and over), indicating possible special needs housing. We used the same methodology established for the minority population. In addition, we specified that to be included in our analysis, the block group had to contain a minimum of 100 households.

Three block groups fit this criteria, representing 10% of Madison's elderly population. Concentration ranged from 29.9% to 46.6% of persons in the block group

To filter out the student population, we used young adults (18- to 24-year-olds) as a proxy measure. Block groups where the proportion of young adults relative to the number of persons in the block group exceeded 33% were considered student areas. There were 14 such block groups, representing 57.2% of Madison's young adult population, ranging from 35.4% to nearly 100% of the number of persons in the block group.

Poverty Status

Households receiving public assistance were used as a proxy for poverty. Since students are unlikely to be on welfare, this variable has the advantage of not including the student population, the vast majority of which is considered below the poverty line. This variable is also advantageous because it allows us to see if there are areas where public assistance is being disproportionately targeted. We identified areas of high welfare concentration where the proportion of households receiving public assistance is three times the city average.

Roughly 4,000 households receive public assistance in the City of Madison, or 5.16% of households. Search criteria, therefore, were 15.48% or more of households receiving public assistance and at least 100 households in block group. Ten such block groups were identified, representing nearly 27% of all households receiving public assistance, and ranging from 16% to 36.9% of all households in the block group. Five of these block groups were also identified as areas of high minority concentration.

Households on welfare represent a segment of the population in need of affordable housing. Approximately 11,300 households (14.7%) are below the poverty line, and not all of them are receiving public assistance income. Their low level of income should qualify them for affordable housing as well. To filter out the student population and eliminate the skewing effect it has on the poverty rate, we removed the identified student block groups to calculate an adjusted Madison household poverty rate (8.8%). Using this rate, we then identified areas of high household poverty, again using the three times city average calculation (26.46%) and requiring at least 100 households in the block group. We identified 18 such block groups, 11 of which were student areas. In the seven non-student block groups, the household poverty rate ranged from 27.5% to 34.3%. Four of the seven were also identified as areas of high minority concentration.

Affordable Housing

Our analysis determined the stock of affordable housing for three income categories:

Low household income ($20,000 to $34,999)	13,386 units
Moderately low household income ($10,000 to $19,999)	21,466 units
Very low household income (less than $10,000)	2,047 units

HUD defines rental housing as "affordable" when total cost does not exceed 30% of total income. Applying the HUD definition, for low household income, gross rent (rent plus utilities) ranges from $500 to $750 per month. Gross rent for moderately low income ranged from $200 to $500 per month. For very low income, gross rent is less than $200 per month.

Affordable housing for low and moderately low-income households is plentiful and relatively well dispersed throughout the city. For very low-income households, however, affordable housing is concentrated in nine block groups (with one of these being a student area). The eight non-student block groups contain over half (1,033 units) of the city's stock of affordable units for very low-income households. Only one of these is also an area of high household poverty, as identified above. Five of the block groups are also high welfare concentration and two are high minority concentration.

Affordable Housing Gap

We identified a mismatch where gross rent exceeded 30% of household income. Using this method, we identified 18,479 households that are in non-affordable housing units given their household income. This is 24.1% of all Madison households.

The vast majority of these households (86.2%) fall into the moderately low to very low-income categories. Nearly 40% of mismatched households (7,105) are in student areas.

In ten block groups, excluding student areas, households with very low income in non-affordable units equals or exceeds 25% (as a proportion of all households that rent). Five of the ten are areas of high poverty concentration. Three are areas of high minority concentration.

For moderately low-income mismatches, there is some concentration in 16 block groups, excluding student areas. Moderately low income households in non-affordable units as a proportion of all households that rent equals or exceeds 25%. Only two of these are areas of high poverty concentration and one is an area of high minority concentration. Low-income mismatches are fairly dispersed throughout Madison.

We identified three block groups (excluding student areas), that are areas of concern. In these groups, over 50% of rented units are not affordable for both moderately low and very low-income households. One of these block groups has both high minority and poverty concentration.

We also identified areas of overcrowding, or where persons per room is greater than one. This was evident in 2,048 rented units (5%). These units were not concentrated in any particular area except for one block group which contained over 20% (445) of the city's overcrowded units. This is also an area of high minority and poverty concentration.

Additional Relevant Trends in the City of Madison

There are several trends occurring in the city that could have a serious effect on the future of affordable housing. The population of the City of Madison is growing at a rate slightly slower than that of Dane County. The elderly population is growing (1990 median age was 29.2 years up from 27.6 in 1980), the number of households continues to increase (up 16.4% over ten years), and households are becoming smaller (down .08 people per household over ten years). The city is also growing more diverse in terms of ethnicity. In 1990, 10.5% of the population were non-white or of Hispanic origin, compared to 7% in 1980.

The median income is increasing (estimated at $36,000 in 1993, up from $29,420 in 1990) and the largest increases are occurring in the top and bottom income percentiles. The lowest-income population (earning less than $10,000 annually) percentage is larger in the city than in the county—15% and 11.3% of the total population, respectively. The high-income population (earning more than $50,000 annually) percentage is larger in the county than in the city—23.2% and 25.9% of the total population, respectively.

Madison's poverty rate (6.6% of families) is lower than the national average, and the families are scattered throughout the city with only a few areas of highly concentrated low-income households.

The census figures showed a high correlation between poverty and the following factors: race, ethnicity, household status (i.e., single parent vs. two-parent households), and level of education. For example, while 89.5% of Madison's population is white, only 62.8% of all families below the poverty level are white. Single-parent families with children account for 56.3% of all families in poverty.

Another correlation, which involves the effect of race and family size on housing opportunities, was discovered in a special census study sponsored by HUD. It found that 62% of the 1,400 larger renter families (more than 5 members in the household) experienced cost-related housing problems, due to low income per capita and scarcity of larger rental units. Small families with fewer resources are also constrained by housing choices and constitute a relatively large group within the low-income community.

Further analysis of this data revealed a severe cost burden for the poorest families. Seventy percent of those with incomes less than 30% of the median pay over 50% of their income for housing expenses.

For renters at the lowest income range (50% or below median income) 53.4% of the 0-1 bedroom rental housing units were affordable, 35.9% of 2 bedroom units, and 25% of 3 or more bedroom units. For renters in the moderate-low income range (50%-80% of median income) 95.5% of the 0-1 bedroom rental housing units were affordable, 48.4% of 2 bedroom units, and 45.4% of 3 or more bedroom units.

A similar scenario plays out for the homeowner, where “affordable” is defined as the home value being under or equal to 2.5 times income (again, adjusted for unit size). For those at the lowest income range, 32.9% of the 0-1 bedroom homes were affordable, 27.2% of 2 bedroom homes, and 9.7% of 3 or more bedroom homes. There is better news in the housing market for those at the moderate-low income range, where 61.4% of the 0-1 bedroom homes were affordable, 78.8% of 2 bedroom homes, and 65.1% of 3 or more bedroom homes.

In addition to the affordability concerns, overcrowding and substandard housing were also named as problems in the analysis. Each of these problems result from Madison’s low vacancy rate (5.5%) combined with a tight housing market with increasing assessed values, and a high rate of employment, which lead to a higher market rate for rent. There has also been a change in the nature of the housing supply. Rising land, material, construction, and financing costs have led developers to focus on higher-end housing. This has further contributed to the increasing imbalance in availability of affordable housing.

Housing problems are related to quality (age and condition), cost, and crowding. A 1993 HUD study showed that 34%of Madison households experienced some sort of housing problems. The figure was 83% for low-income households.

One final variable that deserves additional examination, as mentioned, is the impact of the student population on affordable housing in Madison. Students, who are in direct competition with low-income families for particular housing types, have greater purchasing power, and tend to concentrate in the older neighborhoods near campus. Construction of new student housing may create some market opportunities.

The City of Madison – Affordable Housing Goals and Initiatives

The City of Madison has engaged in numerous affordable housing initiatives over the past 25 years. The Community Development Block Program oversees a wide variety of housing initiatives within the city of Madison. In 1981 the city developed a "Fair Share" plan, to create a widespread sense of commitment to providing affordable housing throughout the Madison community. This plan was adopted in 1984 and established targets for the placement of Section 8 (a federal housing assistance program for the poor) construction units and for publicly owned family units.

In 1986 the city implemented a voucher/certificate program, in which it , , in provided funds to help promote the use of federal assistance subsidies. Over the past decade, the city has provided funding to promote alternative forms of ownership (e.g., co-ops, land trusts, rent-to-own, self-help ownership); it has developed housing plans to encourage improvement of existing housing and increase owner-occupancy; and it has encouraged city-county efforts to promote diversity and choice. An example of this last initiative was the creation of the "Scattered Site Acquisition” fund to encourage nonprofits to site affordable housing in non-concentrated areas of the city.

Despite the effort, there is still a shortage of affordable housing in Madison. Following is a description of several of the preeminent programs currently fighting this problem in the city.

The Community Development Block Grant Program

In 1974, the federal government created the Community Development Block Grant (CDBG) program. Its purpose is to help cities and states meet the needs of their low- and moderate-income residents by providing better housing, a suitable living environment, and by expanding economic opportunities. It is meant to foster national objectives while responding to local conditions and strengths. Madison is one of approximately 1,000 cities that administer the program

In the 25 years since its inception, the City of Madison’s CDBG has worked with community organizations and their business partners to use additional funds from HUD, the State of Wisconsin

Division of Housing, and others to broaden the base of activities and better address those original objectives.

The City Department of Planning and Development administers the funds, and major policy is established by the CDBG Commission, the mayor, and the Common Council. The program has a dual focus, with some funds intended for use within specific targeted geographic areas of the city, and other funds intended for programs to help lower income people citywide, or for overall community improvement.

Goals are based upon an assessment of future trends and challenges, and discussions with community agencies and groups, other city agencies and funders. CDBG works with nonprofit, resident, and neighborhood groups, and partners at all levels of government.

The Department of Planning and Development is required by HUD to complete and submit comprehensive five-year plans (named the Neighborhood Development program) as well as 1-year action plan. As they are being developed, the plans are widely distributed throughout the community for comment and public hearings.

Affordable housing is one of the four major goals of CDBG. Specifically, it aims to maintain, improve, and expand the supply of safe affordable and accessible housing throughout the community. The Madison Neighborhood Development program has outlined many activities that are designed to integrate low- and high-income housing, rather than focus on the very low income. In its 1999 report, it has assigned a high priority to:

-Large family renter households (more than 5 members in the household)

- Currently, 72% of "very low" income households pay more than 50% of income for housing. The figure is 15% for low-income households.

-Small family renter households of low income

-Existing very low-income homeowners

-Potential low-income homebuyer households

This initiative will focus on those in the 50-80% median income range (those earning $30,000-46,000 per year), and will attempt to expand housing opportunities beyond the traditional low-value neighborhoods.

-Very low-income elderly renters

Existing high-cost burdens and limited capacity for alternative income make this a particularly vulnerable population. Madison's low-income elderly population is already significantly larger than the national average.

The past activities of the CDBG program have focused on four objectives: to bring existing units into compliance with code, to convert under-utilized properties into low-cost housing, to create new housing for sale and /or purchase options, and to reduce the operating costs of transitional housing space. The 2000-2004 objectives are in line with previous initiatives and focus on existing owner-occupied housing, promoting homeownership, and rental housing. The mission and strategies for these objectives are described below.

With regard to existing owner-occupied housing, CDBG seeks to improve the accessibility, code-compliance, safety, and energy efficiency. They plan to implement a loan program for homeowners and provide financial assistance to nonprofits and developers to construct new housing. The strategy to be employed will use both federal and local resources, will distribute applicable educational literature, and will enlist inspections to promote goals.

CDBG will seek to promote homeownership with particular attention to the development of alternative programs to foster a sense of community and to broaden housing choices for low-income households throughout the Madison community. Again, they plan to use both federal and local resources to assist community organizations in acquiring and/or renovating or building appropriate housing. CDBG will also direct assistance to targeted households to improve their capacity to buy. Finally, it will seek to improve existing regulatory, financing, and partnership methods to foster alternative forms of ownership and housing projects.

The third objective is to improve the accessibility, code compliance, safety, and energy efficiency of existing renter-occupied housing and to create a more diverse supply of renter housing. This is an area of particular need, as 40% of Madison's population is defined by HUD guidelines as being 80% of median income. Within this low-income population, 81.2% are renters.

As with owner-occupied housing, CDBG will provide assistance to encourage nonprofits, private owners, and developers to acquire, rehabilitate, or develop affordable and smaller rental housing properties. CDBG will also provide direct household assistance. In addition to the strategies enlisted in the previous objectives, the program will use resources to promote and broaden housing choices for low-income households throughout the city, possibly involving mix-income housing and for-profit/nonprofit partnerships.

Madison Community Reinvestment Associates

Madison Community Reinvestment Associates was organized in 1992 with the purpose of acquiring, constructing, financing, leasing, and operating qualified, low-income housing to improve the houses, and thus upgrade the neighborhoods. The group is a partnership between the Urban League of Greater Madison, Firstar Bank, and the Wisconsin Affordable Housing Coalition.

They began with a goal to create 40-50 single-family households, and they currently have 27 in operation with four additional units planned for next year. They lease housing to larger, lower-income working households earning 40-60% of the median income, and they provide education, training, and social support to households with respect to responsible home ownership. Homeownership is transferred over a 10-15 year frame. Rents range from $545 to $665 and are raised only when necessary to offset increases in operating expenses.

Key to the success of the program has been the complementary roles played by each of the partners. The Urban League of Greater Madison (ULGM) had the client base and handles customer relations and applicant screening. Firstar Bank had the capacity to finance, and is provided a reasonable rate of return on the investment with tax credit benefits. The Wisconsin Affordable Housing Corporation (WAHC) has real estate experience, monitors the market, and recommends houses suitable for the program. WAHC also handles rehabilitation projects, the appropriate applications for investors' tax credits, and continues to monitor existing purchases for compliance.

In addition to the three founders, the associates work with state and local government entities and business partners for grants and credits. For example, MG&E had provided grants to help with insulating homes and reduce utility costs.

The private-public partnership has capitalized on the assets and resources of each associate. The program has served a diverse population in terms of race, age, household status, assets, and level of income.

Madison Development Corporation

Madison Development Corporation (MDC) is an independent nonprofit that was created by the city in 1997. They focus on lower and moderate-income populations and seek to provide affordable rental housing which promotes a healthy, safe, and respectful environment. Previously, MDC controlled 85 scattered site apartment units, and recently took control of the Madison Mutual Housing Association interests in 176 affordable housing projects.

Due to its nonprofit status, MDC must reinvest surpluses back into the property they manage. This increases the quality, and creates a nicer living environment at an affordable rate. It also has restrictions on the target population for the units. For example, in some of the developments, 20% of units must be available to those earning 50% or less of median income, and the rest of the units must be rented to those earning under 75% of median income. Other units that are eligible for tax credit programs and have different restrictions. The primary funding source for operations is CDBG.

Project Home

The Madison Times recently referred to Project Home as "one of Madison's best kept secrets." (3/17-23/00, page 16). Created in 1972, Project Home specializes in home repairs, modifications, weatherization, and other assistance. Its mission is to improve the quality and affordability of housing for low- to moderate-income families. In addition to funding from CDBG, Project Home receives supports from the Wisconsin Division of Housing, Dane County Human Services, MG&E, Alliant Energy, the Evjue Foundation, Attic Angel Association, and Community Shares of Wisconsin.

In October of 1999, Project Home redefined its mission and chose to focus on property development. It purchased and is rehabilitating a 48-unit property (Prairie Crossing) in the Allied Drive neighborhood.

Madison Area Community Land Trust

The Land Trust was created in 1990 to make homes more affordable. The program separates ownership of the land from the building so the family can own the home and rent the land. This can reduce homeownership cost by 25% and alleviates the homeowner from paying taxes on the land.

This program essentially takes the land off the market so that value is not driven up and if the owner sells the homes, MACLT has the first option to buy it back. The owner can keep only 25% of the increased value of the home, keeping it affordable and allowing the owner to see a return on the investment. To qualify, applicants must earn less than 80% of median income.

The program is funded by CDBG, Wisconsin Housing and Economic Development Authority, and MG&E. Its most recent endeavor is a new development it is building on Troy Drive.

Madison Community Development Authority

Madison Community Development Authority manages 870 units of publicly owned housing, 34 scattered site units, and provides 734 housing vouchers and certificates—primarily to those earning below 50% of median income. It currently has a waiting list of 2,700 families, and it can take anywhere from four months to two years to reach the top of the list.

Affordable Housing Initiatives Elsewhere

The nature of current trends in affordable housing reflects a desire to move away from the federally funded high-rise projects that dominated public housing in the 1970s. The new approach is toward safer, integrated communities, with less government intervention and more local and corporate prominence. The following are some historic examples of such policy, which are just recently beginning to be considered in other parts of the country.

Inclusionary Zoning — Montgomery County, Maryland

The subdivisons in Hallowell, Maryland (Montgomergy County), are much like any other you would find in communities across the nation, with houses selling in the range of $140,000. The difference here is subtle to the casual observer, but important and controversial to the players involved.

In Montgomery County, the public housing authority owns 25 of the townhouses, and moderate-income residents live intermingled among their wealthier neighbors. Such neighborhoods are the result of a program called inclusionary zoning.

The program was launched 25 years ago, in response to the increasing gap that was developing between affluent neighborhoods and the substandard communities of the low-income population. At the time, zoning laws favored high-end development and quality, and affordable housing was becoming scarce. The inclusionary policy confronted both issues by requiring developers to incorporate low-cost housing in new subdivisions. Advocates considered it a natural addition to suburban growth.

There were legalities to consider in mandating such a policy without some compensation for the developers. The policy evolved to address the builders' needs. Ultimately, inclusionary zoning applied to developments of 50 units or more. In these developments, 15% of the units must be priced "affordably." In turn the developer receives a "density bonus" allowing him to build 20% more units than originally permitted. Those units are then sold or rented at a below-market rate for those meeting income requirements. The units are price-controlled for 10 years.

Such units currently make up one-third of the affordable housing in Montgomery County. Some units are sold to moderate-income residents; others are purchased by the county and rented to the very poor. The overall plan eventually became two distinct programs along such economic lines. The first is for the moderate-income homebuyers and renters, who are currently the target of the inclusionary program. The other is more controversial and serves the poorest residents. For the latter program, the Housing Opportunities Commission has aggressively bought the units to use as assisted housing, wherein residents pay 30% of earnings in rent, and the remaining rent is subsidized.

Advocates for the program point to the benefits of economic diversity and adequate supply of affordable housing. It reinforces idea of communities working together to problem-solve and alleviates the need to build public housing (the county hasn't built a public housing project since the launch of the program). Politically it is beneficial because no single community is targeted to absorb an affordable housing project.

Critics call the experiment "ill-advised social engineering." They argue that renters do not have a sense of investment or responsibility to the community. Developers insist that they lose money in this agreement. Others contend the builders make up the difference by being allowed the density bonus, and the fact that developers continue to build is a sign that they can still earn a profit while adhering to the guidelines.

There are considerable tensions in neighborhood relations, and the burden of conflict resolution rests with housing managers (though they try to school tenants in suburban living). Originally, some units were substandard and/or clustered, but developers have gotten better about scattering the units throughout developments. Unfortunately, this makes service delivery and transportation difficult since public transit is lacking.

Changes need to be made to the formula to meet the changing situation. Established price controls are expiring, and much of the federal funding that fueled the program early on has dried up. At the same time, the anti-development movement is gaining strength, which invites the question: Where will new units come from?

Housing advocates need to address the increasing shortage of rental housing. Buildings previously reserved for low-income families are going upscale as their federal contracts expire. Housing resources need to meet the rental crisis and buy up existing older buildings to keep them affordable.

Inclusionary Housing – the California Model

Like the Montgomery County model, the California inclusionary housing program is a citywide or countywide program. Requirements are incorporated in the zoning code, with building permits contingent on the developer's agreement. The developments are scattered throughout the state but tend to be clustered around major cities.

The California model of inclusion developed in response to the housing affordability crisis of the 1970s. Particular to California was an in-migration of workers and a resulting inability to keep up with new housing demand. Development fees increased sharply in conjunction with a decline in federal funding and increased standards for infrastructure. In 1978 the limit on property tax revenues made such development fees attractive.

At the same time, serious growth limitation measures were being put into place. In the end, the inclusionary program grew out of such growth limitation measures. Developers including affordable housing were given priority when issuing building permits.

California statute requires localities to prepare a "General Plan" which covers a five-year duration, and includes a housing element. The plan must make "adequate provisions for the existing and projected needs of all segments of the community" and identify potential housing sites "for all income levels." The impetus of the policy is to enable the community to meet its "fair share" of the region's needs for low-income households. Beyond this statute, there is no legislative mandate, and further requirements are based on the decisions of local government. Localities have adopted these programs voluntarily. But, most add that they have adopted such policies to meet the state's Housing Element law.

Many localities make adherence to the plan mandatory, or make it extremely difficult to develop without complying. Most plans require that 10-15% of units be affordable, provide for various levels of low-income, require similar outward appearance of the units, that they be scattered throughout developments, and have price controls of at least 30 years. Developers can pay a fee in lieu of providing affordable housing.

Incentives offered to developers to encourage their participation include: reduced parking standards, density bonuses, processing assistance, ability to transfer credits among builders, fast-track permit approval, and the relaxation of design restrictions

Advocates argue that inclusionary housing is a rational way to address the housing affordability problem. A primary positive aspect of the program is that it fosters greater economic and racial integration, which leads to new job and educational opportunities—presumably a way to break the cycle of poverty. It also allows governments to sidestep the issue of opposition to location. By including affordable housing in the development process, there is no pre-existing, organized coalition of residents to oppose the measure. The California model is also based on the philosophy of flexible, local control. There has been a renewed interest in this approach in the 1990s.

Critics consider all of this to be government interference. Developers argue that the losses incurred are passed on to consumers, although evidence suggests that additional costs are passed on to the original landowners.

Other problems to confront include the lack of a clear mandate. Without a clear mandate, local governments can impose and enforce such policies subject to political and economic conditions. Programs have been modified or weakened over time, with the developers increasingly able to shape the programs to their liking. With changes in administration, policies have generally gone from strong advocacy for inclusion to anti-regulatory. Staying focused on the original program's intent is contingent upon the locality's commitment to implement and monitor the program.

Finally, there is a tendency to place more emphasis on moderate income at the expense of low-income households. The supply has not kept up with demand.

Tax Subsidies—Orchard Park in Boston

In 1986 President Reagan created the low-income housing tax credit to encourage corporate involvement in the housing crisis. In 1993 Congress made this program a permanent part of the tax code.

States select the projects and in turn, the developers sell the credits to private investors. The money raised becomes equity in the project, and investors get their money back by claiming tax credits. At least 20% of the developed housing must be made affordable to those earning less than 50% of the local median income. Credits can be claimed for a decade, as long as the units are properly maintained.

In Boston, the Orchard Park development is a model case for the tax credit. Tax-subsidized investments, combined with federal grants, helped to convert dilapidated projects into an attractive community of townhouses.

On the positive side, low-income housing tax credit provides incentives for corporations to build and renovate low-income housing. It breaks with failures of previous housing programs and uses minimum government intervention.

The main obstacle is the lack of federal funding problem that has not helped to keep up with demand and progressing affordable housing crisis. For example, when 17 units became available in Orchard Park, 8,000 families applied. One final negative of this program is that it targets low-income households but not the very poor.

Our Suggestions

The main challenges to confront in the City of Madison are the coordination of existing affordable housing programs and regulatory barriers that impede creative approaches to housing problems. Programs advancing the partnerships of private, nonprofit, and public entities should be encouraged and developed. The city should also research the existing models for inclusionary housing, continue to invest in advancing community awareness of affordable housing needs, and consider the expansion of student housing in the campus area.

Continuity of Service Options

One of the biggest problems to confront in the Madison community does not seem to be a general lack of interest in affordable housing, but the amazing proliferation of programs and organizations. Numerous boards, commissions, and committees are currently reviewing affordable housing in Madison. The main issue to consider is the disconnect between these programs. The city's Planning Department does not seem equipped in terms of time or flexibility to increase such coordination. We suggest that the Planning Department consider planning an annual meeting for involved parties to come together and discuss their respective programs. The city may also investigate the possibility of an alternative resource (e.g., a nonprofit organization) to serve as a clearinghouse for available affordable housing programs and benefits.

There also seems to be a lack of coordination between the efforts of the City of Madison and Dane County. Affordable housing is not an issue that recognizes city limits; the problems of the city and the county cannot be separated. In 1999 the county started to receive CDBG funds, and the city's Planning Department has started to meet with county officials. On the homeless front, the city is also part of a consortium that meets monthly to try to coordinate efforts. In addition, the comprehensive five-year plans required by HUD (as well as the one-year action plan) are widely distributed for comment and public hearings. We suggest the city continue to identify and seek out such relationships with county government. A more holistic, regional approach to the issue is appropriate and necessary.

Private, Nonprofit, and Public Partnerships

We also recommend that partnerships of private, nonprofit, and public entities be increasingly encouraged and developed. Madison Community Reinvestment Associates, mentioned earlier in this paper, is an example of such a partnership. This approach marries the diverse skills and resources available in our community. Such programs need to be modeled, expanded, and receive further attention and investment.

Regulatory Barriers

There are many existing regulatory barriers and challenges that need to be addressed. The low level of HUD-approved Fair Market Rents unused in Section 8 and other programs is a major contributing factor to the reduction of housing available to lower income persons. A labyrinth of regulations relate to the use of CDBG funds. Federal dollars are geared toward development costs. In other words, there must be a project in mind in order to get funding. Grants are not available for exploratory research, which hampers localities from creatively pursuing alternatives to existing programs. We suggest the city work with our federal congressional delegation to initiate legislation to improve the program.

In Madison, a report released by the Education Fund of the Wisconsin Women's Network argues that "federal poverty guidelines should be scrapped because they fail to take into account regional variations in the cost of a family's basic needs." (*Wisconsin State Journal*, 4/18/00, p 3B). Currently, "self-sufficiency" standards are based primarily on food prices and do not account for the regional differences in the costs of other basic necessities. Under this system, a family of four making more than $17,050 is defined as above the poverty line. The report states that a family of four (defined as two adults, one infant, and one preschool-age child) in Dane County needs $52,560 annually to provide necessities for the family. Renting expenses were estimated to cost $667 per month. We suggest collaborating with our state legislators to investigate Wisconsin setting its own poverty line, particularly, how this would impact the residents in the city of Madison and Dane County, as well as the political feasibility of such a measure.

Areas of Concentration

We suggest a close scrutiny of the block groups highlighted earlier as areas of concern. We identified three block groups in which over 50% of rented units are not affordable for both moderately low- and very low-income households. One of these block groups has both high minority and high poverty concentration. Currently, CDBG focuses on low-income and moderately low-income residents, but not the poorest of the poor. It should review this policy in conjunction with Community Development Authority to determine whether the neediest populations are being served.

Inclusionary Model

The city has casually discussed inclusionary housing. We suggest that the city consider expanding the current system of affordability restraints on new developers. We also suggest further investment in existing "co-housing" initiatives, in which a small community shares common space (greenspace, community kitchen, recreation facilities), and the properties themselves are smaller than average. This program has been around for at least 10 years, but with minimal funding it has been tough to get it off the ground.

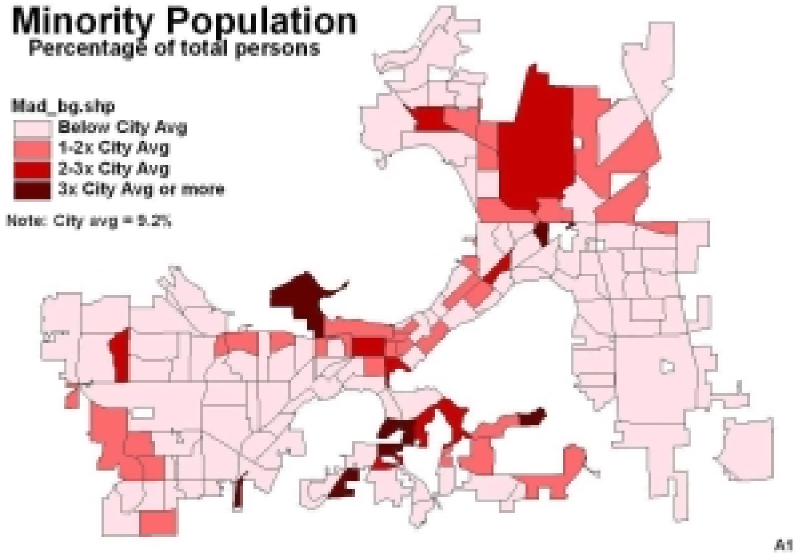
Community Awareness

We suggest further investment in the promotion of community awareness for the demand for affordable housing. Area businesses and banks have expressed interest, and a successful program will need to bring together multiple partners with complementary resources and similar goals. The city needs to continue developing and implementing tax credit and other projects.

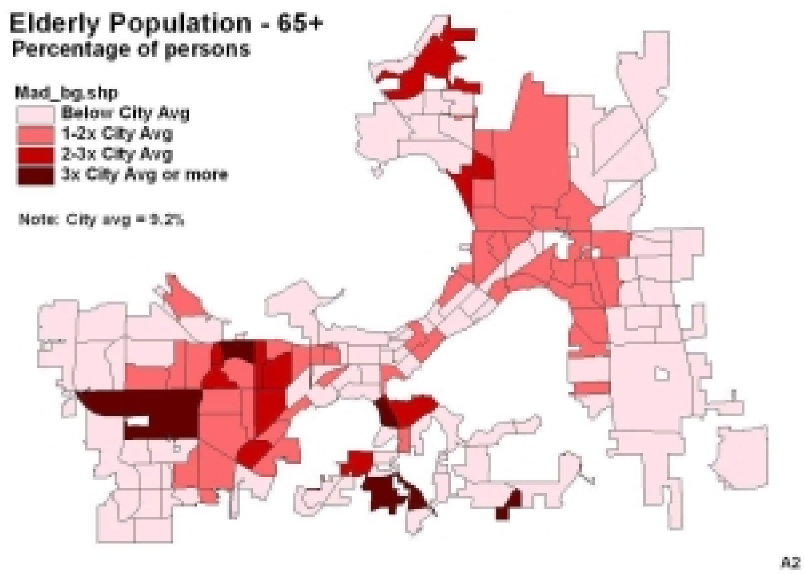
Student Housing

Finally, the construction of new student housing may create market opportunities for low-income renters. The competition between the student population and low-income population for a limited stock of affordable housing is a major problem. There are currently proposals being forwarded by developers interested in building student housing. The city should seriously consider these proposals and the benefits relating to affordable housing for the low-income population.

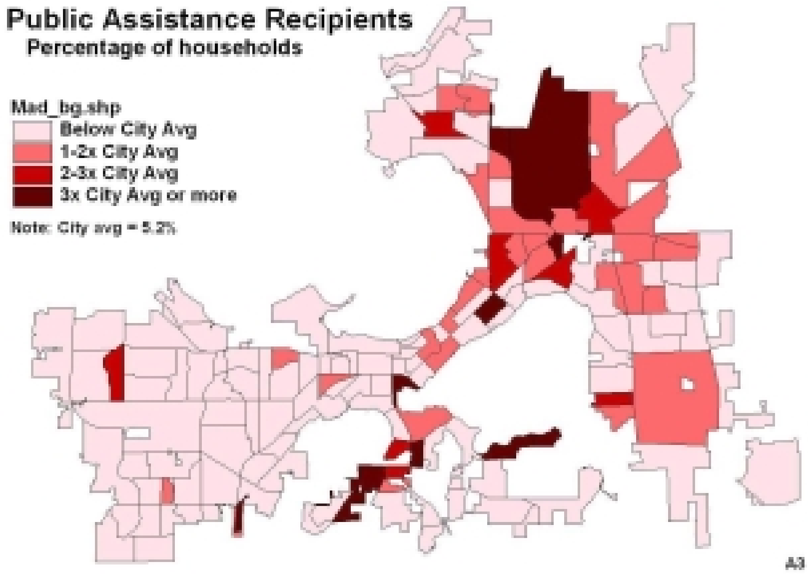
Map A1


Minority Population
Percentage of total persons
Mad_bg.shp
Below City Avg
1-2x City Avg
2-3x City Avg
3x City Avg or more
Note: City avg = 9.2%
A1

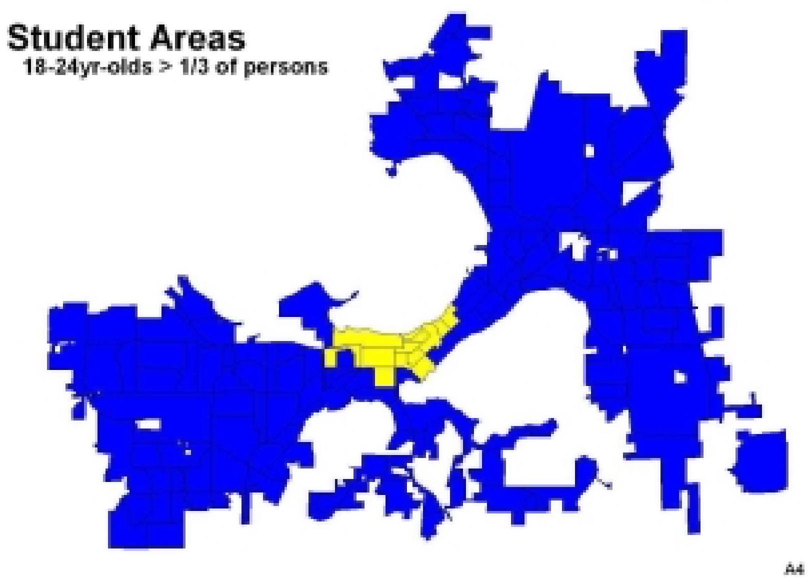
Map A2


Elderly Population - 65+
Percentage of persons
Mad_bg.shp
Below City Avg
1-2x City Avg
2-3x City Avg
3x City Avg or more
Note: City avg = 9.2%
A2

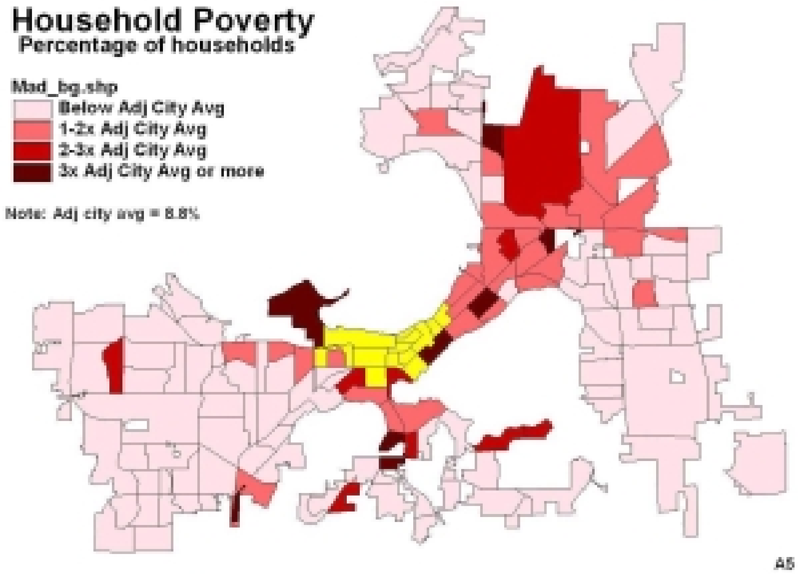
Map A3


Public Assistance Recipients
Percentage of households
Mad_bg.shp
Below City Avg
1-2x City Avg
2-3x City Avg
3x City Avg or more
Note: City avg = 5.2%
A3

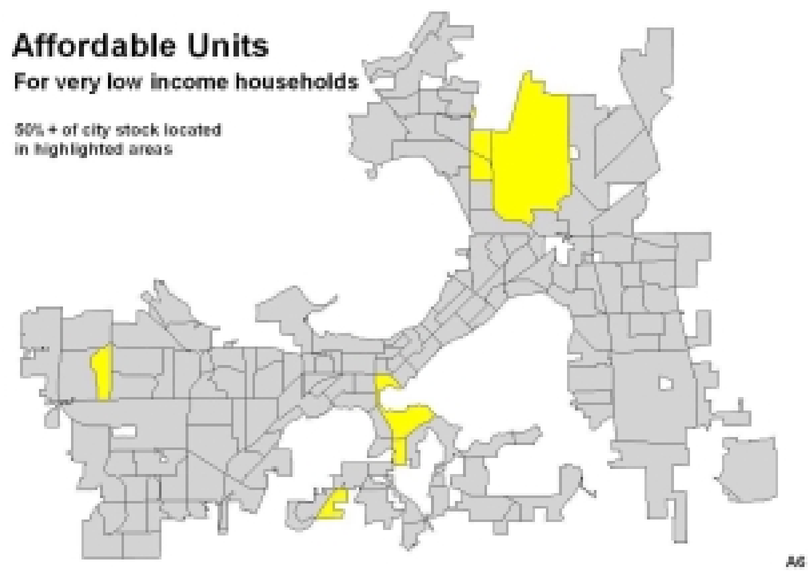
Map A4


Student Areas
18-24yr-olds > 1/3 of persons
A4

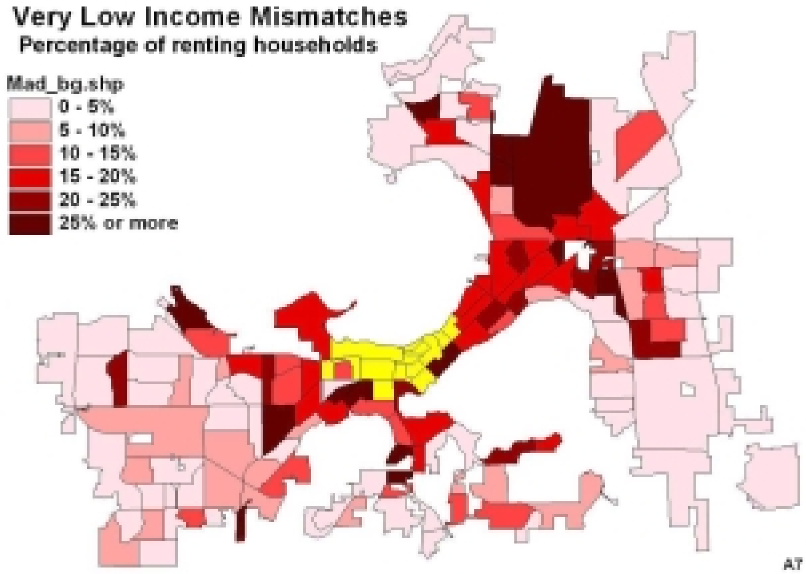
Map A5


Household Poverty
Percentage of households
Mad_bg.shp
Below Adj City Avg
1-2x Adj City Avg
2-3x Adj City Avg
3x Adj City Avg or more
Note: Adj city avg = 8.8%
A5

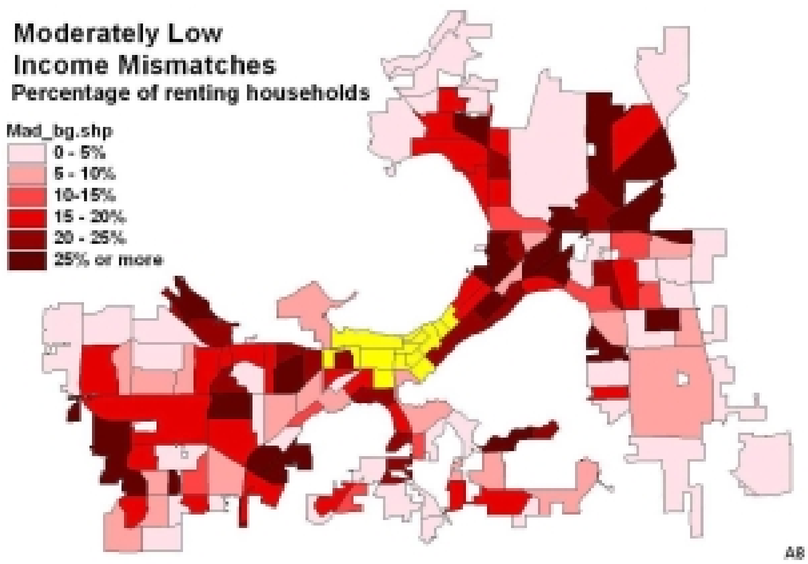
Map A6


Affordable Units
For very low income households
50% + of city stock located
in highlighted areas
A6

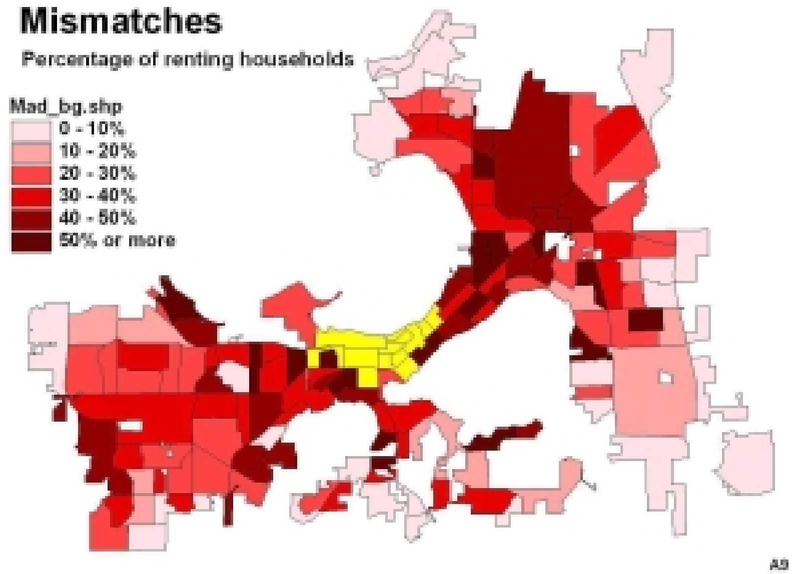
Map A7


Very Low Income Mismatches
Percentage of renting households
Mad_bg.shp
0 - 5%
5 - 10%
10 - 15%
15 - 20%
20 - 25%
25% or more
A7

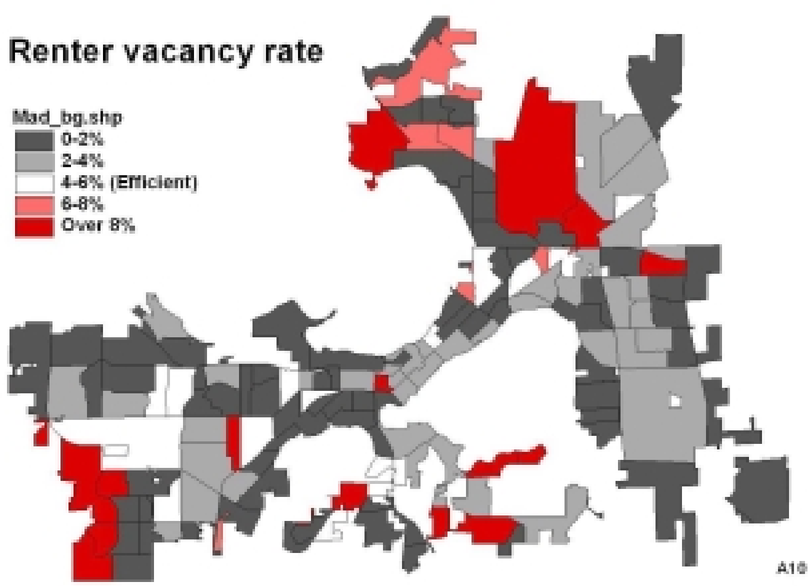
Map A8


Moderately Low
Income Mismatches
Percentage of renting households
Mad_bg.shp
0 - 5%
5 - 10%
10-15%
15 - 20%
20 - 25%
25% or more
A8

Map A9



Map A10



APPENDIX B

Detailed Census Data Description

This analysis uses 1990 block-group level data from Census Summary Tape File (STF-3) for Geographic Information System analysis in EASI's ArcView. We would like to thank Bill Lanier from the City of Madison Department of Planning and Development for his assistance with this data.

The variables used were selected based on their relevance to the housing, income, and race issues explored in this paper. Following are the variables included in the analysis:

-Age
-Race
-Household income
-Public Assistance income
-Ratio of income to poverty level
-Total number of persons
-Total number of households
-Average number of persons per household
-Household type and relationship
-Household type and size
-Residence 5 years prior to census (1985)
-Year householder moved into unit
-Poverty status by age and householder type
-Gross rent
-Gross rent per bedroom
-Gross rent as a percentage of household income
-Value of owner-occupied housing
-Total number of housing units
-Number of vacant housing units
-Vacancy rate
-% of vacants for rent only
-% of vacants for sale only
-% of vacants of all other types
-Number of owner-occupied units
-Number of renter-occupied units
-Average number of rooms per unit (owner only)
-Average number of rooms per unit (renter only)

Two caveats should be taken from these data: first, block-groups have anywhere between 2,000 to 5,000 households in them, so the units are not equal, and all numbers are aggregated to this level. This does not lend itself to precise analysis, but for the purposes of finding housing discrepancies, a somewhat fluid definition anyway, the problem is not crucial.

Care must be taken to remember this, however: "students" are selected out of the data by removing block groups with more that 30 percent of the population between 18- and 24-years-of-age, regardless of the age of the rest of the population in the group. The block groups removed seem coincident with experience, so again, this only serves as a qualification on interpretation of the data. Second: STF-3 is scaled to 100 percent population.

Congressional battles notwithstanding, the Census Bureau does sample population statistically and attempts to extrapolate the "complete" characteristics of a block-group --- especially necessary as only 60 to 65 percent of census long forms (which surveys all housing and income variables) are returned. As of April 23, 2000, only 65 percent of the year 2000 census forms had been returned.*

This generally means that percentages, but especially counts are not the true numbers. They are predicted values, albeit fairly accurate ones.

Block groups were used for the analysis because this level is the lowest available non-sample data the Census Bureau releases due to privacy concerns ("sample" data being a 5-percent sample, for example, as opposed to a 65-percent sample as above). For the purposes of this project, block
groups are sufficient to identify areas of the city with regards to housing, income, and vacancy rates.

**-The New York Times, April 7, 2000, Friday, Late Edition - Final, Section A; Page 21; Column 1; Low Response To Long Form Causes Worry About Census, By STEVEN A. HOLMES*
-The New York Times, April 5, 2000, Wednesday, Late Edition - Final, Section A; Page 16; Column 1; Census Takers Uneasy as Mail Response Lags, By DAVID STOUT

APPENDIX C

Summary Tables of 1990 Census Data

Table C1: Housing

	OWNER	RENTER	TOTAL
Units			
Occupied units	36,332	41,029	77,361
	46.96%	53.04%	
Vacant units	362	1,494	2,686
	13.48%	55.62%	
Total housing units	36,694	42,523	80,047
	45.84%	53.12%	
Vacancy rate	0.99%	3.51%	3.36%
Rooms			
Occupied rooms	232,952	150,979	383,931
	60.68%	39.32%	
Avg. rooms/unit	6.41	3.68	4.96
Size			
0 bedroom units		4,702	11.46%
1 bedroom units		12,730	31.04%
2 bedroom units		16,618	40.52%
3 or more bedroom units		6,964	16.98%
Total specified units		41,014	
Overcrowding			
Overcrowded units	255	2,048	2,303
(Persons per room > 1)	11.07%	88.93%	
% of occupied units	0.70%	4.99%	2.98%

Table C2: Households

	< $10,000	$10,000 to $19,999	$20,000 to $34,999	$35,000 to $49,999	≥ $50,000	TOTAL
All households	11,521 15.03%	13,399 17.48%	20,042 26.14%	13,904 18.13%	17,807 23.22%	76,673
Mean Median	$36,089 $29,423					
Owner households	1,428 3.93%	3,188 8.78%	7,882 21.72%	8,802 24.25%	14,992 41.31%	36,292
Mean	$38,449					
Renter households	10,479 25.55%	10,330 25.19%	12,257 29.88%	5,118 12.48%	2,830 6.90%	41,014
Mean	$22,027					
Households in non-affordable housing units (gross rent as a %-age of household income ≥ 30%)	8,640 46.76%	7,282 39.41%	2,367 12.81%	171 0.93%	19 0.10%	18,479
% of all households	74.99%	54.35%	11.81%	1.23%	0.11%	24.10%
Family households below poverty line						2,673
Nonfamily households below poverty line						8,626
Total households below poverty line						11,299
% of all households						14.74%
Households with public Assistance income						3957
% of all households						5.16%

Table C3: Persons

		% of Pop.
Madison Population	191,262	
Race		
Whites	173,671	90.80%
Minorities (non-whites)	17,572	9.19%
Age		
18 to 24 (student proxy)	42,372	22.15%
65 and over	17,591	9.20%
Residence		
Not in Madison in 1985	57,096	29.85%
Poverty Status		
Below poverty line	28,640	14.97%
Household Size		% of HHs
Small (persons < 5)	72,505	93.72%
Large (5 or more persons)	4,856	6.28%

Note: HH = household

Table C4: Affordable Housing

Affordable Units by Household Income	
< $10,000 (GR < $200/mo)	2,047
$10,000 to $19,999 (GR $200-499/mo)	21,466
$20,000 to $34,999 (GR $500-749/mo)	13,386
Total	36,899
Affordable Units by Household Income and Size of Unit	
< $10,000 (GR < $200/mo)	
0-1 bedroom units	1,329
2 or more bedroom units	718
$10,000 to $19,999 (GR $200-499/mo)	
0-1 bedroom units	13,509
2 or more bedroom units	7,957
$20,000 to $34,999 (GR $500-749/mo)	
0-1 bedroom units	2,165
2 or more bedroom units	11,221

Note: GR = gross rent

NON-STUDENT BLOCK GROUPS ONLY

(18-24yr-olds < 1/3)

Table C5: Housing

	OWNER	RENTER	TOTAL
Units			
Occupied units	35,714	30,912	66,626
	53.60%	46.40%	
Vacant units	355	1,214	2,257
	15.73%	53.79%	
Total housing units	36,069	32,126	68,883
	52.36%	46.64%	
Vacancy rate	0.98%	3.78%	3.28%
Overcrowding			
Overcrowded units	249	1,430	1,679
(Persons per room > 1)	14.83%	85.17%	
% of occupied units	0.70%	4.63%	2.52%

Table C6: Households

	< $10,000	$10,000 to $19,999	$20,000 to $34,999	$35,000 to $49,999	≥ $50,000	TOTAL
All households	6,637	10,608	18,043	13,266	17,419	65,973
	10.06%	16.08%	27.35%	20.11%	26.40%	
Households in non-affordable housing units (gross rent as a %-age of household income ≥ 30%)	4,342	5,328	1,619	74	11	11,374
	38.17%	46.84%	14.23%	0.65%	0.10%	
% of all households	65.42%	50.23%	8.97%	0.56%	0.06%	17.24%
Family households below poverty line						2,499
Nonfamily households below poverty line						3,318
Total households below poverty line						5,817
% of all households						8.82%

Table C7: Persons

		% of Pop.
Area Population	159,442	
Age		
18 to 24 (student proxy)	18,149	11.38%
65 and over	16,801	10.54%
Residence		
Not in Madison in 1985	33,047	20.73%
Poverty Status		
Below poverty line	15,669	9.83%

STUDENT BLOCK GROUPS ONLY

(18-24yr-olds > 1/3)

Table C8: Housing

	OWNER	RENTER	TOTAL
Units			
Occupied units	618	10,117	10,735
	5.76%	94.24%	
Vacant units	7	280	429
	1.63%	65.27%	
Total housing units	625	10,397	11,164
	5.60%	93.13%	
Vacancy rate	1.12%	2.69%	3.84%
Overcrowding			
Overcrowded units	6	618	624
(Persons per room > 1)	0.96%	99.04%	
% of occupied units	0.97%	6.11%	5.81%

Table C9: Households

	< $10,000	$10,000 to $19,999	$20,000 to $34,999	$35,000 to $49,999	≥ $50,000	TOTAL
All households	4,884	2,791	1,999	638	388	10,700
	45.64%	26.08%	18.68%	5.96%	3.63%	
Households in non-affordable housing units	4,298	1,954	748	97	8	7,105
(gross rent as a %-age of household income ≥ 30%)	60.49%	27.50%	10.53%	1.37%	0.11%	
% of all households	88.00%	70.01%	37.42%	15.20%	2.06%	66.40%
Family households below poverty line						174
Nonfamily households below poverty line						5,308
Total households below poverty line						5,482
% of all households						51.23%

Table C10: Persons

		% of Pop.
Area Population	31,820	
Age		
18 to 24 (student proxy)	24,223	76.13%
65 and over	790	2.48%
Residence		
Not in Madison in 1985	24,049	75.58%
Poverty Status		
Below poverty line	12,971	40.76%
Not determined	9,975	31.35%

APPENDIX D

Detailed Block Group Tables for 1990 Census Data

1. Most students fall below the poverty line.

Table D1: Concentrated Young Adults (18-24yr-olds) - Proxy for Student Areas

Block Group #	Total Persons	Young Adults	% of Persons	Household Poverty Rate (%)
82	1,253	589	47.01	28.90
90	1,506	846	56.18	37.23
92	2,230	1,208	54.17	47.14
96	2,951	2,726	92.38	74.97
99	2,944	2,513	85.36	68.62
100	3,605	3,588	99.53	23.53
106	1,550	1,133	73.10	64.80
112	2,337	1,967	84.17	67.93
113	3,095	2,349	75.90	67.25
115	3,272	3,210	98.11	100.00
116	1,613	571	35.40	30.98
119	2,014	1,315	65.29	38.53
122	1,380	884	64.06	42.66
131	2,070	1,324	63.96	25.95
	Total	24,224	(57% of Madison's young adult population)	

2. Poverty is high in areas with highly concentrated minority populations.

Table D2: Concentrated Minority Population

Block Group #	Total Persons	Minorities	% of Persons	Household Poverty Rate (%)
48	648	241	37.19	34.31
65*	3,528	1,849	52.41	27.48
160	1,135	385	33.92	31.20
163	1,815	574	31.63	17.69
166	909	520	57.21	24.00
201	875	274	31.31	21.85
207	1,221	555	45.45	33.41
	Total	4,398	(25% of Madison's minority population)	

* Block Group #65 is the Eagle Heights area where a large number of student families reside along with many foreign students. These students are primarily older graduate students and consequently are not picked up in our proxy for students (18-24yr-olds).

Table D3: Concentrated Elderly Population (65+)

Block Group #	Total Persons	Elderly	% of Persons
124	1,968	917	46.60
147	1,874	560	29.88
152	853	263	30.83
	Total	1,740	(10% of Madison's elderly population)

Note: Block groups were excluded if they contained less than 100 persons

3. Areas where welfare recipients are concentrated have large minority populations.

Table D4: Concentrated Public Assistant Recipients

Block Group #	Total Households	Receiving Public Assistance	% of Households	Minorities as % of Persons
28	633	134	21.17	17.61
33	521	91	17.47	23.65
48	239	83	34.73	**37.19**
75	521	90	17.27	13.08
137	508	127	25.00	25.31
163	780	125	16.03	**31.63**
166	350	129	36.86	**57.21**
177	328	54	16.46	12.47
201	357	86	24.09	**31.31**
207	458	133	29.04	**45.45**
	Total	1,052	(27% of Madison's assisted households)	

Note: Block groups were excluded if they contained less than 100 households

4. Areas where poverty is concentrated have large minority populations.

Table D5: Concentrated Household Poverty (uses adj city Avg)

Block Group #	Total Households	Below Poverty Line	% of Households	Minorities as % of Persons
28	633	181	28.59	17.61
48	239	82	34.31	**37.19**
65*	1,230	338	27.48	**52.41**
75	521	144	27.64	13.08
108	1,039	315	30.32	13.17
160	532	166	31.20	**33.92**
207	458	153	33.41	**45.45**
	Total	1,379	(12% of Madison's poor households)	

Note: Excludes students areas and block groups containing less than 100 households

* Block Group #65 is the Eagle Heights area where a large number of student families reside along with many foreign students. These students are primarily older graduate students and consequently are not picked up in our proxy for students (18-24yr-olds).

5. Housing tends to be most affordable where poverty is high and the minority population is substantial.

Table D6: Most Affordable Units (for very low income households)

Block Group #	Total Rental Units	Most Affordable Rental Units	% of Rental Units	Household Poverty Rate (%)	Minorities as % of Persons
28	448	163	36.71	**28.59**	17.61
33	171	90	50.85	24.18	23.65
35	252	60	23.81	14.12	10.92
117	245	123	49.80	21.81	21.31
137	617	321	55.06	25.00	25.31
153	429	135	30.89	10.89	8.74
166	262	81	31.15	24.00	**57.21**
201	320	60	19.23	21.85	**31.31**
	Total	1,033	(50% of Madison's most affordable units)		

Note: Excludes student areas and block groups containing less than 100 rental units

6. Since high minority concentration is associated with high rates of poverty, the affordable housing gap disproportionately impacts impoverished minorities.

Table D7: Very Low Income Mismatches

Block Group #	Total Rental Units	Mismatched Rental Units	% of Rental Units	Minorities as % of Persons
28	448	117	26.35	17.61
33	171	72	40.68	23.65
35	252	75	29.76	10.92
48	215	52	26.40	**37.19**
77	135	45	31.69	5.99
108	972	307	31.10	13.17
132	123	52	41.94	2.66
136	334	107	28.31	4.15
160	412	122	29.54	**33.92**
207	460	120	27.59	**45.45**

Note: Excludes student areas and block groups containing less than 100 rental units

7. Since Madison's minority population is more likely to be dispersed where incomes are higher, the affordable housing gap exists more equally along racial lines for incomes above the poverty line.

Table D8: Moderately Low Income Mismatches

Block Group #	Total Rental Units	Mismatched Rental Units	% of Rental Units	Minorities as % of Persons
26	191	54	28.57	9.86
35	252	63	25.00	10.92
36	317	79	25.08	10.82
43	371	101	27.37	9.43
48	215	61	30.96	**37.19**
56	282	77	25.16	2.76
59	721	181	25.56	11.86
61	237	79	32.92	4.98
63	368	100	25.91	6.74
75	420	136	29.06	13.08
77	135	44	30.99	5.99
87	139	53	41.09	1.30
145	112	29	28.71	2.42
174	752	232	28.12	11.87
175	247	74	27.92	4.40
177	136	36	26.09	12.47

Note: Excludes student areas and block groups containing less than 100 rental units

8. The affordable housing gap does not exclusively affect racial minorities. In addition, the affordable housing gap is greatest where the rental market is tight (i.e., where the vacancy rate for renters is below the “efficient” rate of 5%).

Table D9: All Mismatches

Block Group #	Total Rental Units	Mismatched Rental Units	% of Rental Units	Minorities as % of Persons	Vacancy Rate Renters (%)
35	252	138	54.76	10.92	1.18
48	215	113	57.36	**37.19**	6.93
53	279	185	58.18	9.04	1.06
61	237	127	52.92	4.98	4.44
75	420	237	50.64	13.08	1.87
77	135	93	65.49	5.99	2.88
87	139	71	55.04	1.30	3.47
108	972	565	58.36	13.17	3.76
111	156	70	50.72	1.75	0.64
114	215	99	53.00	6.25	4.02
120	129	73	54.89	2.62	0.00
136	334	208	57.41	4.15	1.18
160	412	215	52.06	**33.92**	5.94
177	136	74	53.62	12.47	8.11

Note: Excludes student areas and block groups containing less than 100 rental units

Map D10