

Comprehensive Housing Market Study and Needs Analysis

for Presentation of DRAFT Recommendations

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 NOVOGRADAC & COMPANY LLP

About Novogradac & Company LLP

Novogradac & Company LLP is a national certified public accounting and consulting firm with **nearly 30 offices nationwide**. Our clients represent a broad range of industries, with a major emphasis in the **real estate sector**. We provide publicly and privately held national enterprises with a full spectrum of audit, tax, valuation, expert witness and litigation support, property compliance and general consulting services and we work extensively in the affordable housing, community development, historic preservation and renewable energy fields.



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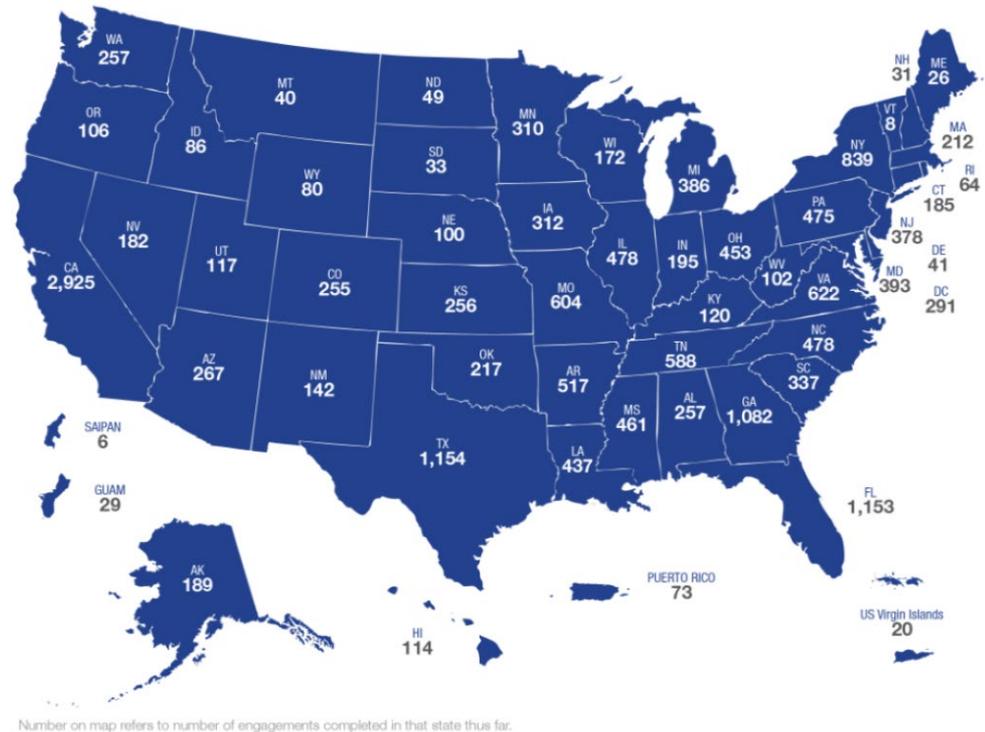


Industry experts, speak at a variety of national and local events, conduct webinars, etc.

The GoVal Group of Novogradac

The Government Consulting and Valuation Advisory (GoVal) Group of Novogradac provides valuation services including city, area, or county-wide housing need analysis, market study and appraisal services for market rate and affordable housing properties, both for sale and rental, GIS and demographic analysis, feasibility analysis, and rent comparability studies throughout the country. The GoVal Group performs approximately **1,800 market studies and appraisals per year** and since 2003 over nearly 20,000 reports have been completed nationwide. Reflecting this experience, the firm maintains client relationships with the leading housing sponsors in the industry.

APPROXIMATELY 19,000 ENGAGEMENTS COMPLETED



Personal Background & Tenure



- Graduated from Cornell University in May 2003
 - B.S. Degree in Urban and Regional Studies
- Tenure at Novogradac and Professional Licensing

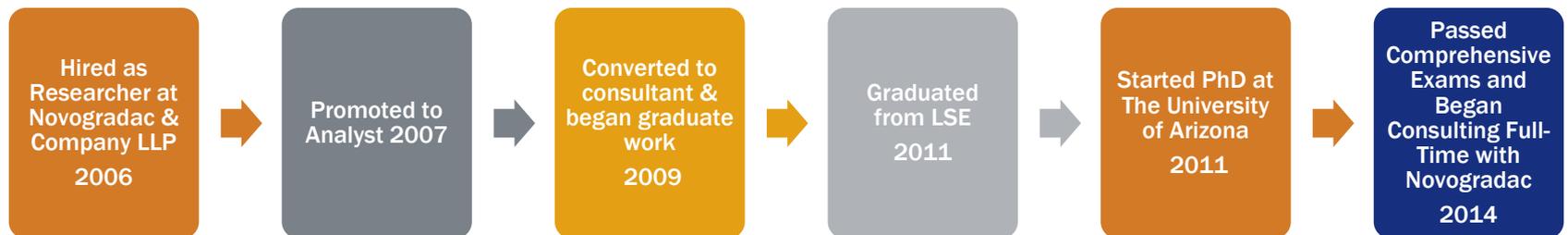


- Currently maintain licenses in a dozen states and am involved with local chapter of Appraisal Institute and former Board member of the Kansas City Commercial Real Estate Women organization

Personal Background



- PhD (All But Dissertation) in Sociology with specialization in Methodology/Statistics, Organizations/Networks, and Public Administration
- 2011 – Dual Master’s Degrees in Social Policy & Planning and Comparative Politics (States & Markets) from the London School of Economics and Political Science
- 2006 – Present, Employee or Consultant with Novogradac & Company LLP



Summary of Project

- **Data Collection**
- **Community Questions**
- **Recommendations**

Community Questions

1. What are the current demographic and economic characteristics of households living in Shorewood?
2. What can Shorewood expect with respect to changing demographic and economic characteristics in the next 2-5 years? 10 years? 15 years?
3. What are the current housing characteristics in Shorewood, including owner-occupied vs. renter-occupied, age and condition, size, including number of bedrooms, and price range.
4. What is the nature and extent of housing demand in Shorewood, including residents currently living in Shorewood and nonresidents who may want to live in the community?
5. What aspects of housing demand does Shorewood's supply currently not meet, such as affordable, accessible, price, size, number of bedrooms, special/supportive needs.
6. How are the following groups impacted by current and future housing market demand: Seniors, Families, Persons with Special Needs, Students, and Young Professionals.
7. What impact, if any, has development within the past 10 years had on the housing market of the community?
8. What impact, if any, does short term rental (such as AirBnb) have on our housing market.
9. Are there barriers/opportunities or interest in Accessory Dwelling Units, Micro Apartments, Co-housing or Home-sharing?
10. What aspects of our supply or market demands might lead towards tear-downs?

Data Limitations

- A general note on secondary data
 - More often than not are based on sample, not population
 - Estimates have margins of error (MOE), for example, the 2013-2017 ACS data indicates that Shorewood has 6,344 housing units with a MOE of 198 at a confidence level of 90%. This means that we can say with 90% confidence that the actual number of housing units in Shorewood is between 6,146 and 6,542 with an estimate of 6,344.
 - Negative correlation between sample size and MOE
- American Community Survey
 - Strengths: most widely used data set, generally reliable
 - Weaknesses: for places < 20,000 people → 5-Year Estimates (vs. 1-Year) and estimates are based on a sample, not a survey of the entire population
- Final caution – be careful when trying to compare estimates across different data sets.

Demographics Takeaways

What makes Shorewood unique?

- **Population by Age**
 - Shorewood has a large representation of young adults (20 – 34 yrs); ~12.2% of population enrolled in college/grad school
 - The number of persons enrolled in college/grad school has not increased over time
 - Senior population growth will outpace general population growth
- **Household Type**
 - Nearly half of Shorewood households are nonfamily households
- **Household Size**
 - Average household size in Shorewood is smaller than national average
- **Median Household Income**
 - Higher than that of the MSA, state, and nation
 - BUT, Lower than that of comparable surrounding communities such as Wauwatosa and Whitefish Bay
 - Owner median household income in Shorewood however is similar to that of WFB and higher than Wauwatosa
 - There are more renters in Shorewood than these comparable communities & median renter household income in WFB > median renter household income in Shorewood – why? Largely because of the River Park property
- **Projections**
 - Population is projected to remain relatively stable, households are projected to increase slightly, and as such the average household size is projected to decrease slightly through 2040

Housing Takeaways

- **Shorewood is increasingly becoming a renter community**
 - Typical renter profile: nonfamily householder living alone (15-34; 65+)
 - Typical owner profile: married couple family households (35-64 yrs)
 - The majority of lower income households in Shorewood are renters, particularly extremely low income households
- **Housing costs are relatively high and rising**
 - Median home value rose from \$288,700 to \$330,800 (2008-2012 v. 2013-2017)
 - Median gross rent rose from \$846 to \$948 (2008-2012 v. 2013-2017)
- **Cost Burdened Households**
 - When compared to other areas, Shorewood is doing similar to better
 - However, within Shorewood 31.2% of all households are cost burdened. The majority of cost burdened households are renters (61% of cost burdened; 70% of severely cost burdened), BUT, moderate income and below owner households are more likely to experience this hardship.

Housing Takeaways

- **Shorewood has formal affordable housing units at:**
 - River Park, Section 8 (427 units)
 - Lighthouse 4041, 60% AMI (17 units, 20% of building)
- **Shorewood also has some naturally occurring affordable housing units, particularly in some of the smaller older buildings and for smaller unit types.**
- **However, demand gap analysis showed that there is a shortage in both affordable AND affordable and available housing units for many renters and owners, the magnitude of the gap depends on household income and tenure**

Housing Gaps

- **Senior friendly housing**
- **Updated move-in ready supply**
- **Energy efficient supply**
- **Housing for persons with special needs**
- **Affordable housing – rental and owner**

Recommendations

1. What types of housing (i.e. owner occupied, rental (market rate or affordable), assisted, elderly, special needs, work-force, student, young professional, etc.) will not be met by supply in the short, medium, and long term.
2. What types of housing, if any, could be pursued and supported, and what barriers currently exist to their development.
3. What housing demands will likely not be met without intervention, subsidy, incentives, innovative programs, code revisions, etc.
4. What types of programs, established as well as new and innovative, could Shorewood seek/provide for the development and/or redevelopment of necessary housing, including examples from comparable communities.

1. What types of housing will not be met?

Affordability gaps that exist now will likely worsen. Why? Basic economics.

Demand is expected to continue to rise

- Shorewood's walkability, proximity to various labor markets, and good schools make it a desirable place to live
- Mortgage interest rates are not projected to rise until 2022 and even then only an average rate hike (up to 4.1%) is currently projected

(Mortgage Bankers Association)

Supply

- Absent additions to supply, housing costs will continue to rise
- BUT – adding supply is necessary but not sufficient to addressing gaps

2a. What types of housing could be pursued and supported?

- Existing Housing Stock
 - Energy efficiency upgrades
 - Senior friendly modifications
 - Infill construction and redevelopment
- New Housing Stock
 - Condominium project
 - Rental project
 - Mixed-use project
 - Affordable housing project, owner or rental
 - Accessory Dwelling Units (ADUs)
 - Co-housing options

2b. What barriers exist to their development?

- Lack of available land
- Zoning regulations
- Construction costs
- Public opinion

3. What housing demands will likely not be met without intervention, subsidy, incentives, innovative programs, code revisions, etc?

- Affordable housing units (exception: naturally occurring affordable units)
- Housing for persons with disability under 55 years of age
- Wide scale energy efficiency upgrades

4. What types of programs, established as well as new and innovative, could Shorewood seek/provide for the development and/or redevelopment of necessary housing?

- **Existing Housing Stock**
 - Energy efficiency upgrades
 - Senior friendly living modifications
 - Duplex to flat conversions
- **New Housing Stock**
 - TIF district
 - Density bonus
 - Zoning reform
 - Local Housing Trust Fund
 - Impact fee program

TIF District

- **Description:** tool used to spur development or redevelopment in a particular area, widely used in Wisconsin
- **Uses:** Blight, rehabilitation/conservation, industrial, mixed-use, environmental remediation
- **Strengths:**
 - In successful TIFs, the municipality investment is repaid
 - Has potential for long-term gains on tax rolls
 - Incentivizes investment where the market alone otherwise may not
 - Has potential to add affordable units as part of the agreement
- **Weaknesses:**
 - No guarantee
 - Foregone taxes while TIF is open may shift tax burden
 - Can have less transparency and accountability than traditional general fund expenditures

Density Bonus Ordinance

- **Description:** Voluntary incentive-based tool that allows developer to build additional units above the base maximum permitted density or on a larger footprint in exchange for setting aside a certain number of units as affordable. The additional cash flow from the additional units offsets the reduced revenue achieved by the affordable units. Bonus varies widely by municipality.
- **Best Location:** along commercial and public transit corridors
- **Strengths**
 - Flexibility in program structure can allow for substantial or incremental approach to adding supply
 - No significant additional direct cost to municipality once the ordinance is established
 - Proven incentive-based tool for adding affordable housing units
- **Weaknesses**
 - Higher density can be unpopular among existing residents particularly in areas that have historically been low-density municipalities

Zoning Reform

- **Description: Modernize zoning regulations, for example:**
 - Upzoning: allow for triplex and four-plex construction, Accessory Dwelling Units (ADUs), and/or co-housing as conditional use in one and two-family zone
 - Loosen parking requirements for specific types of housing, for example age-restricted properties, units for low to moderate income households, or units located along transit lines.
- **Strengths**
 - Incremental approach to increasing housing supply
 - Increase in supply in theory will lead to a decrease in housing prices, or at a minimum a decrease in the growth of housing prices
 - Has potential to retain oversight through conditional use permitting process
- **Weaknesses**
 - Typically lacks public support
 - Increased pressure on public facilities and infrastructure which may not be able to handle the additional usage

Local Housing Trust Fund

- **Goal:** To provide affordable housing units
- **Potential funding sources:**
 - Municipal general fund
 - Developer impact fees
 - Commercial linkage fees
- **Strengths**
 - More flexibility in affordable housing policy and goals
- **Weaknesses:**
 - Administrative costs
- **Examples:** Milwaukee Housing Trust Fund

Recommendations - Takeaways

- **What is the ultimate goal?**
 - Eliminate housing gaps?
 - Diversify housing stock?
 - Prevent displacement?
 - Increase tax levy for the Village?
 - Maximize the aggregate valuation in the Village?

- **Some projects of course can accomplish multiple goals**

Recommendations - Takeaways

Assuming the goal is to address housing gaps, we recommend the following:

- **Existing Housing Stock Programs**
 - End duplex conversion program
 - Add energy efficiency program
 - Add senior friendly modifications program
 - Continue downpayment assistance program

- **New Housing Stock**
 - New condominium project with some incentive, TIF or voluntary such as density bonus, for some affordable set aside
 - Adding supply will help control rising owner-occupied housing prices
 - Adding supply will allow for a levy increase for the Village which can only be done through net new construction (or referenda)
 - Adding supply will increase the aggregate assessed valuation of Shorewood, which has potential to decrease property taxes
 - Provides a more affordable owner option to single-family homes/duplexes
 - Provides more senior-friendly housing stock that is still owner-occupied
 - Can get some affordable units through an incentive program

 - IF you do another rental project, consider a project with formally set-aside affordable housing units.

 - Ease zoning rules to allow for Accessory Dwelling Units and Co-Housing options, even if only through an overlay district or as a conditional use rather than permitted by right use

 - Ease zoning in one and two-family zoning districts to allow for tri and four-plexes

Questions?

Comments (Deadline: January 26th)

<https://www.surveymonkey.com/r/ShorewoodHousingComments>