

Affordable Housing Market Study

Findings & Recommendations

Public Meeting
4/14/2021

Presentation Outline

Background Information

General Findings

Rental & Owner Findings

Demand Projections

Recommendations

Study Process



Major Data Sources:

American Community Survey



HUD Comprehensive Housing
Affordability Strategy



Multiple Listing Service



Community Insight





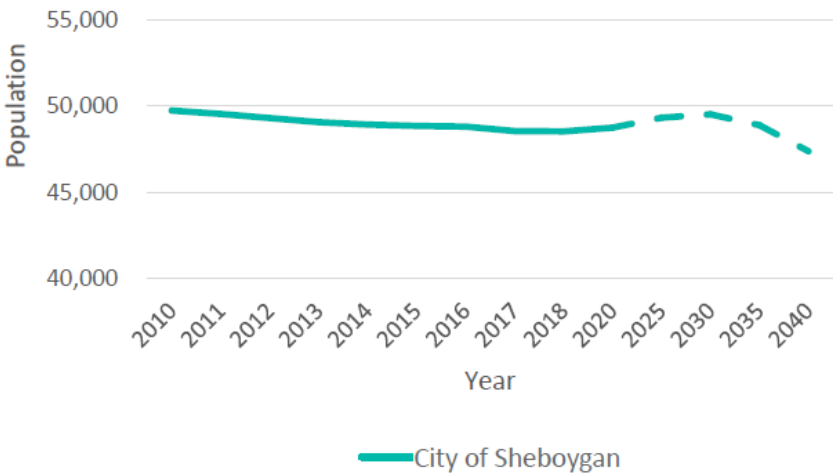
General Findings

Background

Historic Population Change

Municipality	2010-2020 Population Change	% Change Over Decade
City of Sheboygan	-978	-2.0%
City of Plymouth	343	4.1%
City of Sheboygan Falls	788	10.4%
Village of Kohler	32	1.6%
Sheboygan County	1,596	1.4%

Projected Population Change

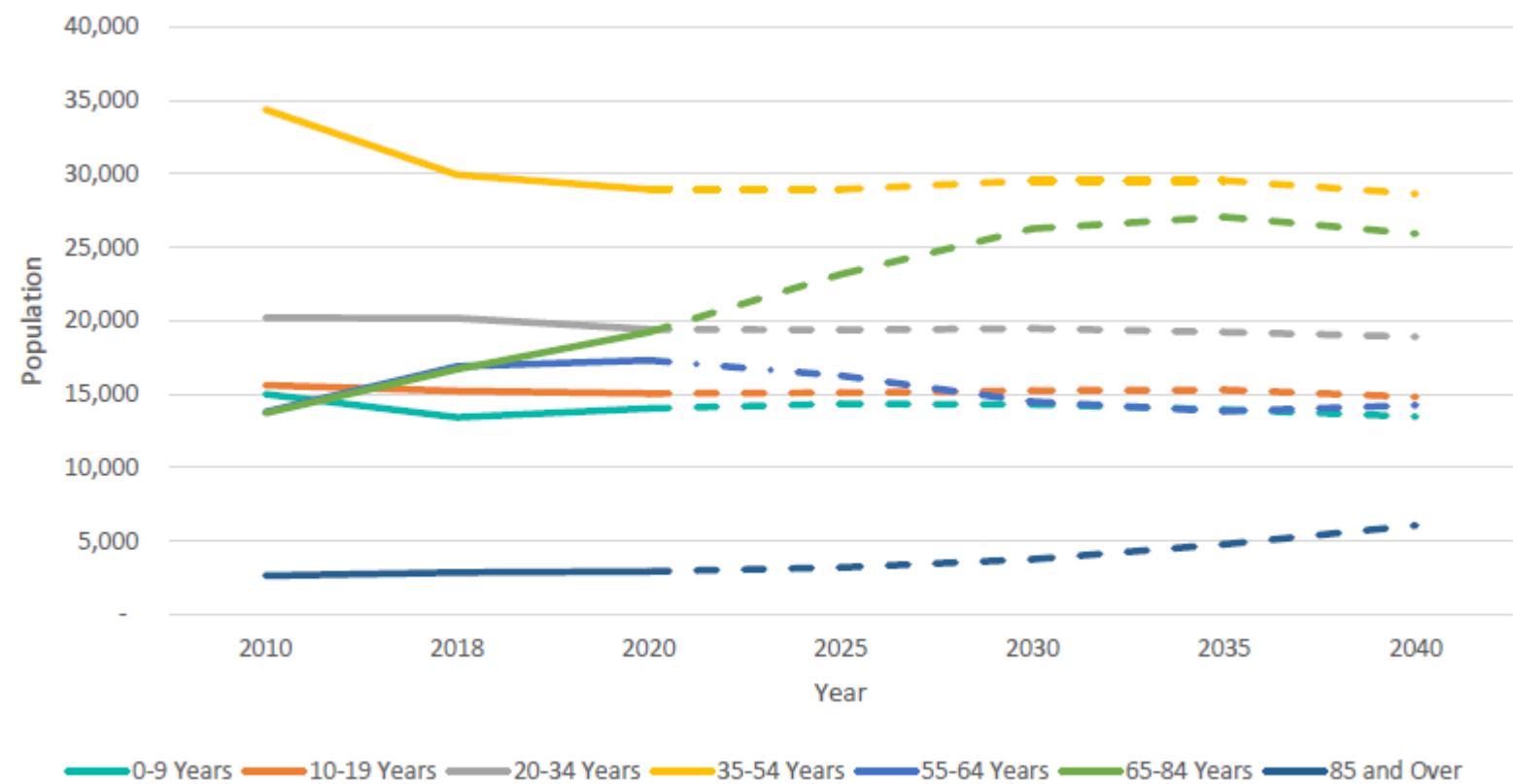


Sheboygan Population Projections	2025	2030	2035	2040
DOA Projection	49,317*	49,513*	48,894*	47,389*

*Adjusted based on 2020 actual DOA population estimates

Background

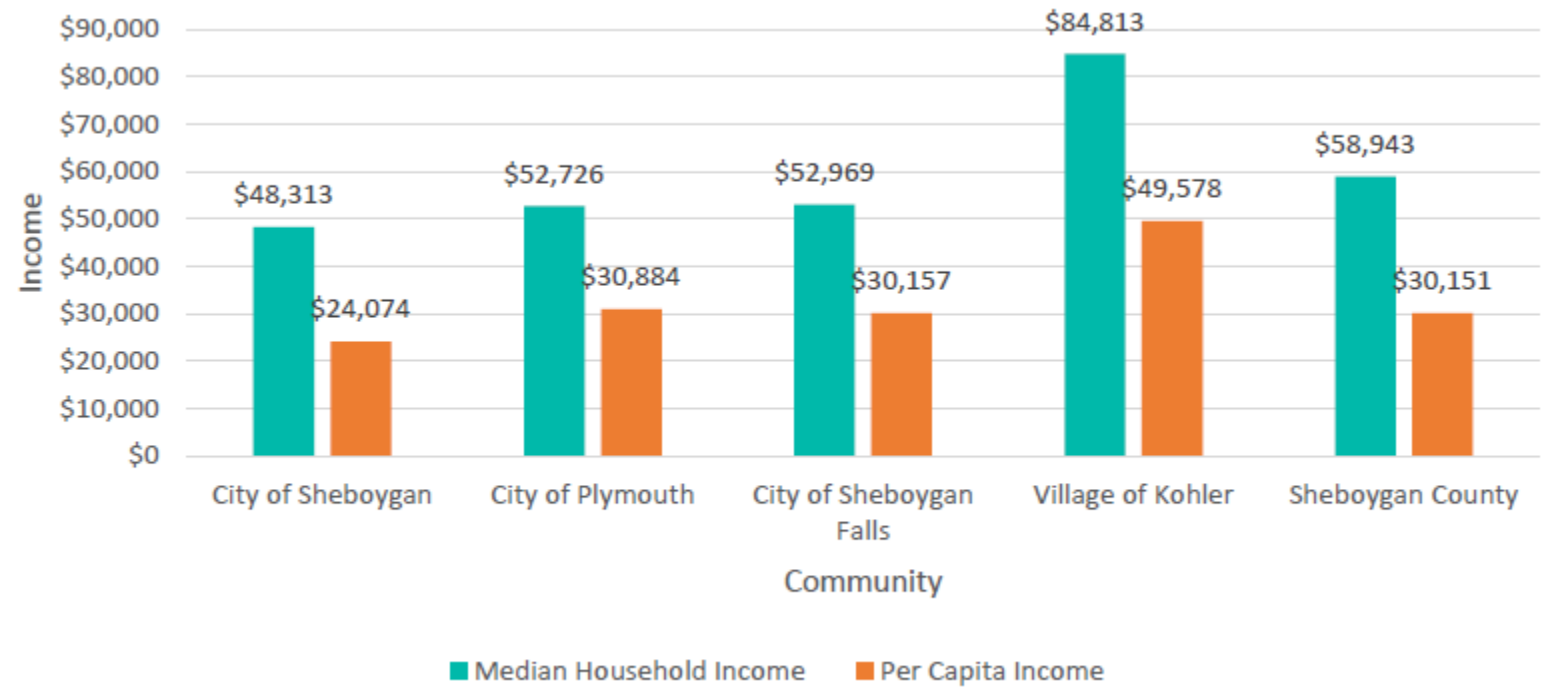
Age Cohort Projections-County



Background

- Many residents face income limitations – lower wages than studied surrounding communities, county
- Employment growth is projected to be +4% in the Bay Area region between 2018 and 2028.

Median & Per Capita Income



Background

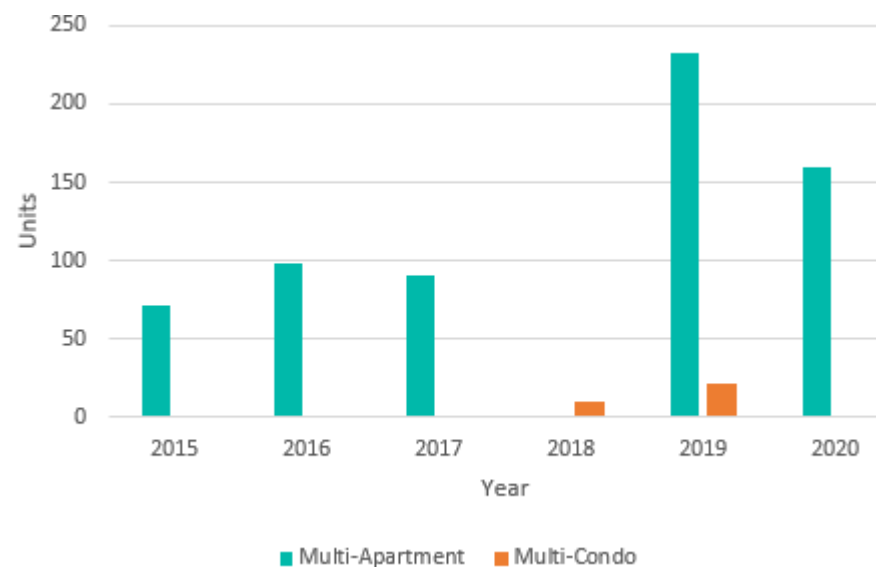
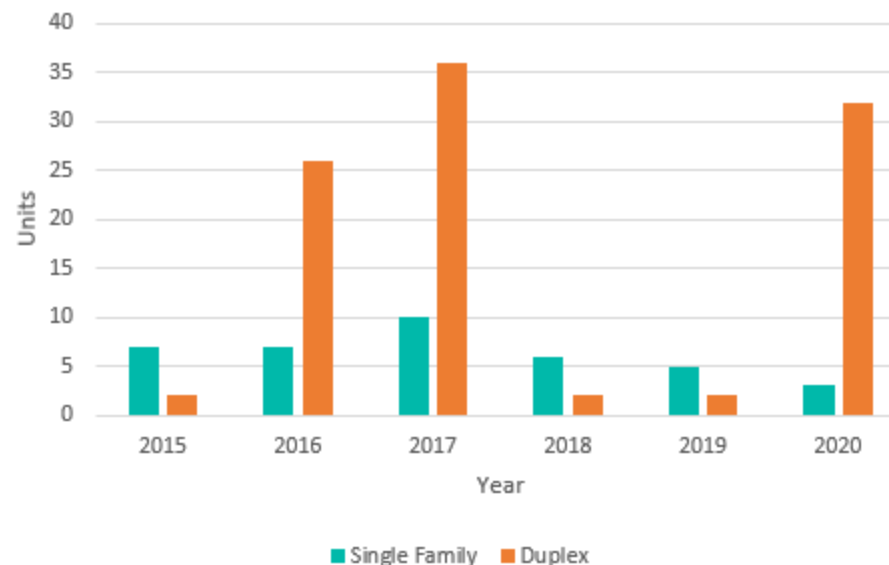
2018-2028 Employment Projections

Occupation	2018-2028 Annual Bay Area Openings due to Growth	Median Salary
Personal Care and Service Occupations	254	\$23,490
Transportation and Material Moving Occupations	214	\$35,010
Management Occupations	210	\$101,940
Construction and Extraction Occupations	181	\$50,380
Healthcare Practitioners and Technical Occupations	164	\$65,770
Computer and Mathematical Occupations	151	\$69,640
Business and Financial Operations Occupations	138	\$62,950
Installation, Maintenance, and Repair Occupations	92	\$47,880
Heavy and Tractor-Trailer Truck Drivers	83	\$48,750
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	71	\$61,050
Laborers and Freight, Stock, and Material Movers, Hand	60	\$38,480
Healthcare Support Occupations	76	\$25,840
Building and Grounds Cleaning and Maintenance Occupations	66	\$26,930
Food Preparation and Serving Related Occupations	69	\$21,820
Sales and Related Occupations	76	\$26,690
Community and Social Service Occupations	71	\$44,650
Registered Nurses	64	\$68,780
Architecture and Engineering Occupations	53	\$76,080
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	31	\$26,650
Accountants and Auditors	26	\$63,000

General Housing Characteristics

- 56% of homes in Sheboygan are detached, single-family
- 80% of Sheboygan homes were built prior to 1980
- Development of new single-family homes has remained low, while new multi-family units have significantly increased

Building Permits 2015-2020





Rental Market

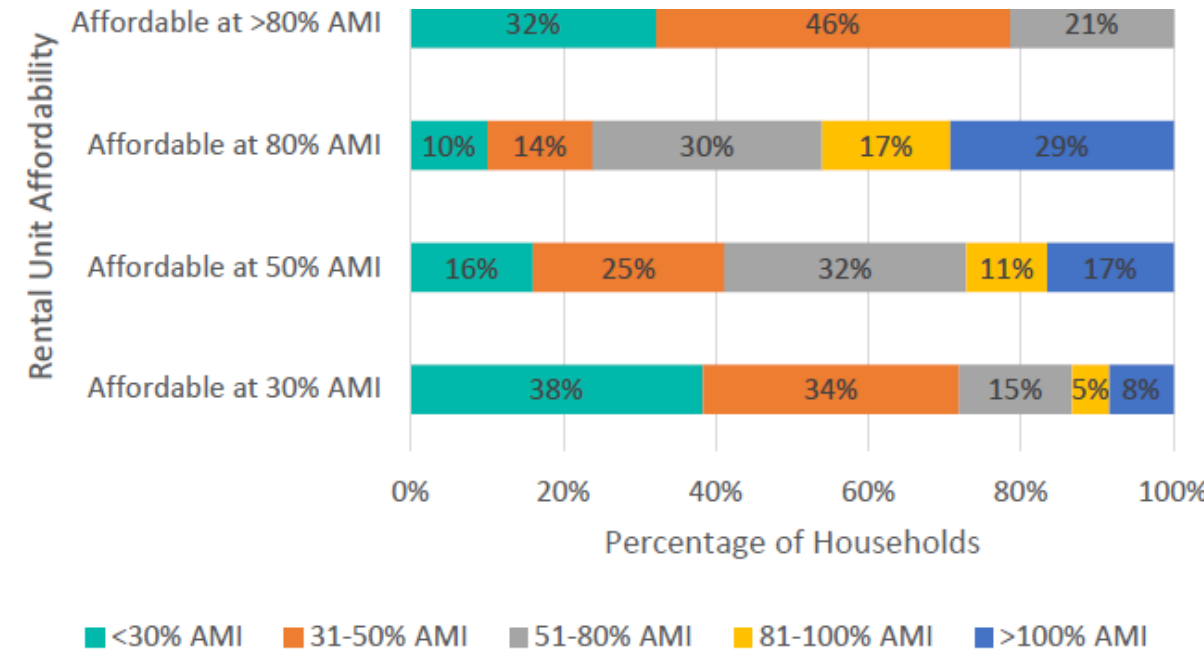
Rental Market Findings

- 39% of housing stock in the City is rental units
- 50% of rental units are considered affordable for a household earning median income
- 33% of renter households in Sheboygan are cost burdened
- Higher income households have been “renting down” in the market

Rental Unit Mismatch

Income Level	Rental Units Available	Renter Households	Over-/ (Under-) Supply
0-30% AMI	1,800	1,705	95
31-50% AMI	5,210	2,200	3,010
51-80% AMI	1,320	2,335	(1,015)
>80% AMI	140	2,215	(2,075)

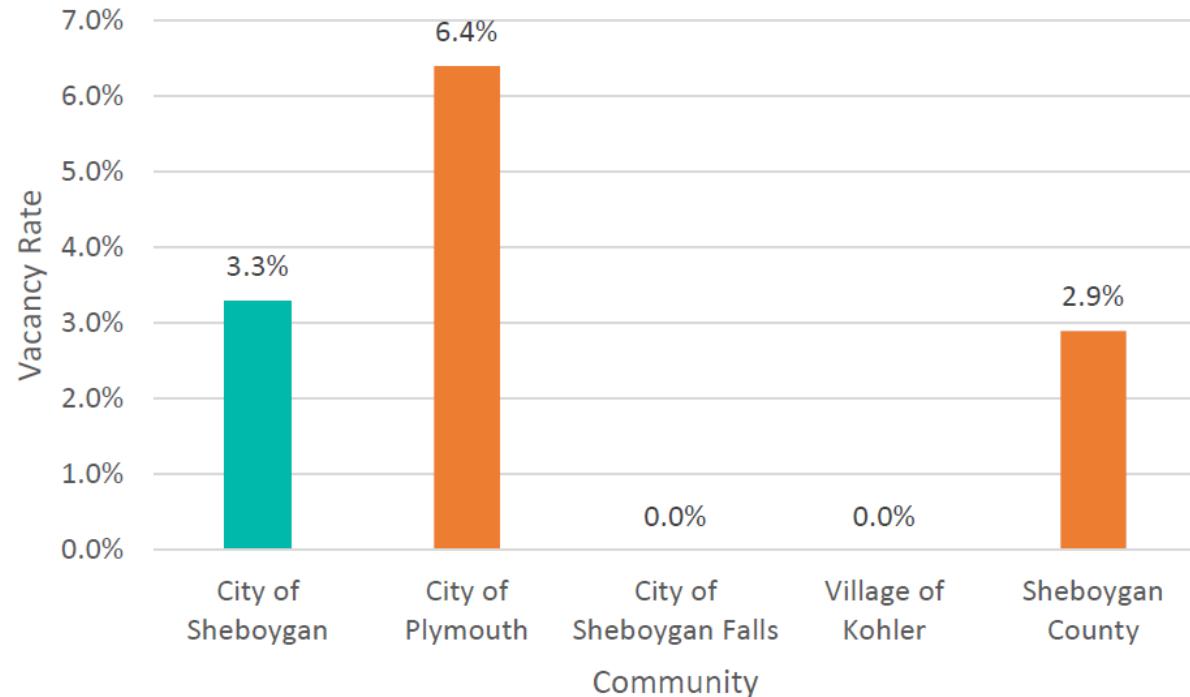
Rental Unit Consumption



Rental Market Findings

- New units are needed to bring the vacancy rate back to a healthy level
- The cap rate for multi-family was 7.4% in 2020, the lowest it has been in 10 years
- Subsidy will be needed to offset increasing construction costs to ensure lower-income households can afford units

Rental Unit Vacancy



Multi-Family Development Example

Typical 1-Bedroom Rental Construction & Land Cost = \$130,000			
Equity to Cost Ratio	20%	Loan to Cost Ratio	80%
Required Equity	\$26,000	Mortgage Loan	\$104,000
Annual Pre-tax Distribution Rate	10%	Mortgage Interest Rate	4%
Cash Payments for Equity	\$2,600	Debt Service	\$6,000
Net Operating Income	\$8,600		
Operating Expenses (2%)	\$2,600		
Real Estate Taxes (2019 Effective Tax Rate of .025718)	\$3,350		
Replacement Reserve	\$300		
Effective Gross Value	\$14,850		
Vacancy (5% required assumption)	\$740		
Gross Potential Income	\$15,590		
Breakeven Annual Rent	\$15,590		
Breakeven Monthly Rent	\$1,300		

FY 2020 Income Limit Area	Maximum Monthly Cost for Family of 4 (100% Median Income)	FY 2020 Income Limit Category	Persons in Family					
			1	2	3	4	5	6
Sheboygan, WI MSA (includes Sheboygan County, WI)	\$1,834	Extremely Low Income 30% AMI	\$385	\$440	\$543	\$655	\$767	\$879
		Very Low Income 50% AMI	\$643	\$735	\$826	\$918	\$991	\$1,065
		Low Income 80%AMI	\$1,028	\$1,175	\$1,321	\$1,468	\$1,585	\$1,703



Ownership Market

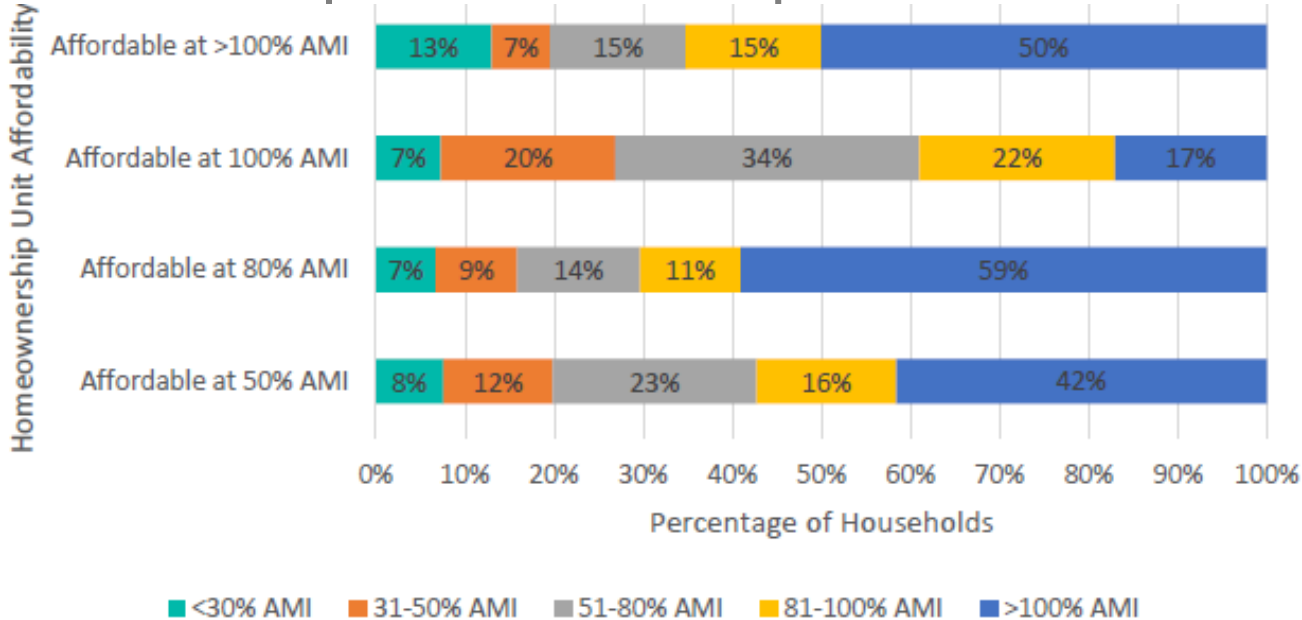
Ownership Unit Mismatch

Ownership Market Findings

- Median home value in Sheboygan is low compared to surrounding communities at \$109,700.
- Most current owners can comfortably afford their housing costs
- There is a supply of homes affordable to lower-income households, though most are owned by moderate/high-income households

Income Level	Ownership Units Available	Owner Households	Over-/ (Under-) Supply
0-50% AMI	8,225	2,240	5,985
51-80% AMI	3,055	2,410	645
81-100% AMI	690	1,705	(1,015)
>100% AMI	295	5,845	(5,550)

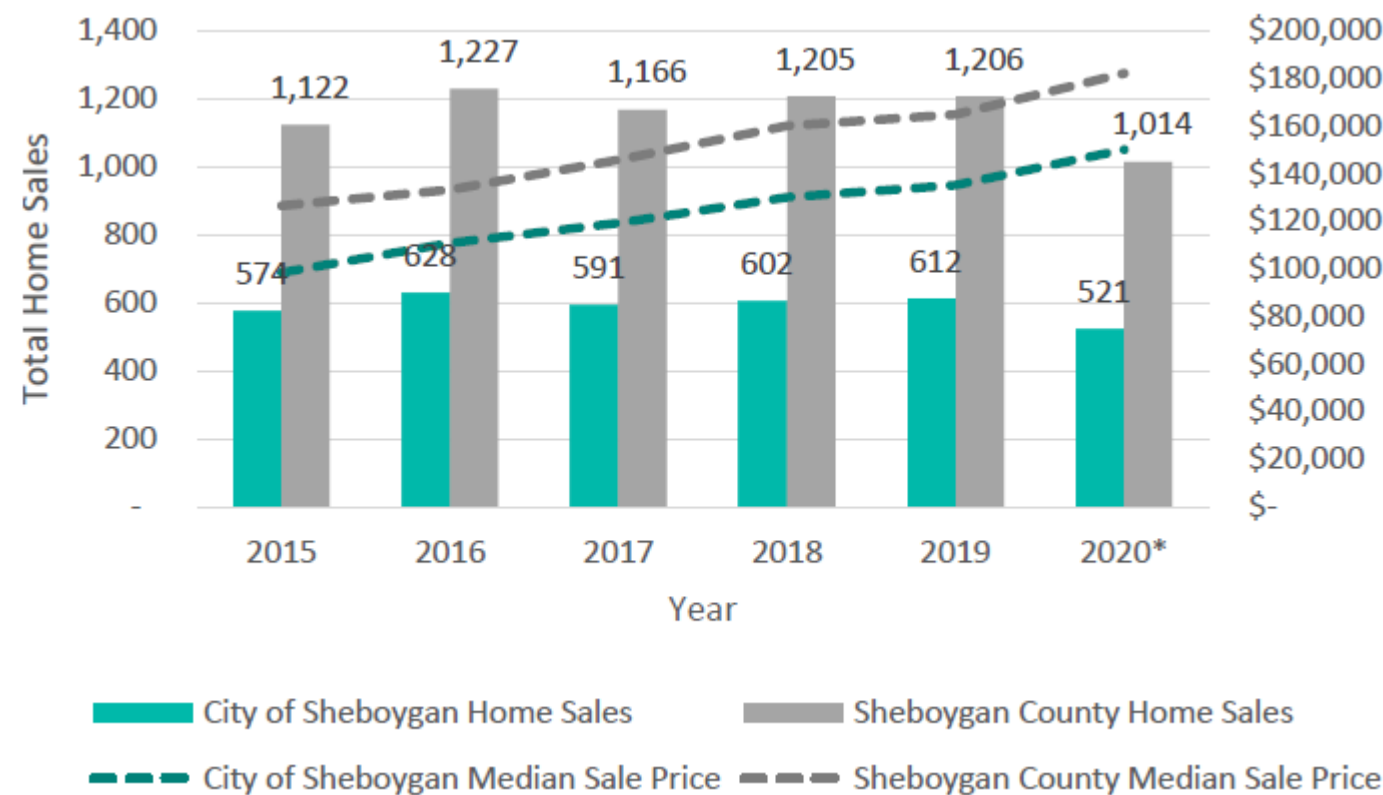
Ownership Unit Consumption



Ownership Market Findings

- Supply of single-family homes is tight→ increase in price

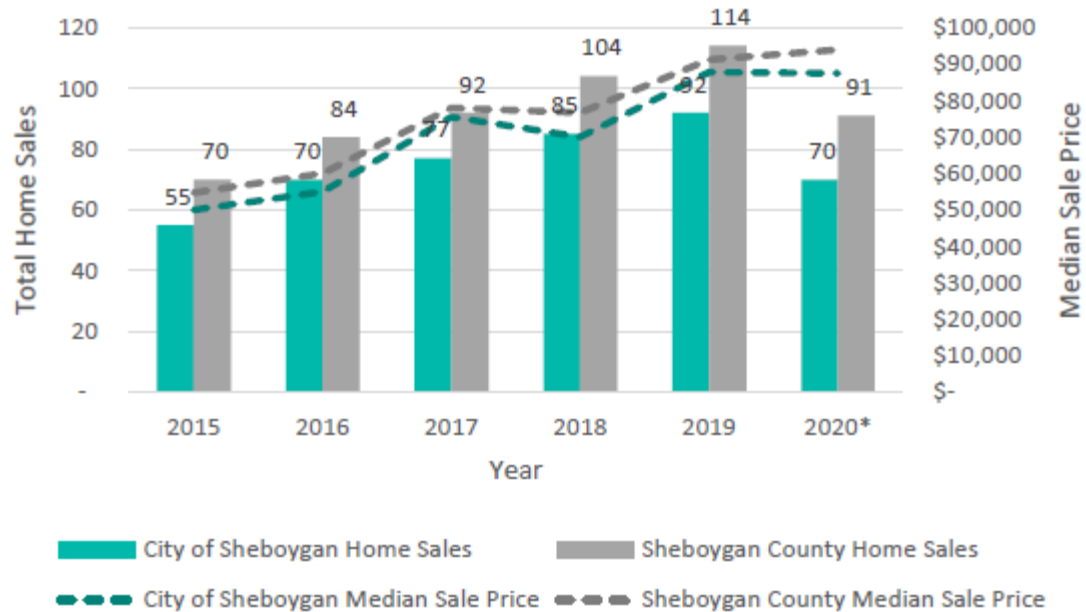
Single-Family Home Sales



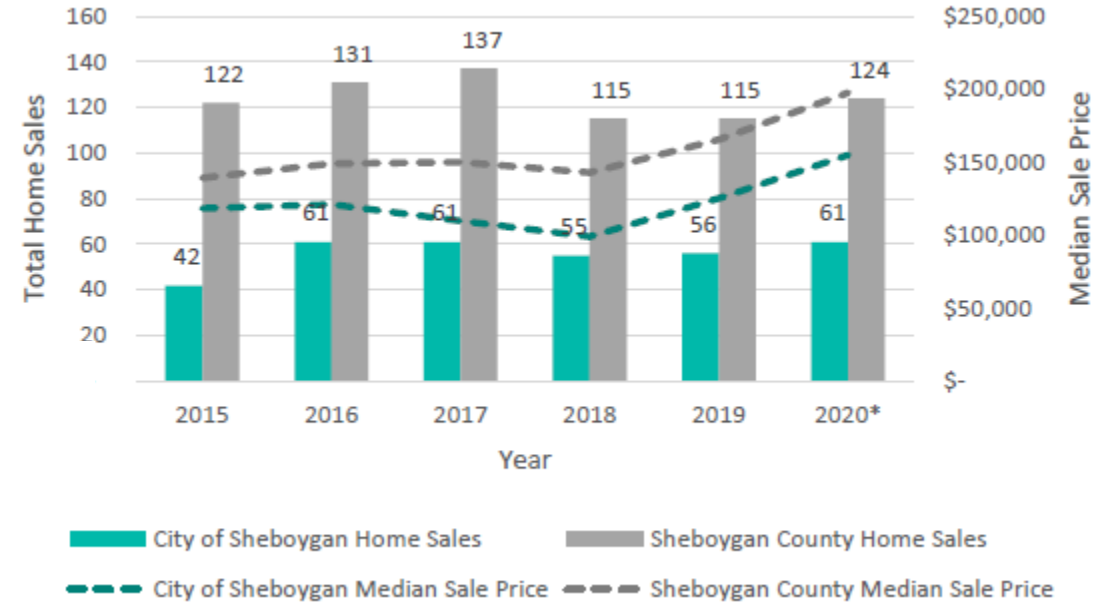
Ownership Market Findings

- Increasing demand for duplex homes and condos

Condo Home Sales



Duplex Home Sales





Demand Projections

Market Demand- Owner Occupied (Conservative)

New Construction Ownership Housing Demand to 2030 - Conservative			
Demand from New Households Within the City			
Owner Household Growth		220 additional households	
Percent Owner Households under 65		71%	
Demand Generated for New Construction		156 ownership units	
Demand from Existing Resident Households			
Current Owner Households (those under 65)		8,725 households	
Annual Turnover		5.8%	
Households Anticipated to Move		504	
Desire New Construction		22%	
New Construction Demand		61 ownership units	
Total Demand for New Construction Ownership Units = 217 units			
Demand for Detached vs. Attached Units			
Demand for SF-Detached	75%	Demand for SF-Attached	25%
#	163	#	54
Additional Need for 2% Vacancy	81 units	Additional Need for 2% Vacancy	27 units
Total SF-Detached Need	244 units (24/year)	Total SF-Attached Need	81 units (8/year)
Total Unit Need = 326 units (33/year)			

Market Demand- Owner Occupied (High)

New Construction Ownership Housing Demand to 2030 - High			
Demand from New Households Within the City			
Owner Household Growth	683 additional households		
Percent Owner Households under 65	71%		
Demand Generated for New Construction	485 ownership units		
Demand from Existing Resident Households			
Current Owner Households (those under 65)	8,725 households		
Annual Turnover	5.8%		
Households Anticipated to Move	504		
Desire New Construction	44%		
New Construction Demand	121 ownership units		
Total Demand for New Construction Ownership Units = 606 units			
Demand for Detached vs. Attached Units			
Preference for SF-Detached	75%	Preference for SF-Attached	25%
#	455	#	152
Additional Need for 2% Vacancy	81 units	Additional Need for 2% Vacancy	27 units
Total SF-Detached Need	536 units (54/year)	Total SF-Attached Need	179 units (18/year)
Total Unit Need = 715 units (72/year)			

Market Demand- Renter Occupied (Conservative)

New Construction Rental Housing Demand to 2030 - Conservative					
Demand from New Households Within the City					
Renter Household Growth	361 additional households				
Percent Renter Households under 65	82%				
Demand Generated for New Construction	296 rental units				
Demand from Existing Renter Households					
Current Renter Households (those under 65)	6,592 households				
Annual Turnover	26%				
Households Anticipated to Move	1,714				
Desire New Construction	22%				
New Construction Demand	377 rental units				
Total Demand for New Construction Rental Units = 673 units					
Total Adjusted Demand (399 Units Under Construction) = 274 Units					
Demand for Rental Units at Various Price Points					
Affordable Units	46%	Mid-Level Units	28%	High Market Units	26%
New Affordable Demand	126	New Mid-Level Demand	77	New High Market Demand	71
Additional Need for 5% Vacancy	58	Additional Need for 5% Vacancy	36	Additional Need for 5% Vacancy	33
Total Affordable Need	184 units (18/year)	Total Mid-Level Need	112 units (11/year)	Total High Market Neet	104 units (10/year)
Total Unit Need = 401 units (40/year)					

Market Demand- Renter Occupied (High)

New Construction Rental Housing Demand to 2030 - High					
Demand from New Households Within the City					
Renter Household Growth		1,120 additional households			
Percent Renter Households under 65		82%			
Demand Generated for New Construction		918 rental units			
Demand from Existing Renter Households					
Current Renter Households (those under 65)		6,592 households			
Annual Turnover		26%			
Households Anticipated to Move		1,714			
Desire New Construction		22%			
New Construction Demand		377 rental units			
Total Demand for New Construction Rental Units = 1,296 units					
Total Adjusted Demand (399 Units Under Construction)=897 Units					
Demand for Rental Units at Various Price Points					
Affordable Units	46%	Mid-Level Units	28%	High Market Units	26%
New Affordable Demand	412	New Mid-Level Demand	251	New High Market Demand	233
Additional Need for 5% Vacancy	58	Additional Need for 5% Vacancy	36	Additional Need for 5% Vacancy	33
Total Affordable Need	471 units (47/year)	Total Mid-Level Need	287 units (29/year)	Total High Market Neet	266 units (27/year)
Total Unit Need = 1,023 units (102/year)					

Market Demand- Independent Living

Age Cohort of Household	Assumptions	2020 Households	2025 Households (projected)	2030 Households (projected)
65+	-	4,952	6,388	8,368
Assistance with Daily Living (ADL) NOT Required*				
65+	55%	2,724	3,513	4,602
% Renter Households**		28%		
Total Potential Market		763	984	1,289
% Subsidized**		78%		
Projected Demand - Subsidized***		595	767	1,005
Projected Demand - Market Rate***		168	216	284

*Estimates from the Agency for Healthcare Policy and Research

**2012-2016 HUD CHAS data for 62+ households

***This does not include existing units

Market Demand- Assisted Living

Age Cohort of Household	Assumptions	2020 Households	2025 Households (projected)	2030 Households (projected)
65+	-	4,952	6,388	8,368
Assistance with Daily Living (ADL) Required*				
65+	45%	2,724	3,513	4,602
% Renter Households**		28%		
Total Potential Market		624	805	1,054
Minus Existing Supply of Assisted Living/CBRF/Nursing Home Units		858	858	858
Projected Demand		(234)	(53)	196

*Estimates from the Agency for Healthcare Policy and Research

**2012-2016 HUD CHAS data for 62+ households

Priority Focus

Unit Types Needed

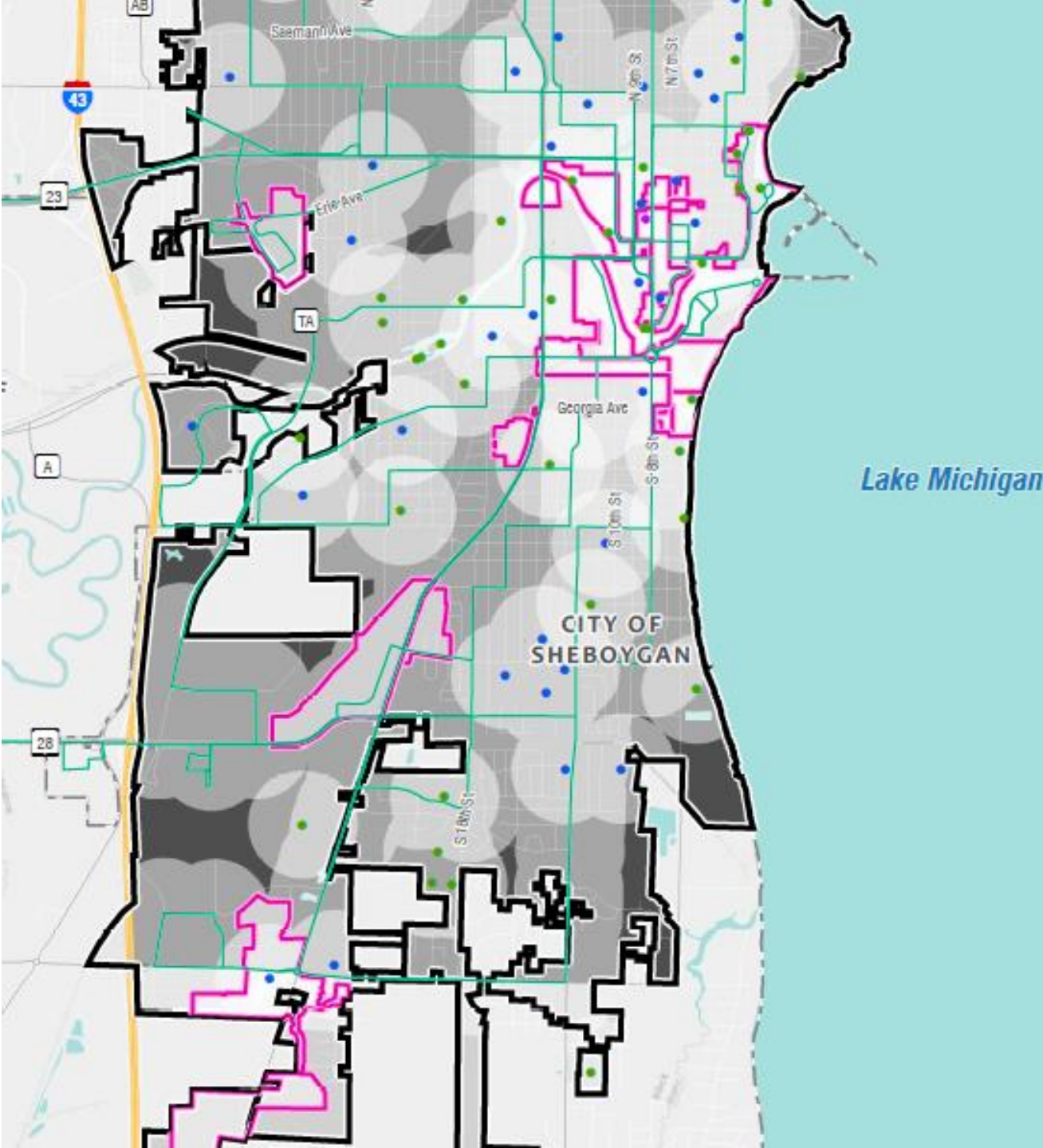
- Condo ownership
- Senior housing
- Missing Middle housing
- 3+ bedroom rentals

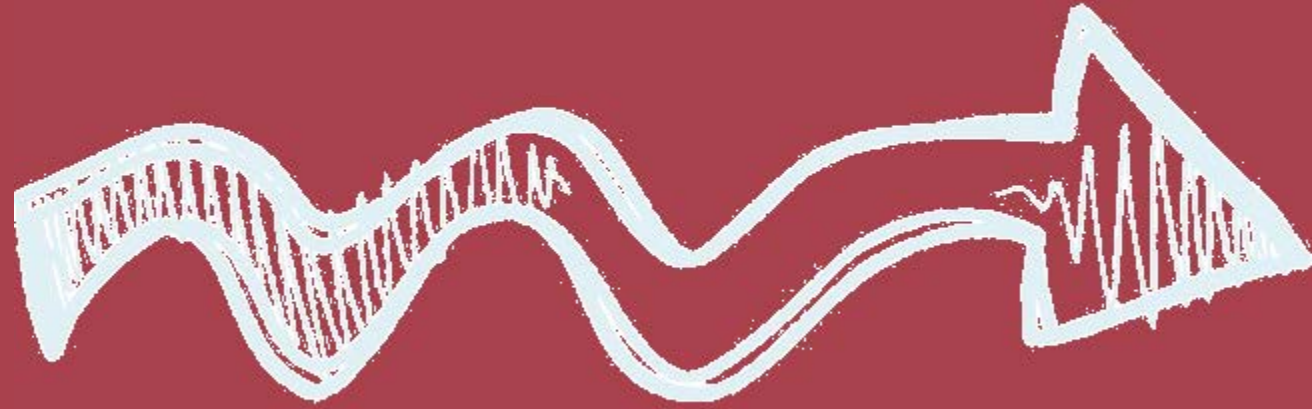
Location

- Infill development



Target Areas for
Affordable Housing





Recommendations

Capacity Building & Communication

Establish Housing Committee

- Implement plan
- Oversight on funding programs
- Public outreach
- Update plan

Provide Housing for All

- Core message

Attend WHEDA Events

- Network with developers

Continue Developer Summit

- Attract developers

Initiatives

Assist & Grow Neighborhood Associations

- Promote neighborhood identity and social cohesion
- Engage in planning efforts and new developments

Purchase & Market City-Owned Redevelopment Properties

- Purchase properties and solicit proposals

Develop Neighborhood Master Plans

- City's 2 growth areas within its extraterritorial jurisdiction

Create Tenant Resource Center

- Promote positive relations between tenants and landlords

Regulation

Allow Multi-Family as a Permitted Use

- Update zoning code

Reduce Setbacks

- Update zoning code

Create New Residential District

- To enable smaller lots on alleys

Continue Code Enforcement Program

- Work with willing property owner
- Ensure adequate staff

Continue Flexibility on Infrastructure Requirements

- Curb requirements and modified cross sections for greenfield development

Funding

Expand Use of Neighborhood Revitalization Fund

- General purpose vehicle to fund affordability initiatives throughout City

Facilitate Development of a Workforce Housing Fund

- Major employers and local investors

Utilize TIF

- Construct infrastructure to encourage housing development

Utilize TIF Affordable Housing Extension

- TID open for 1 additional year
- Use funds for affordable housing initiatives

Promote use of LIHTC

- Use Neighborhood Revitalization Fund as match

Increase use of WHEDA 7/10 Flex Financing

- Low interest loans that require developers to set aside 20% of units for HH at or below 80% AMI

Increase Use of Downpayment Assistance

- Partners for Community Development
- WHEDA
- FHLBC

Co-Author Bill That Offers Rental Incentives

- Tax credits for landlords who rent or renew a lease to someone convicted of a crime

Partnerships

Support Habitat, Partners, and Other Affordable Housing Providers

- Maintain supply of lots for new homes and rehabs of existing buildings

Continue Landlord Education

- Continue education and advertisement about education opportunities

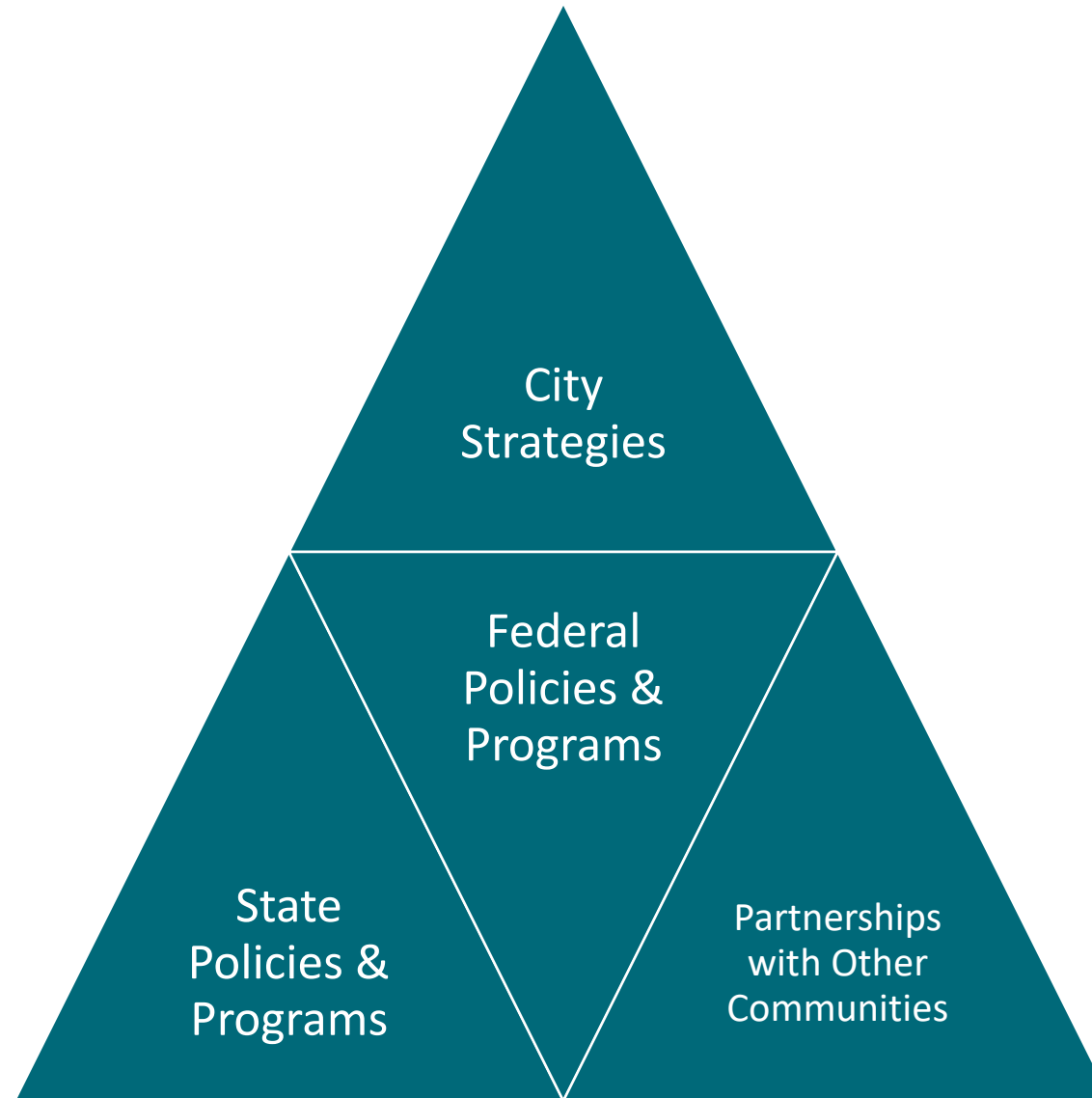
Form Working Groups with Major Employers

- Convene group annually to discuss housing issues and initiatives

Explore Opportunities to Offer On Site Child Care and Health Care

- Partner with property management company that offers these as a feature of renting

The Solution





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