



# Affordable Housing

In the last decade, the cost of housing has consistently outpaced inflation.

Between 1995 and 2002:

- The average sale price of homes sold in Wisconsin rose 44.6 percent.<sup>1</sup>
- The national Consumer Price Index (CPI) climbed 17.8 percent.<sup>2</sup>

This means Wisconsin home prices rose at **more than twice the rate of other expenses**.

## What is “affordable” housing?

Rents have increased to the point where the National Low Income Housing Coalition calculates that Wisconsin workers need a job paying \$11.63 an hour to afford a modest two-bedroom apartment that rents for \$605 a month.<sup>3</sup>

This **housing wage** is based on U.S. Department of Housing and Urban Development (HUD) income estimates and fair market rent figures. HUD uses **fair market rents** to determine reasonable rents for its various housing programs, and adjusts them annually. Unfortunately, HUD sets the same amount for nearly all rural Wisconsin counties, so fair market rents do not reflect variations among rural areas.

The housing wage also uses the widely accepted HUD benchmark for **affordable housing**, that the key portion of housing expenses — rent or house payments — should cost **no more than 30 percent** of gross household income.

When paying more than 30 percent of their income for housing, a family may not have enough money for food, transportation, health care, child care or elder care, taxes, savings and other critical needs.

## Why is affordable housing an issue?

Housing and housing-related expenses, utilities and upkeep take the largest portion of most families’ income.

### Wisconsin home prices

Wisconsin median home resale prices compared with household expenses measured in the Consumer Price Index (CPI), 1995 to 2002.<sup>1,2</sup>

Year	price	% increase in house prices	% inflation
1995	\$92,900	—	—
1999	\$112,700	21.3	9.6
2002	\$134,300	19.2	7.5
<b>Total increase</b>	<b>\$41,400</b>	<b>44.6</b>	<b>17.8</b>



Keeping a roof overhead accounts for 31.5 percent of the typical Midwest household's income, according to the 2001 Consumer Expenditure Survey.<sup>4</sup> For lower income households, the portion of income spent on housing-related expenses is higher.

Families with incomes from \$20,000 to \$29,999 spend nearly two-fifths (38.9 percent) of their income on housing. On the other hand, families with higher incomes spend relatively less. Families with incomes from \$50,000 to \$69,999 spend only about a fourth (26.1 percent) of their income on housing.

To make matters worse, while housing costs have been increasing for everyone, incomes have not. During the 1990s, incomes rose dramatically for the wealthiest — but stagnated for most workers.

From 1990 to 2003:<sup>5</sup>

- Incomes of households in the top fifth of the income range (81 to 100 percent) rose 30 percent.
- Incomes for those in the second from the bottom fifth (21 to 40 percent) rose only 8 percent.
- Incomes for those earning the least (bottom 20 percent) rose only 2 percent.

As their incomes lag farther behind housing costs, more lower-income families are having difficulty finding housing they can afford.

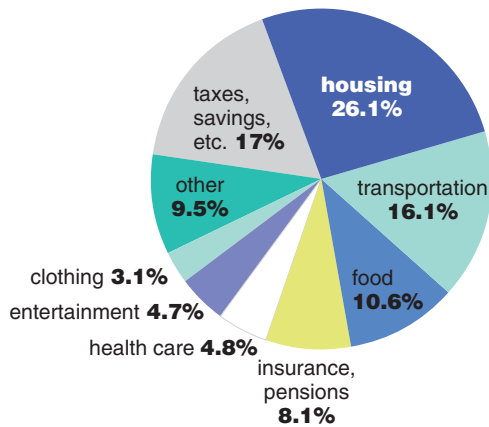
**High rent burden**

According to the 2000 U.S. Census of Population and Housing:<sup>6</sup>

- More than 207,200 Wisconsin renters — **1 in 3** — paid 30 percent or more of their income for rent (32.3 percent). Statewide, rent burdens ranged from the low of 18.3 percent in Calumet County to the Dane County high of 38.4 percent.
- Of these, 93,100 — **1 in 7** Wisconsin renters — paid 50 percent or more of their income for rent (14.5 percent).

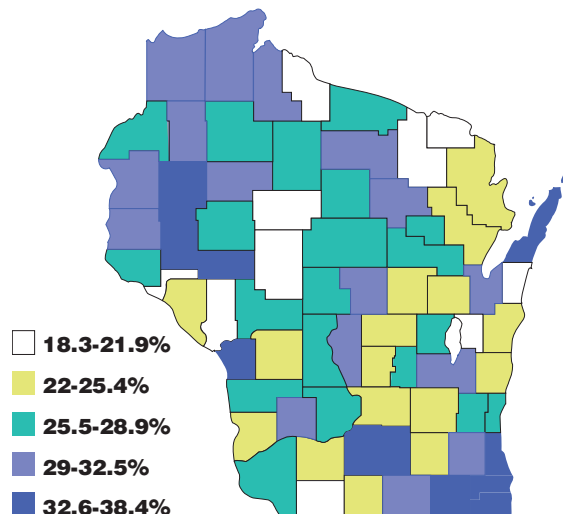
**Midwest consumer spending**

Percent of income spent of an average Midwest yearly income of \$47,665 before taxes, 2000



**Wisconsin rent burden**

Percent of county renters paying 30 percent or more of their income for rent, U.S. Census 2000



The map below shows a slightly better situation for Wisconsin homeowners.

- Nearly 200,000 Wisconsin homeowners — **1 in 8** — paid 30 percent or more of their income for housing. Statewide, percents ranged from 10.8 percent in Wood County to 22.5 percent in Walworth County.
- Of these, 57,479 homeowners — **1 in 24** — paid 50 percent or more of their income for housing (4.2 percent).

For how your county fares, see page 4.

**Who is at risk of becoming homeless?**

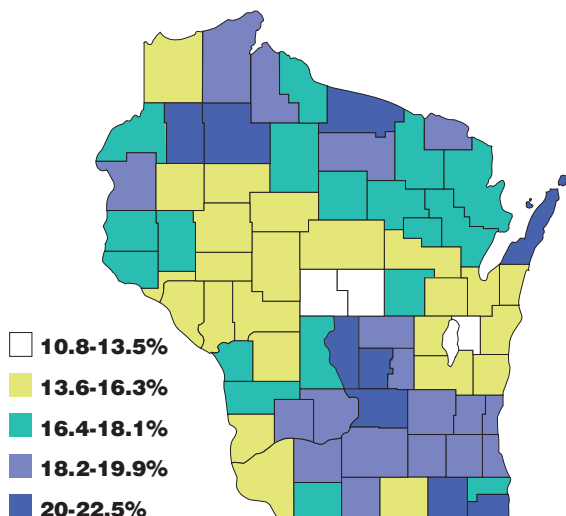
With housing costs rising and incomes for low- and moderate-income households stagnating, more families will risk becoming homeless.

For the year ending March 31, 2003, more than 35,000 people in Wisconsin received emergency housing services. Of these:<sup>7</sup>

- Most were female (56.7 percent).
- More than a third were children (37 percent).

**Wisconsin home ownership burden**

Percent of county homeowners paying 30 percent or more of their income for housing, *U.S. Census 2000*



Keep in mind that people seeking emergency housing represent a small fraction of those in housing crisis, particularly in areas where emergency housing services are limited. To avoid becoming homeless, people double up, live in unsafe housing, and remain in abusive situations.

**Near-homeless families**

Families who manage to hold on to their housing under severe financial strain often do not have money left for food, transportation, health care, child care or elder care, taxes, savings and other necessities.

These families may make heavy demands on community services. Having to do without transportation can mean poor work and school attendance.

**Homeless children**

National studies have documented the problems homeless children experience:<sup>8</sup>

- A third of homeless children enrolled in preschool lag far behind their classmates in developing visual motor skills.
- A majority of homeless children
  - function at the bottom of their age group in verbal skills.
  - have emotional and behavioral problems.

These problems are generally less pronounced for poor children who have a home.<sup>8</sup>

As families struggle to keep a roof overhead, the consequences of their personal tragedies cost the community as a whole.

School systems must devote resources to meeting the various special needs of these children.

Public and private social services must devote resources to trying to repair the damage to these children from homelessness and near homelessness.

In the long run, society suffers from the economic loss of children who become adults generally unable to contribute to the community at their full potential.

For more information, see *Hunger Close to Home* and *Making Ends Meet* in this series.

## How does Columbia County fare?

Housing affordability and other economic indicators vary from county to county. While HUD uses fair market rent to determine reasonable rent in an area for its housing programs, the median rent (mid-range) reflects more local variation in rural counties.

Figures for the following tables are based on the 2000 U.S. Census of Population and Housing. County rank is among 72 Wisconsin counties.

### County rent burden

Median monthly rent for a two-bedroom apartment, and percent of renters paying 30 percent or more and 50 percent or more of their income for rent

	Columbia County	Wisconsin	County rank
Median rent per month	\$507	\$540	17
Percent paying 30% or more of income for rent	23.9%	32.3%	55
Percent paying 50% or more of income for rent	9.9%	14.5%	51

### County home ownership burden

Median housing price and percent of homeowners paying 30 percent or more and 50 percent or more of their income for housing

	Columbia County	Wisconsin	County rank
Median home price	\$115,000	\$112,200	13
Percent paying 30% or more of income for housing	21.0%	17.8%	4
Percent paying 50% or more of income for housing	5.3%	5.1%	34

You can create tables even more local than these examples online at the joint UW-Extension and Applied Population Lab web site: <http://www.wisstat.wisc.edu/Profiles.aspx>

Select "Housing Profile (3 pages)" from the "List of Profiles" drop-down menu. Then select county, city or village, town, or geography (state, urban or rural counties) and click on the "Create Profile" button. Print or turn the page from buttons along the bottom.

For instance, if you want to assess the condition of housing in your community, look on your profile for the percent of housing built before 1960 and before 1940.

Many older houses have been well maintained. But in general, if your community has an older housing stock, check further into the quality of that housing.

## Surveys show awareness of need

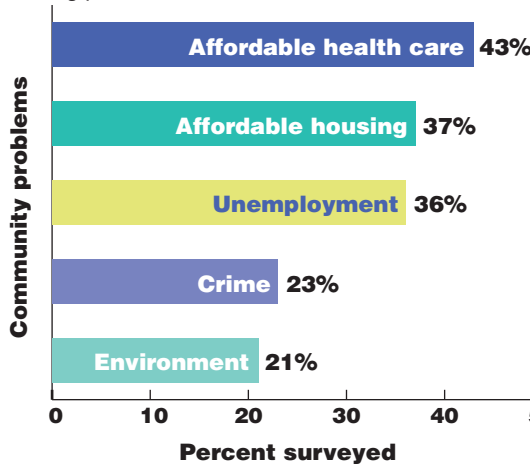
The public is becoming aware of the need for affordable housing.

More than a third of participants in a 2002 national survey rated lack of affordable housing as a “very big” or “fairly big” problem in their community. Concern about housing ranked ahead of “unemployment,” “crime” and “polluted environment.”<sup>9</sup>

In another survey, conducted in mid-2003 on behalf of the National Association of Realtors, almost half (47 percent) of those interviewed considered “lack of available housing that is affordable” a “very big” or “fairly big” problem in their area. In this study, “job layoffs and unemployment” (52 percent) and “lack of affordable health care options” (48 percent) slightly out-ranked affordable housing as a problem.<sup>10</sup>

### Awareness of community problems

Percent of U.S. adults surveyed who consider the issue a big problem in their area in 2002<sup>9</sup>



### “Not in my backyard!”

While people recognize the need for affordable housing in general, they often react negatively to specific local solutions. In many cases, this opposition results from common misconceptions of affordable housing. Some of these myths are explored here.

**Myth:** “People who move into affordable housing will have various social problems and be quite different from current residents.”

**Reality:** The people who cannot afford adequate housing usually are long-time residents who grew up in the community. They may work in jobs where prevailing wages are less than the housing wage introduced on page 1. These jobs may be in retail, health care, schools or factories. Others who need affordable housing may be retired or disabled on fixed incomes.

**Myth:** “Affordable housing will cause surrounding property values to drop.”

**Reality:** The value of a home is significantly affected by surrounding land uses and property values. However, two recent studies found no evidence that affordable housing lowers neighbors’ property values.

The first study looked at affordable housing developments in 12 suburban neighborhoods in the Minneapolis-St Paul area. The study compared these areas to similar areas with no new affordable housing development. Researchers concluded that after construction, affordable family rental housing did not erode the property value of surrounding single-family homes.<sup>11</sup>

A second study looked at recently developed affordable housing projects in Dane, Milwaukee and Waukesha counties in Wisconsin. Researchers looked at property value data over 6 years, and controlled for such factors as general market conditions, race, and poverty rates. They concluded that in all cases, values for surrounding property did not decline. If anything, values increased slightly relative to properties farther away from the new development.<sup>12</sup>

**Myth:** “Homelessness results from lack of well-paying jobs rather than lack of affordable housing.”

**Reality:** Research using national and California data suggests that **lack of affordable housing has a direct bearing on homelessness.**

The researchers conclude that even slightly higher vacancy rates and lower rents are clearly associated with a significant drop in homelessness. Their calculations suggest that a 1 percent increase in vacancy rates plus a 1 percent decrease in rents would reduce homelessness by one-fourth (25 percent).<sup>13</sup>

In fact, lack of an adequate supply of housing affordable to workers can cost jobs. A study for the Minneapolis-St Paul area concluded that the region loses an estimated \$265 million annually in consumer expenditures and business income because of a shortage of workforce housing.<sup>14</sup>

The report acknowledges that this housing is unlikely to be produced by the market without substantial subsidies. However, the researchers calculate that **each \$1 of subsidy provided to workforce housing would stimulate \$8** in new consumer spending, business income and construction spending.

Ever on the lookout for new jobs, economic development planners are careful to avoid industries that propose to add jobs but at wages so low that the workers cannot afford housing.

## What does your community need?

While housing affordability is a problem across the state, communities have different specific needs, such as:

- **Good quality affordable housing** — Housing costs are affordable, but homes are often in poor repair and costly to maintain.
- **Access to affordable home mortgage loans**
- **Affordable rental housing for families**
- **Affordable rental housing for moderate-income older adults**
- **Ways to match people who need housing with the housing available**
- **Emergency housing and domestic abuse shelters**

## How can you help?

Thinking about easing local housing problems can be a bit overwhelming. Here are some actions you can take.

### You can:

- **Get involved in local groups addressing housing problems.** Some communities have housing coalitions who are studying housing problems with a view toward taking action. Also Community Action agencies and local Habitat for Humanity affiliates may suggest ways you can help.
- **If no local group is addressing housing issues, help start one.** Consider working through your place of worship, service club or other membership group to start a housing coalition. Staff from your county University of Wisconsin-Extension office may be able to help.
- **Make your housing concerns known to local officials.** Talk to local elected officials about what the community is doing to address housing issues. Express your opinion in favor of assuring that all residents of the community have adequate housing.
- **Participate in public hearings and government meetings when housing is on the agenda.** Be alert for announcements of public hearings on proposed housing projects and register your support in writing or in person.



## Community resources

Community and web-based resources provide information, educational programs and direct services. Most libraries have a free computer connected with the Internet. For more information on affordable housing and assistance programs, contact

### Community Action agencies

#### County, tribal or interfaith social services

#### Habitat for Humanity local affiliate

#### Your county UW-Extension

**office** provides educational resources in English and Spanish to help new homeowners and renters succeed, through classes, publications and web sites. To locate your county UW-Extension office, consult:

[www.uwex.edu/ces/cty](http://www.uwex.edu/ces/cty)

## Notes

- <sup>1</sup> Personal communication with David E. Clark, Economist C3 Statistical Solutions Inc based on data provided by the Wisconsin Realtors Association, October 15, 2003.
- <sup>2</sup> Bureau of Labor Statistics, U.S. Department of Labor. Consumer Price Index: December 1995, February 1, 1996, December 1999, January 14, 2000; December 2002; and January 16, 2003.
- <sup>3</sup> National Low Income Housing Coalition, *Out of Reach 2003: America's Housing Wage Climbs*, September 2003: [http://www.nlihc.org/oor\\_current/](http://www.nlihc.org/oor_current/)
- <sup>4</sup> Bureau of Labor Statistics, U.S. Department of Labor. 2001 Consumer Expenditure Survey, April 2003.
- <sup>5</sup> Economic Policy Institute and Center on Budget and Policy Priorities, *Pulling Apart*, 2002: <http://www.cows.org/pdf/jobs/pullapart/rp-pullapart-2.pdf>
- <sup>6</sup> Data are based on the 2000 U.S. Census of Population and Housing, unless otherwise noted. Census data are available online at: <http://www.census.gov>
- <sup>7</sup> Bureau of Housing, Wisconsin Department of Commerce, Annualized Homeless Data, April 1, 2002 – March 31, 2003.
- <sup>8</sup> Family Housing Fund. *Homelessness and Its Effects on Children*. December 1999: [http://www.fhfund.org/educational\\_materials\\_reports.asp](http://www.fhfund.org/educational_materials_reports.asp)
- <sup>9</sup> Hart, Peter, and Robert Teeter. *Results of Fannie Mae Foundation Affordable Housing Survey*, Fannie Mae Foundation, June 2002: <http://www.fanniemaefoundation.org/publications/index.shtml>
- <sup>10</sup> Public Opinion Strategies. National Housing Pulse Survey sponsored by the National Association of Realtors September 2003.
- <sup>11</sup> Maxfield Research Inc. *A Study of the Relationship Between Affordable Rental Housing and Home Values in the Twin Cities*. September 2000. A fact sheet based on this study, "Affordable Rental Housing Does Not Reduce Property Values: The Evidence from the Twin Cities," April 2001, is available on the Family Housing Fund web site: [http://www.fhfund.org/educational\\_materials\\_fact\\_sheets.asp](http://www.fhfund.org/educational_materials_fact_sheets.asp)
- <sup>12</sup> Center for Urban and Economic Research, University of Wisconsin-Madison. *Low Income Tax Credit Housing Developments and Property Values*. June 2002. Retrieved Spring 2003 from the Wisconsin Housing and Economic Development Authority web site: [http://www.wheda.com/uw\\_study.pdf](http://www.wheda.com/uw_study.pdf)
- <sup>13</sup> Quigley, John M., Steven Raphael and Eugene Smolensky. Homeless in America, Homeless in California. *Review of Economics and Statistics*, February 2001, pages 37-51.
- <sup>14</sup> Maxfield Research Inc and GVA Marquette Advisors, *Workforce Housing: The Key to Ongoing Regional Prosperity*. September 2001: [http://www.fhfund.org/educational\\_materials\\_reports.asp](http://www.fhfund.org/educational_materials_reports.asp)



*Accessing Affordable Housing* continues the series *Wisconsin Families and the Communities Where They Live and Work*. You will find a complete list of titles in this series on the UW-Extension Family Living web site at:  
[http:// www.uwex.edu/ces/flp/demographics](http://www.uwex.edu/ces/flp/demographics)

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