

Poverty Fact Sheet:

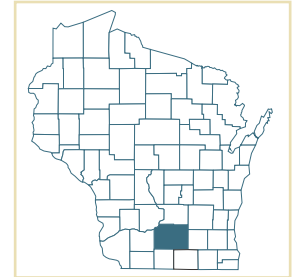
Rental Housing Affordability in Dane County

no. 18, 2018–2019, prepared by Will Maher

INTRODUCTION

Dane County supports a strong local economy and consistently ranks as one of the nation's top places to live.¹ Between 2009 and 2017, the county added 24,000 households, a growth of around 12 percent.² For much of this period household growth outpaced new construction, which has led to historically low rental vacancy rates. Over the last four years, these rates have hovered around 3 percent in the county, lower than the national norm of 4 to 7 percent.³ In a tight market like this, competition increases for scarce units, landlords use more stringent screening processes, and rents go up, sometimes forcing out existing tenants.⁴ Because housing makes up a large portion of household budgets, families burdened with high rental costs spend less on other necessities, including food, health care, and transportation.⁵ They are more likely to have unstable housing situations and live in low-quality housing, and to face eviction and even homelessness.⁶

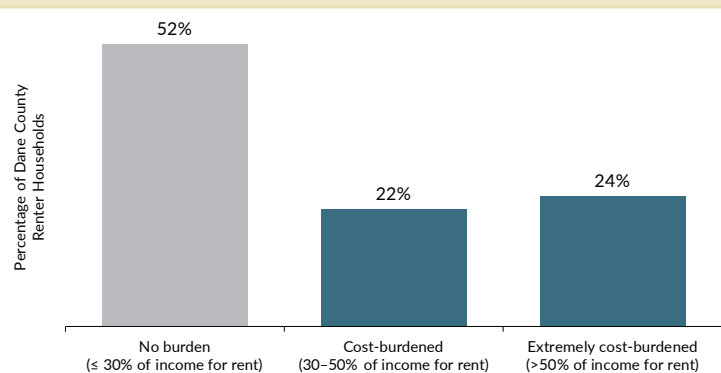
DANE COUNTY



NEARLY HALF OF DANE COUNTY'S RENTER HOUSEHOLDS ARE CONSIDERED COST-BURDENED

The federal government and many researchers consider housing affordable when a household spends 30 percent or less of its income on it.⁷ Households that exceed this 30-percent threshold are considered cost-burdened. Households spending more than 50 percent of their income on housing are considered extremely cost-burdened. As shown in Figure 1, cost-burdened and extremely cost-burdened households make up nearly half (46 percent) of Dane County's roughly 86,000 renter households, with about a quarter of Dane County renter households paying more than half their income for rent.⁸ These figures mirror national rates, with 48 percent of U.S. renter households having some cost burden in 2016, and about half of those being extremely cost-burdened.⁹

Figure 1. Nearly half of Dane County's renter households are cost-burdened.



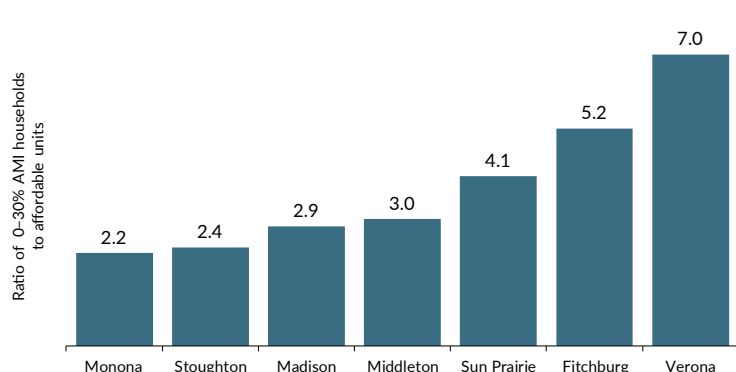
Source: HUD CHAS data, 2011–2015.

Note: Percentages total to less than 100 because cost-burden data were not available for about 1.6 percent of rental households.

DANE COUNTY HAS A LARGE AFFORDABILITY GAP

Only 5 percent of rental units in Dane County are considered affordable for a family making 30 percent of Area Median Income (AMI), which corresponds to around \$1,900 a month or 117 percent of the federal poverty level for a household with one adult and two children.¹⁰ That amount is about what an average childcare worker or retail salesperson earns per month in Dane County.¹¹ For a household earning around \$1,900 a month, an affordable two-bedroom apartment should cost less than 30 percent—or \$638—of that family's monthly income.¹² In Madison, for example, for every unit in this price range, there are almost three households in need of such a unit. This ratio, referred to by researchers as the affordability gap, is shown in Figure 2 for seven Dane County municipalities.¹³ In some fast-growing suburban cities in the county, the affordability gap is even higher—Sun Prairie, Fitchburg, and Verona have ratios of 4.1, 5.2, and 7.0, respectively.

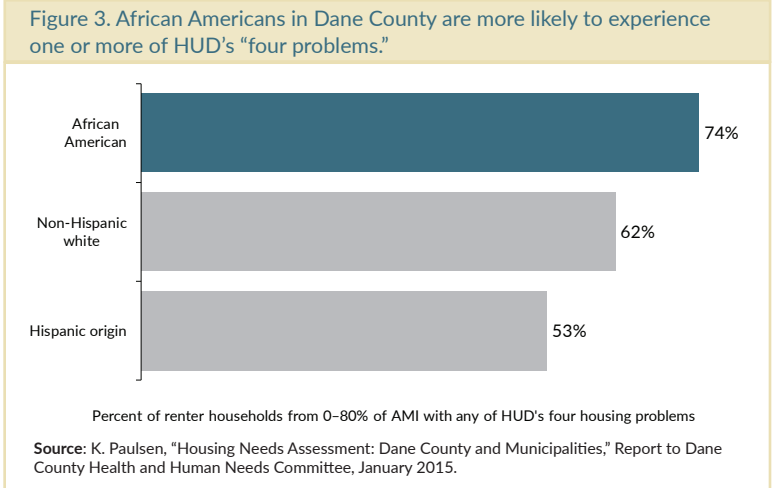
Figure 2. There are far more households at or below 30% of AMI than there are affordable units.



Source: K. Paulsen, "Updates on Dane County Housing:Trends and Challenges," Presentation to Dane County Housing Summit, October 2018.

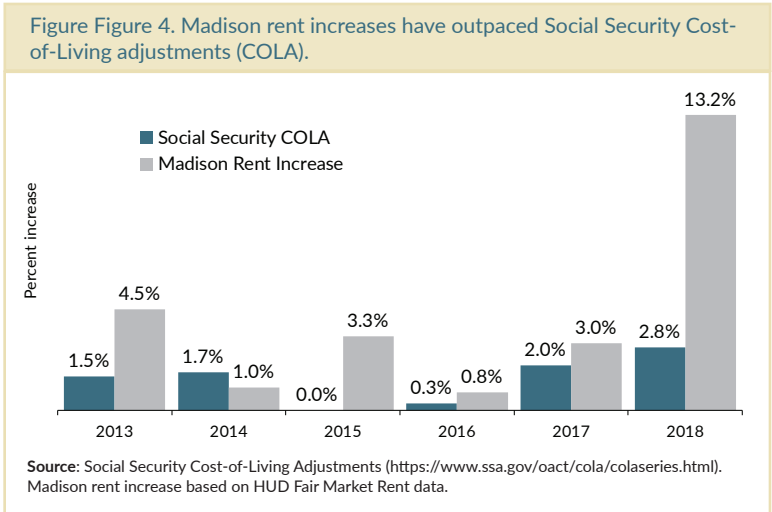
AFRICAN AMERICANS DISPROPORTIONATELY FACE HOUSING-RELATED HARDSHIPS

Dane County has stark racial disparities in income that contribute to disproportionately higher rates of housing-related hardships among African Americans. The median Dane County black household's income is 45 percent that of the median white household. This income disparity is closely linked to disparities in housing access and affordability because demographic groups with higher incomes can out-compete lower-income demographic groups for the same units of housing. The four common housing hardships tracked by the Department of Housing and Urban Development (HUD) are unaffordable rent, overcrowding, incomplete kitchen facilities, and incomplete plumbing. As shown in Figure 3, African American households in Dane County are disproportionately more likely to face one or more of these common housing problems.



AFFORDABLE HOUSING FOR SENIORS PRESENTS UNIQUE CHALLENGES

There are over 6,000 low-income seniors who are either cost-burdened or severely cost-burdened in Dane County.¹⁴ This population faces unique obstacles in finding affordable housing. For example, nationwide, 17 percent of households over 50 years old include a member who struggles to walk or climb stairs and these challenges increase as individuals age.¹⁵ Low-income senior renters face more barriers to home modification and often cannot afford a move to an adequate housing unit.¹⁶ The difficulties low-income seniors face in finding homes that meet their health needs are compounded since much of their income is fixed. For the average older household in the United States, Social Security composes 69 percent of income.¹⁷ As shown in Figure 4, Madison's yearly increases in rent often outpace Social Security cost-of-living adjustments (COLA). This disparity leaves low-income seniors vulnerable to rapid increases in rent. As more baby boomers retire, the shortage of affordable housing for seniors will continue to affect Dane County.



CONCLUSION

Despite its importance for a healthy and productive life, adequate housing is unaffordable for many people in Dane County, leaving families to sacrifice safety, cleanliness, or affordability in their search for a home. The problem is particularly a concern for low-income households, and for households of color, who are more likely to be low-income in Dane County. Researchers at the University of Wisconsin—Madison estimate that there is currently an affordable housing shortage of between 7,000 and 27,000 units in the county and project that this will worsen over the next 25 years.¹⁸

A recent report produced by the City of Madison suggests that increasing the supply of affordable housing at all income levels can help to shift households into units appropriately priced for their income, and that particular focus should be placed on creating new units at lower rents to help alleviate cost burdens. Mayors and municipal governments across the county have recognized this challenge and made the development of more affordable housing a priority. A recently passed amendment to the 2019 Dane County budget doubled the size of the county's Affordable Housing Development Fund from \$3 million to \$6 million, with a goal of directing 30 percent of those funds outside the city of Madison. Given its scale and complexity, there is not an easy fix to Dane County's affordable housing problems. Yet, proactive approaches that bridge across municipalities can help to keep the shortages from growing in the coming years.

The author thanks Professor Kurt Paulsen and IRP National Poverty Fellow Kathleen Moore for helpful comments.

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ENDNOTES

¹Livability, “2017 Top 100 Best Places to Live,” accessed online, February 25, 2018.

²United States Census Bureau American Community Survey 5-year estimates.

³K. Paulsen, “Housing Needs Assessment: Dane County and Municipalities,” Report to Dane County Health and Human Needs Committee, January 2015, pg. 38; Analysis of Madison Gas and Electric (MGE) Multifamily Rental Vacancy Rates (2018).

⁴M. Wachter, *2016 Madison Biennial Housing Report*, Prepared for the City of Madison Housing Strategy Committee, 2016.

⁵Joint Center for Housing Studies, “[America’s Rental Housing: Expanding Options for Diverse and Growing Demand](#),” 2015; S. Kimberlin, L. Tach, and C. Wimer, “A renter’s tax credit to curtail the affordable housing crisis,” *RSF: The Russell Sage Foundation Journal of the Social Sciences* 4, No. 2 (2018): 131–160.

⁶M. Desmond, *Evicted: Poverty and Profit in the American City* (New York: Crown, 2016).

⁷M. Schwartz and E. Wilson, “Who Can Afford to Live in a Home? A Look at Data from the 2006 American Community Survey,” U.S. Census Bureau, 2007.

⁸HUD CHAS data, 2011-2015.

⁹http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf

¹⁰Paulsen, “Housing Needs Assessment.”

¹¹Paulsen, “Housing Needs Assessment.”

¹² Analysis of 2018 HUD median and area income limits for Wisconsin counties; Paulsen, “Housing Needs Assessment,” pg. 5.

¹³Paulsen, “Housing Needs Assessment,” The numbers are similar in the City of Madison.

¹⁴Paulsen, “Housing Needs Assessment.”

¹⁵Joint Center for Housing Studies, “[Housing America’s Older Adults 2018](#),” Supplement to the State of the Nation’s Housing Report, 2018.

¹⁶Joint Center for Housing Studies, “[Housing America’s Older Adults 2018](#).”

¹⁷Joint Center for Housing Studies, “[Housing America’s Older Adults 2018](#).”

¹⁸Paulsen, “Housing Needs Assessment.”