

EXECUTIVE SUMMARY

BUILDING BLOCKS

*Understanding and responding to Waukesha
County's housing affordability challenges*



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POLICY FORUM

EXECUTIVE SUMMARY

For many years, Waukesha County’s relatively high housing costs have created substantial challenges for low- and moderate-income households seeking a home or apartment. Recent economic changes generated by the COVID-19 pandemic and other factors have exacerbated those difficulties, causing the cost of renting, buying, and building homes to increase sharply and elevating housing affordability to one of the most prominent policy issues facing elected and business leaders.

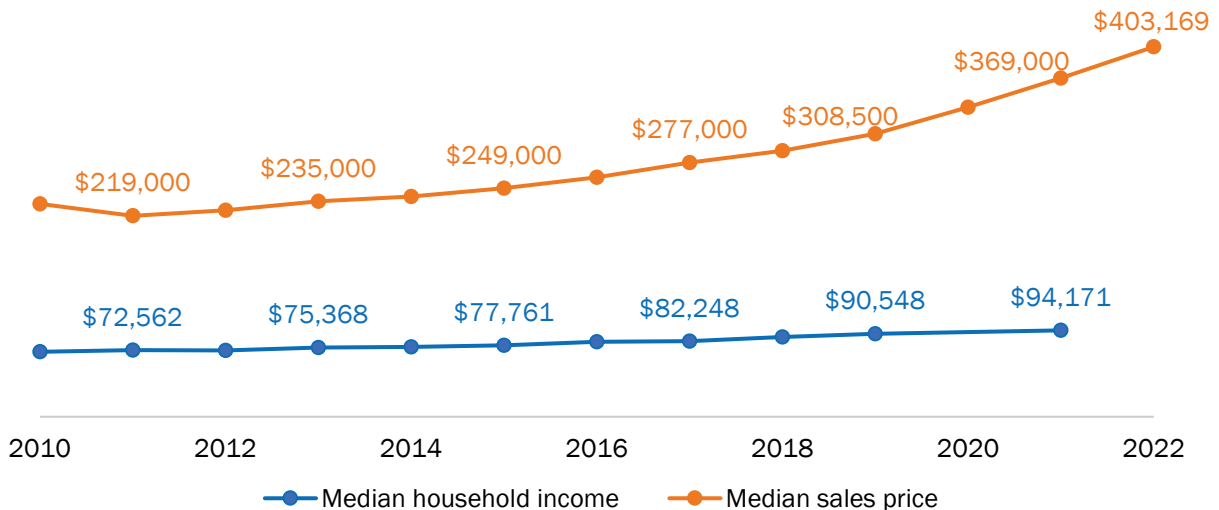
In this report, we examine the housing affordability landscape in Waukesha County, including market characteristics and trends, barriers to housing development, and potential solutions. We do so by analyzing relevant data and municipal policies, through a series of stakeholder interviews with local government officials, developers, and employers, and by exploring how local and state governments are addressing similar housing affordability challenges nationally.

Key Challenges and Development Barriers

Our analysis reveals a number of affordability challenges and barriers to developing housing for both renters and buyers in Waukesha County. Many of these issues are common statewide and nationally, though some are most pronounced in certain areas.

High housing costs are already out of reach for many and rising faster than incomes. The median value of homes in Waukesha County was the highest in Wisconsin in 2021, while the county’s median rent was only exceeded in Dane County. Rent burden affects 43.4% of renter households in Waukesha County, which is higher than the statewide rate, and many common occupations, such as teachers and firefighters, do not pay enough to allow job holders to afford the county’s median cost of owning a home. These difficulties have intensified, as the county’s median home sales price increased by over 41% between 2016 and 2021, while its median household income rose only 15%.

Median sales prices versus median household income in Waukesha County



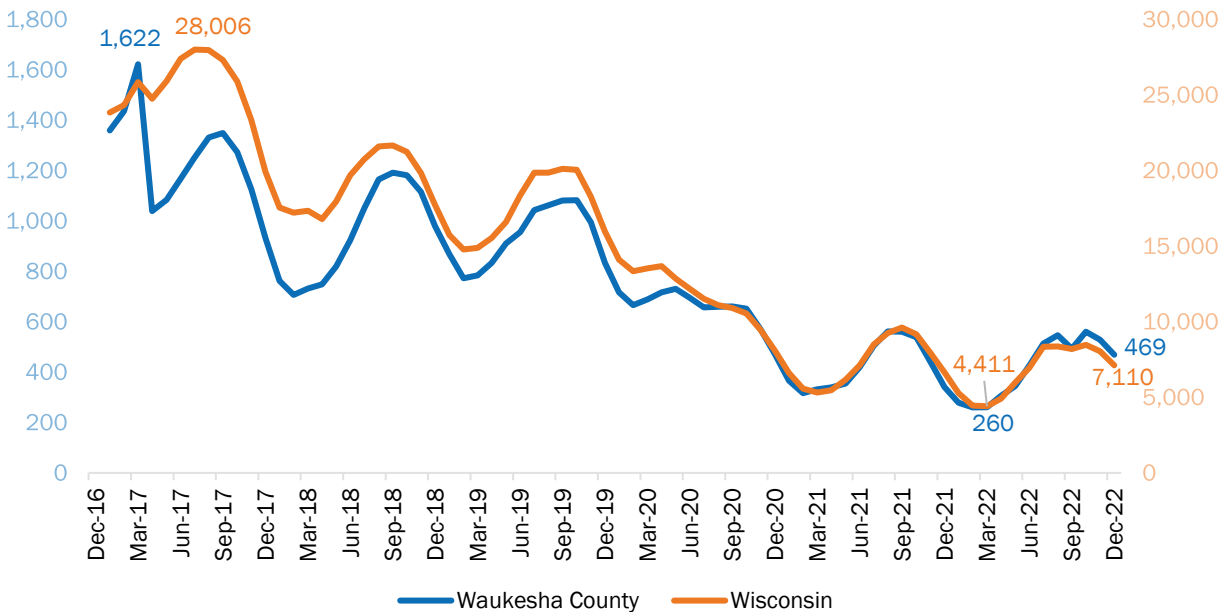
Source: Wisconsin Realtors Association and U.S. Census Bureau – ACS 1-year estimates (File S1901)

Note: Census ACS 1-year estimates were not published in 2020 and are not yet available for 2022



Inventory is low and housing production is not keeping up with demand. Limited inventory is a major factor behind the county's rising home prices. The number of homes listed for sale in Waukesha County has declined for several years, while the vacancy rate in the owner-occupied market was just 0.2% in 2021 (the most recent data available), which is the lowest it has been in at least a decade. The county added nearly 1,200 more households than housing units between 2010 and 2021, as fewer units were permitted and fewer lots created than in the years preceding the Great Recession.

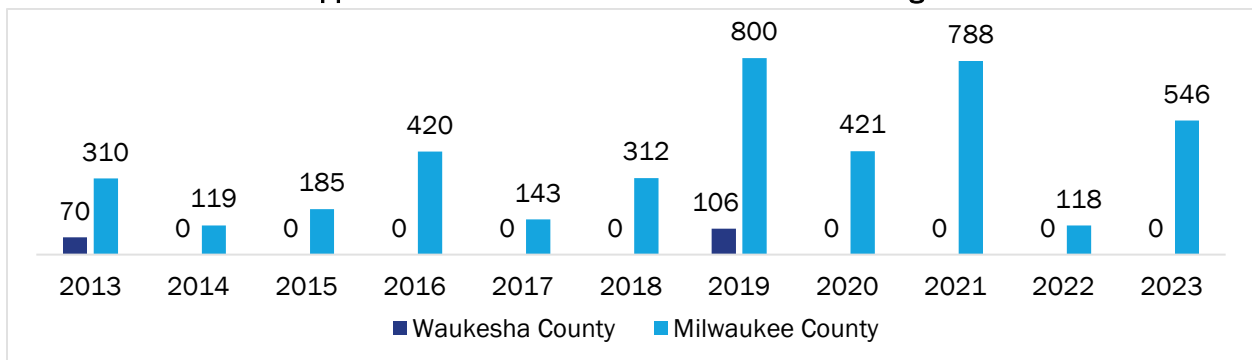
Active listing count of homes for sale in Waukesha County and Wisconsin, 2017-2022



Source: Realtor.com monthly inventory data

Very little affordable rental housing has been built in the last decade. Between 2013 and 2023, only three developments in the county totaling 176 affordable units were supported with federal or state low income housing tax credits (LIHTC), which typically are needed to finance affordable rental housing developments. According to the Wisconsin Housing and Economic Development Authority's published [lists](#), no LIHTC applications have been made for projects in the county since 2019. By comparison, 71 such developments were awarded tax credits in Milwaukee County in the last decade, supporting more than 4,100 affordable units.

Affordable rental units supported with federal or state low income housing tax credits

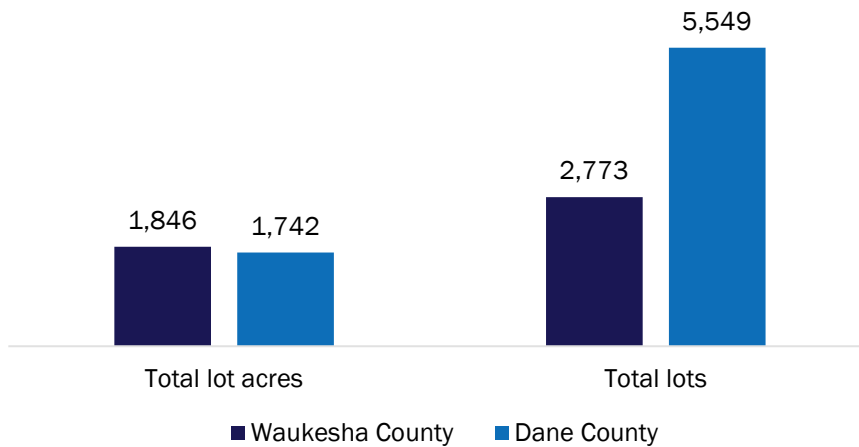


Source: Wisconsin Housing and Economic Development Authority



Zoning regulations limit the variety of housing that can be produced and impact housing costs. Some Waukesha County municipalities restrict developers from building smaller homes on smaller lots. Though zoning regulations are not the sole driver of lot size, new lots in Waukesha County tend to be large, adding to the total cost of homes. As shown in the chart below, between 2018 and 2022, the average size of new lots created by subdivision was twice as large in Waukesha County (0.67 acres) as in Dane County (0.31 acres).

Land used and lots created by subdivision in Waukesha and Dane counties, 2018-2022



Source: WPF analysis of Wisconsin Department of Administration data

Many Waukesha County municipalities also prohibit duplexes and multi-family housing development in most areas of their communities, bar the construction of accessory dwelling units (ADUs), or impose excessive parking requirements on multi-family housing that add to the cost of each unit.

The cost of infrastructure and utility extensions and expansions are additional barriers. When subdivisions are created, water and sewer services, private utilities, roads, and sidewalks must be built or extended. For multi-family housing, modifications to infrastructure and utilities often are needed to accommodate more intensive usage. Local government leaders and area developers we interviewed said these costs can be prohibitive.

Public opposition poses a major obstacle to affordable and workforce housing development. There is often a disconnect between market demand and community preference. Developers commonly propose denser, mixed-income housing because they want a variety of products to sell to potential buyers or because larger multi-family buildings are needed to make projects work financially. Community members frequently oppose such developments, however, due to concerns about potential impacts on traffic, parking, property values, or other factors. Affordable housing typically faces the greatest opposition. This can cause delays, increase costs, or derail projects entirely.

Many other factors that local communities cannot or do not wish to change contribute to high housing prices and construction costs. These include inflated building material prices, delays stemming from supply chain issues, rising interest rates, and limited innovation in housing construction. Others are assets communities wish to preserve, such as school district quality, which



makes many Waukesha County communities attractive for families with children but also may raise housing costs due to strong market competition.

Potential Solutions

These challenges are complex, and one clear takeaway from our analysis is that there is no “silver bullet” to address them countywide. Rather, multiple strategies are needed to increase and diversify the county’s housing supply and to improve affordability over the longer term.

Potential strategies identified in our research and supported by multiple stakeholders include the following:

Zoning changes that allow for greater density could help to produce more affordable and varied housing options. This could include allowing for smaller homes on smaller lots (as the city of Oconomowoc has done in eliminating its minimum lot size and floor area requirements); permitting duplexes in districts zoned for single-family housing; allowing for multi-family housing development in more places, including commercial districts; permitting accessory dwelling units; and reducing or eliminating minimum parking requirements for multi-family housing developments. The case studies we examined provide examples of most of these changes, and there was widespread agreement among those we interviewed that these reforms could help to reduce housing costs over time. Relaxing requirements for things like landscaping, materials, and infrastructure also could help. The potential impact of some of these changes would vary by municipality based on how much undeveloped land is available for new development and other market conditions.

Expediting permitting and development approval processes also could reduce housing costs modestly. The time it takes for proposed developments to get through municipal permitting and approval processes adds considerably to total project costs. Local governments or the state could consider setting limits on the time municipalities can take for those approvals.

Funding strategies are needed to support affordable and workforce housing development and associated infrastructure. Multi-family housing development designed for low- and moderate-income households typically requires some public funding support to work financially. For both multi-family and single-family housing developments, associated infrastructure often poses a challenge, including the need to build or modify sewer and water connections. Municipalities could consider using TIF or other funding sources or could create affordable housing funds to help cover infrastructure costs or support housing developments directly, as case studies in Washington County, Olmsted County, MN, and elsewhere demonstrate.

New or expanded use of alternative building methods and models could help to lower costs. For example, many stakeholders we interviewed suggested expanding the use of prefabricated housing, which may also require changes to building codes. Another common suggestion was to expand the development of attached single-family townhouses and to consider new models of higher-density housing development that are common in other parts of the country.



New or expanded public education efforts may be needed to raise awareness about the need for additional housing to accommodate current and prospective residents and workers. Given the frequency of community opposition to proposed housing developments in general – and affordable housing specifically – stakeholders we interviewed said more public education is needed about the county’s rising housing costs, the challenges current and prospective residents face, and how this issue is impacting area employers and the county’s overall economic health.

While local governments can do more to help foster housing affordability in Waukesha County, the state of Wisconsin also could play a role. Indeed, concerns about rising housing costs already have generated action at the state Capitol, and in June 2023, Governor Evers signed a bipartisan package of housing bills into law. While we do not endorse any specific legislation, these new laws could address issues raised in this report.

For example, three of the signed bills create zero- or low-interest loan programs to support building, renovating, and making infrastructure improvements for affordable, workforce, and senior housing developments.ⁱ State legislators have proposed directing a combined \$525 million to these programs through the next state budget.ⁱⁱ A fourth bill requires local governments to approve proposed housing developments provided they align with existing regulations (rather than treating all building permit applications as discretionary). It also pushes back on opposition by local residents by limiting who can challenge a proposed housing development’s approval through legal action and by requiring municipalities to make zoning changes based on a simple majority (rather than supermajority) vote.

Overall, we hope our analysis of Waukesha County’s housing affordability landscape enhances public understanding of the county’s current challenges and development barriers and the need for several different strategies to achieve progress. Given the wide-ranging impacts this issue has on residents, local governments, and area employers, strong public and private sector engagement, leadership, and collaboration will be critical.

Sources

ⁱ Redman, Henry. “Bipartisan housing bills aim to close Wisconsin’s massive affordable housing gap” Wisconsin Examiner. May 18, 2023. <https://wisconsinexaminer.com/2023/05/18/bipartisan-housing-bills-aim-to-close-wisconsins-massive-affordable-housing-gap/>

ⁱⁱ Wisconsin State Legislature. Motion 123 – Omnibus Motion. June 22, 2023. https://docs.legis.wisconsin.gov/misc/lfb/jfcmotions/2023/2023_06_22/003_wi_housing_and_economic_development_authority/motion123_omnibus_motion_lfb_papers_855_and_857

