

TOWN OF WESTPORT
REGULAR BOARD MEETING
Kennedy Administration Building
Community Meeting Room
5387 Mary Lake Road
Town of Westport, Wisconsin

AGENDA - Monday, December 2, 2019 7:00 p.m.

1. Call to Order
2. Public Comment On Matters Not On the Agenda
3. Approve Minutes
4. Review/Approve Operator Licenses
5. Driveway/Access/Utility/Road Opening Permits
6. Water Utility/Fire Protection Utility
Miscellaneous
7. Sewer Utility
Miscellaneous
8. Engineer Report
Miscellaneous Ongoing Projects
9. Election Poll Workers List Resolution Discussion/Action
10. Committee Reports/Items for Action

Personnel Committee	Public Works Committee	Westport/Middleton JZC
Audit Committee	Town Plan Commission	Westport/Waunakee JPC
11. Administrative Matters
12. Miscellaneous Business/Forthcoming Events
13. Pay Current Bills
14. Community of Bishops Bay Financing Request, Discussion/Action
15. Adjourn to closed session pursuant to Section 19.85(1)(e), Wis. Stats., to deliberate or negotiate the purchase of public properties, the investing of public funds or conducting other specified public business, because competitive or bargaining reasons require a closed session, regarding the Community of Bishops Bay Financing Request
16. Reconvene in Open Session
17. Community of Bishops Bay Financing Request, Discussion/Action
18. Adjourn

If you need reasonable accommodations to access this meeting, please contact the clerk's office at 849-4372 at least three business days in advance so arrangements can be made to accommodate the request.

TOWN OF WESTPORT
AUDIT COMMITTEE MEETING
Kennedy Administration Building
Community Meeting Room
5387 Mary Lake Road
Town of Westport, Wisconsin

AGENDA - Monday, December 2, 2019 6:30 p.m.

This meeting is being noticed as a possible gathering of a quorum of the Westport Town Board due to the possible attendance of Supervisors not appointed to the Committee. Supervisors may discuss items on this agenda, or gather information on these items, but no action will be taken on these items as the Town Board.

1. Call to order
2. Approve minutes
3. Review/approve bills for payment
4. Adjourn

If you need reasonable accommodations to access this meeting, please contact the clerk's office at 849-4372 at least three business days in advance so arrangements can be made to accommodate the request.

TOWN OF WESTPORT

TOWN BOARD - Monday, November 18, 2019

The regular semi-monthly meeting of the Town Board was called to order in the Community Meeting Room of the Bernard J. Kennedy Administration Building at 7:02 p.m. by Chair Grosskopf. Members present: Cuccia, Enge, Grosskopf, Sipsma, and Trotter. Members absent: None. Also Present: Tim Wohlers, and Tom Wilson.

There was no Public Comment On Matters Not On the Agenda. The minutes of the November 4, 2019 regular meeting and November 12 Special Budget Meeting were approved as presented on a motion by Trotter, second Sipsma.

A Regular Operator License for Elizabeth Rose Palm as on file with the Clerk and presented was granted subject all state and local requirements on a motion by Sipsma, second Cuccia.

For the Sewer Utility 2020 fee item, Wilson presented again the 2020 fee work by staff and approved MMSD fees with increased flow estimates, and after discussion the Board approved the amount of \$230 as the fee for 2020 based on increased MMSD fees and flows, and necessary increased maintenance costs, on a motion by Sipsma, second Enge, by a unanimous vote, after a similar motion for a different amount by Sipsma was withdrawn.

Wilson then gave a report on 2020 Town Budget Items and no action was necessary due to previous actions.

Grosskopf and Wilson reported on items before the plan commission/committees. The Audit Committee recommended payment of bills as presented by the Administrator after questions were answered.

For Administrative Matters raised, Grosskopf, Cuccia, and Wilson reported on the recent CTH M Public Informational Meeting at Holy Wisdom. For Miscellaneous Business or Forthcoming Events raised, Wilson reported that the Town Zoning Group BOA will meet again on November 19 in Springfield, and Wilson reminded the Board that the Community of Bishops Bay financing request would be on the next agenda with it planned that the developer would join the Board in closed session due to sensitive and private financial information which might be discussed.

Current bills were paid as presented by the Administrator and recommended by the Audit Committee after questions were answered on a motion by Sipsma, second Enge.

Motion to adjourn by Sipsma, second Cuccia. The meeting adjourned at 7:25 p.m.

Thomas G. Wilson
Town Attorney/Administrator/Clerk-Treasurer

AGENDA ITEM #9:

Election Poll Workers List Resolution Discussion/Action

TOWN OF WESTPORT
RESOLUTION NO. 19-__

A RESOLUTION APPROVING POLL WORKERS FOR THE YEARS 2020 AND 2021
IN THE TOWN OF WESTPORT, DANE COUNTY, WISCONSIN

The Town Board of Supervisors of the Town of Westport hereby resolves that the attached list is hereby established as the List of Poll Workers for 2020 and 2021, which list shall be maintained on file by the Clerk.

The above and foregoing Resolution was duly adopted by the Town Board of Supervisors of the Town of Westport, Dane County, Wisconsin at a regular meeting held on December 2, 2019, by a vote of __ ayes, __ nays, __ abstaining, and __ not voting (absent).

TOWN OF WESTPORT

By: _____
Dean A. Grosskopf, Town Board Chair

Attest: _____
Thomas G. Wilson,
Town Attorney/Administrator/Clerk-Treasurer

APPROVED: _____

POSTED: _____

Attachment: List of Poll Workers for 2020 and 2021

ELECTION WORKERS 2020-2021				
NAME	ADDRESS	PHONE	NOTES	EMAIL
Republican Party Nominees				
BLAU, CONRAD	5975 CHEROKEE VALLEY PASS	849-9635		
BLAU, MARJORIE	5975 CHEROKEE VALLEY PASS	849-9635		
Unaffiliated - Alpha Listing				
ALLEN, ANN	5570 HUNTINGWOOD	* 849-7261		
ANDERSON, KARRIE		* 535-7362	All Day	
ANDERSON, KELSEY	1305 MONICA LANE	* 445-3447	All Day	
ANDERSON, SHARON	5694 HARBORT RD	849-5597		
CARPENTER, MEEGAN	5020 HARDY TRAIL	833-3145		
CHURCH, JOAN	5048 HARDY TR	222-4822	No preference	
CURRAN, SELMA (AM)	5402 WESTSHIRE CIR	* 243-1235	No preference	
DUFFRIN, BRAD	619 OVERLOOK TER	* 963-1110	All Day	
ENGLUND, JANE	4813 COUNTY M	* 232-1876		
EPPING, JEANNE (PM)	5327 ROYALTY CT	* 241-3106		
ERLANDSON, JACKIE		558-0277	Prefers am	
FREY, JESSICA	619 OVERLOOK TER	* 963-1110	All Day	
HAMMONS, CAROLYN	6219 WERGIN WAY	206-7734	No preference	
HRUBY, KRISTINE	5019 HARDY TR	* 469-9579		
HIGGINS, ROBIN	5281 RIVER RD	* 516-4065	No preference	
KENNEDY, BEV	5492 KENNEDY DR	* 849-3629	Prefers am	
KULCYK, JOHN	5555 KUPFER RD	* 282-5242	Prefers pm	
LEONARD, MICHELLE	5617 EASY ST	* 220-0292	No preference	
LEVIN, ALLAN	4585 FOX BLUFF LN	233-9153	Alternate shift w/wife	
LEVIN, SANDRA	4585 FOX BLUFF LN	233-9153	Alternate shift w/husband	
LUNDIN, JOAN	5325 LIGHTHOUSE BAY DR	* 249-4874		
MANERING, MARY	4965 GILKESON RD	* 770-8525	Prefers am, pm ok	manering@tds.net
MCCORMICK, SHAREN	5682 STEEPLECHASE	* 850-6516	Prefers pm	
MILLER, JIM	5576 RAINBOW RD	* 849-8562	Prefers am	jhmi2006@gmail.com
MIELKE, BOB	808 WINSTON WAY	* 445-1720	Prefers am	bobmielke@tds.net
NELSON, KEITH	1519 REGENCY RIDGE	* 438-5887	Prefers am	
NELSON, TERRY	5619 COBBLESTONE	443-6887	No preference	
NIEHOFF, CAROLYN	6219 WERGIN WAY	* 206-7734	Prefers am open to all day	carolyn53597@yahoo.com
POZNIAK, MYRON	5561 KUPFER ROAD	* 220-8230	Prefers am but is flexible	1myronp@gmail.com
ROBBINS, DEBORAH	5178 REYNOLDS AVE	* 241-1913	Prefers pm	can do am with notice
SCHMITZ, EUNICE	5322 ROYALTY CT	243-7811	No preference	
TANDE, DENNIS	4965 GILKESON RD	*	Prefers am, pm ok	
THOMPSON, MARILYN	5630 STEEPLECHASE DR	* 345-5182	Prefers am	
TOWNLEY, BARBARA	4856 MORRIS CT	238-4857/658-6610	Out of town Jan - May 1st	
WEBER, MARGARET (JANE)	5474 WESTSHIRE CIRCLE	245-0539	Prefers am	

AGENDA ITEM #14

Community of Bishops Bay Financing Request,
Discussion/Action

November 15, 2019

Dean Grosskopf
Terry Enge
Ken Sipsma
Mark Trotter
John Cuccia
Tom Wilson

Re: Terrence Wall request for special assessment as reported in the Waunakee Tribune, 11/7/19

There's a real simple solution to Terrence Wall's alleged desire to lower the prices on residential lots in the Community of Bishops Bay development on Hwy M: He can reduce the profit he's making on each lot.

Wall's solution to reducing the lot prices—requesting the Town of Westport to “help him” (i.e., bail him out) pay for infrastructure costs via a special assessment over 20 years—is ludicrous.

Real estate development is a risk/reward business. Terrence Wall knew exactly what the risks were before starting the Community of Bishops Bay development. He knew the costs involved, including what his price points were and what his infrastructure costs were. Has he disclosed those documented costs to the Town Board, including land purchase price, infrastructure costs, holding costs, marketing, and other costs related to the development?

Why isn't he selling the lots? Because at upwards of \$200,000+ per lot, the price point is too high. That's the developer's problem, not the Town's problem.

The Town of Westport should have no responsibility in financing Terrence Wall's infrastructure costs via a special assessment on the lots. This would set a dangerous precedent. How many other businesses has the Town bailed out in such a manner? How many businesses is the Town willing to bail out in the future?

If the Town approves the \$9 million special assessment and the development goes under, is the Town on the hook to pay some of the associated costs? Because Wall's creditors surely will look for avenues to recoup their costs.

Lots and homes in the greater Waunakee/Westport area are selling at a rapid pace. To our knowledge, other developers in this area aren't requesting special assessments to bail them out.

Kathy and Paul Kuehn
5527 Maria Way
Waunakee, WI 53597

Tom Wilson

From: Karl Marquardt <kvmarquardt@tds.net>
Sent: Monday, November 18, 2019 10:18 AM
To: Tom Wilson
Subject: T. Wall Development Request for Lot Subsidies

Tom Wilson:

Please forward this email to the Town Chairman and all Town Supervisors.

We are residents of the Town of Westport and strongly oppose the request of Terrance Wall and the Community of Bishops Bay development for any further town financial assistance in selling lots in his development. The November 7 edition of The Waunakee Tribune contained an article about the request and his appearance at the Town Board meeting. The board's action at that meeting to table or postpone the matter is commendable. No tax dollars should be spent to subsidize a private development. If a lot price of \$90,000 is too high for first time home buyers and Mr. Wall is trying to attract that type of buyer, he should lower the lot price and not expect local taxpayers to provide financial assistance, or in the alternative, market the development to homebuyers in the secondary market.

We urge you to vote "NO" when the issue is considered at any subsequent board meeting.

Thank you.

Karl and Vel Marquardt
836-8526

Tom Wilson

From: Terry Nelson <tdn1947@gmail.com>
Sent: Thursday, November 21, 2019 2:21 PM
To: Tom Wilson
Subject: Cobblestone

Tom; is Cobblestone included in next year's road budget? Also, the editorial in today's Waunakee paper commenting on T.Wall's ask for assistance was right on. No reason to bail a developer out for his own bad business decisions. Thanks.
Terry Nelson



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October 14, 2019

Attorney Tom Wilson
Attorney/Administrator/Clerk-Treasurer
Town of Westport
5387 Mary Lake Road
Waunakee, WI 53597

RE: Bishops Bay – Phase 5 - Farm & Prairie
Managing Housing – Affordability

Attorney Wilson & Town Board:

The Community of Bishops Bay ("Bishops Bay") is requesting the Town of Westport consider financing infrastructure for Phase 5 of the Community of Bishops Bay. The proposed structure would finance the public infrastructure costs associated with the recent development on Highway M over 20 years through special assessments on the lots, allowing a reduction in the lot prices, which would make the lots and housing more affordable given the disproportionately high cost structure of this first phase of Bishops Bay in Westport (the expensive Highway M improvements and the extraordinarily long water/sewer main extensions).

BACKGROUND

The Community of Bishops Bay is a master planned community in the Town of Westport and City of Middleton with seven distinct neighborhoods comprising up to 1,350 single family lots and 1,650 multi-family lots; 394 of those single-family lots are in Westport. Currently the Community of Bishops Bay has developed phases 1-5 of the development; with 4 phases completed (and nearly sold out) in the Back



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Nine Neighborhood in Middleton (175 single family lots; 268 multi-family units) and the first phase of the Farm & Prairie neighborhood in Westport (86 single family lots).

The Community of Bishops Bay also recently completed the infrastructure improvements associated with Phase 5 (the Farm & Prairie) in the Town of Westport off of Highway M (86 single family lots).

CHALLENGE TO PROVIDING REASONABLY PRICED HOUSING

Currently Phase 5 of Bishops Bay is moving far slower than anticipated due to: (1) very significant increases in construction costs; (2) sky-rocketing new home construction costs; and (3) large upfront plat payments associated with regional utility financing. Specifically:

- 1) **Infrastructure Construction Costs.** The development costs for Phase 5 (constructed in 2018) are 20%-36% higher than prior phases of The Community of Bishops Bay, a dramatic increase. On top of overall infrastructure construction cost increases, Phase 5 had extraordinarily higher costs due to the Highway M improvements and the remarkably long extension of sewer and water to serve the site. The increases in year-over-year costs are due to tariffs and severe labor and material shortages in the construction industry never experienced before in the history of the industry.
- 2) **Home Construction Costs.** Since 2016, housing construction costs have soared more than 30%. Dane County has a huge housing shortage (see Wisconsin Realtor's Association new housing study by UW Professor Kurt Paulsen), especially for middle-income buyers, and it is impossible to construct a house that is affordable for middle-income buyers. The restriction on supply is further exacerbated by the fact that new houses are not appraising for what they cost to build, because appraisals are based on prior sales, not on high construction costs, which results in banks financing less than they would have previously because banks



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finance based on appraised values. Therefore, the buyer needs to come up with a higher cash down-payment as a result of the smaller bank loan. The net outcome is unaffordable housing due to huge cost barriers to entry. For example, homes that used to cost \$350,000-\$500,000 for middle-income buyers now cost literally \$476,000-\$680,000, which is unaffordable for middle-income buyers.

3) **Repayment.** Under the current Westport financing structure, the developer paid \$1,332,216 to Westport and \$485,541 to Middleton for Phase 5's portion of the total regional utilities. That amounts to \$1,790,757 just for regional utilities, not to mention all that the developer paid for local public utilities to serve the Phase 5 lots, Highway M improvements and the like.

All of these factors combine to make the cost of lots and therefore home ownership in Phase 5 unaffordable. For example, Lot 168 in the Farm Neighborhood is currently listed at \$175,000, at least \$50,000 higher than comparable lots in a nearby competing community, *due to the fact that the cost of a lot in Phase 5 is higher than the price of a lot in that nearby community*. Therefore, under the current scenario, it is impossible to provide new affordable middle-income housing in Westport, which is already in dire need. For more background on the growing dearth of new middle-income housing, please read the enclosed WRA 2019 Special Report: *Falling Behind; Addressing Wisconsin's Workforce Housing Shortage to Strengthen Families, Communities and Our Economy*, by Dr. Kurt Paulsen (a Middleton Plan Commission member).

Given the high cost of housing construction and the lots themselves, sales have been very slow in Phase 5 and therefore at this rate, absorption will take many years versus the original two to three years anticipated. We will never get to the remaining phases of The Community of Bishops Bay if that becomes the reality.



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PROPOSED SOLUTION

It is recognized as good public policy for communities to provide affordable, reasonably-priced housing, and many communities in Wisconsin and Dane County assist development with special help. To that end, the Developer requests financing for the public infrastructure for Phase 5, just as thousands of communities across the United States have done, whereby the public infrastructure costs would be financed and specially assessed on the Phase 5 lots over 20 years to provide a significant public benefit.

Specifically, this financing structure would enable the reduction in lot prices in Phase 5 in exchange for a deferred special assessment of approximately \$7,465 per lot per year for 20 years, which the future home owners would pay over the course of 20 years.

Per Ehler's report dated July 1, 2019 (enclosed), Westport could finance approximately \$9,005,000, which is limited to the cost for the infrastructure associated with Phase 5 and does not include many other costs associated with the development. The data is summarized below:

Total Finance Request	Special Assessment per Lot Per Year	Price Reduction Per Lot
\$9,000,000	\$7,465	Approx. \$90,000

The proposed financing helps future lot owners of Westport, who are able to finance the lot price over a longer period of time *via* a special assessment per year rather than a large up-front payment. Meanwhile, Westport obtains security *via* the first lien position *via* a special assessment to assure Westport of repayment, as well as 50 basis points (0.5%) interest "override" on the financing – which is revenue to Westport and another public benefit.

Some municipalities use TIF to help in situations like this, but the proposed alternative method of financing is probably preferred, because it doesn't have any



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of the impacts of TIF and this method has the housing itself paying for its own costs and NOT other Westport citizens paying. Keep in mind, the net property taxes (with the special assessment) that a Phase 5 buyer would pay on an \$800,000 house would be only \$3,281 per year more than the property taxes a resident of Waunakee would pay on the same valued property. See below:

Annual Property Tax Analysis			
Municipality	Property Tax	Special Assessment	Total Taxes
Waunakee	\$17,648	-	\$17,648
Westport	\$13,464	\$7,465	\$20,929

Difference = \$3,281

*Assumes property valued at \$800,000

*Assumes \$9,000,000 Financing from Westport

This proposal of reducing lot costs by specially assessing those costs over 20 years allows the residents of Phase 5 to pay nearly the same all-in taxes as their Wauankee neighbors while obtaining a financing mechanism critical to providing affordably-priced housing in Westport.

HOW

If Westport approves financing public infrastructure for Phase 5 by specially assessing such cost to the Phase 5 lots over 20 years, then Bishops Bay would work with Westport on an agreement that describes the specifics of the infrastructure financing and potential bonding in exchange for specific lot price reductions. Furthermore, part of the agreement would specify the notice/ disclosure that would be recorded with each lot in Phase 5, because it is important to explain to future buyers the existence of special assessment on their lots and the benefits the special assessment provides. Then the final agreement incorporating these concepts would come before Westport's board for approval.



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BENEFITS

Why should Westport, instead of the developer, provide this financing for homeowners?

The answer is simple: as a municipality, Westport can obtain longer-term financing for a lower cost, which results in a lower payment for the homeowner and more affordably-priced new homes.

Financing Cost & Duration. The developer can only obtain, at most, 10-year financing with a lender. Instead, Westport can potentially finance the infrastructure cost through bonding for a period of 20 years at an interest rate that is at least 250 basis points (2.50%) less than the rate the developer could secure.

Financing Security. Additionally, a developer-obtained loan would require a mortgage on the lots which would jeopardize the homeowner's mortgage. Conversely, Westport can specially assess the financing on the tax bill, which is a first lien position (i.e. priority over mortgage), and a deferred special assessment does not conflict with the homeowner's mortgage because the homeowner's lender underwrites the annual payment for the special assessment similarly to the cost for the homeowner's insurance and property taxes.

Result of Lower Financing Cost. Westport's lower cost financing (via interest and longer payoff – 20 years vs. 10 years) results in a lower upfront lot price AND a lower annual cost to the future homeowners. Lower upfront property cost would help more potential homeowners qualify for loans to construct/buy new houses. For example, assuming Westport finances \$9 million of infrastructure, the homeowner could purchase the home for \$90,000 less at closing.

Who Benefits? New home owners in Westport and the Town of Westport itself, because this method would make new homeownership accessible and affordable. This proposed solution is a method to catalyze lot sales and provide more



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affordably-priced housing in Westport. By selling homes faster, the developer is also able to start the next phase of the development sooner than under the current model because the developer cannot start the next phase of the development until a majority of Phase 5 is sold to buyers.

Tax Base Growth. Increased sales in Phase 5 will bring more tax revenue faster to Westport. For every year in which 25 Phase 5 lot sales occur that wouldn't have otherwise occurred, \$336,6000 of additional tax revenue is generated, compounded year after year. For each year the entire 84 remaining lots are sold and built on, an additional \$1 million (approximately) in tax revenue will be paid to the Town of Westport. And if that revenue growth occurs five years sooner than under the present conditions, over \$5 million more in taxes will be paid to Westport.

Simply put, this is a solution that helps keep The Community of Bishops Bay's development on track, increases sales, and most importantly makes new housing in Westport more affordable, a significant public benefit. This proposal lowers the barriers to entry by lowering the upfront expense to homeowners and thereby making new housing more accessible to meet the severe housing shortage in Dane County.

We sincerely appreciate Westport's time in considering this opportunity to expand homeownership.

Sincerely,

The Community of Bishops Bay LLC
By: Terrence R. Wall, President

Enclosures: WRA 2019 Special Report: *Falling Behind; Addressing Wisconsin's Workforce Housing Shortage to Strengthen Families, Communities and Our Economy*, by Dr. Kurt Paulsen; & Ehler's Report dated July 1, 2019.



WISCONSIN **REALTORS®** ASSOCIATION



SPECIAL REPORT
**FALLING
BEHIND**

Addressing Wisconsin's workforce housing shortage to strengthen families, communities and our economy.

ALL ACROSS WISCONSIN

communities and employers are recognizing the critical need to address Wisconsin's housing shortage.



WRA

SPECIAL REPORT
**FALLING
BEHIND**

Addressing Wisconsin's
workforce housing
shortage to strengthen
families, communities and
our economy.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

What is workforce housing and how does it impact the Wisconsin housing industry?

04

INTRODUCTION

Expanding housing opportunities and addressing Wisconsin's housing shortage.

08

CAUSES OF THE WORKFORCE HOUSING SHORTAGE

Fewer housing starts, rising construction costs and outdated land use regulations.

10

RESULTS OF THE WORKFORCE HOUSING SHORTAGE

Rising housing costs, higher rent, declining homeownership rates and affordability issues.

16

ROADMAP TO REFORM

Addressing Wisconsin's workforce housing gap by strengthening homeownership, affordability and reinvesting in homes.

28



ABOUT THE WISCONSIN REALTORS® ASSOCIATION

The WRA is one of the largest trade associations in the state, headquartered in Madison, Wis. The WRA represents and provides services to more than 16,500 members statewide, made up of practicing real estate sales agents, brokers, appraisers, inspectors, bankers and other professionals who touch real estate. The WRA is under the direction of a statewide board of directors, comprised of members from the top real estate firms around the state.



ABOUT THE AUTHOR

Kurt Paulsen, Ph.D., AICP, is a professor of urban and regional planning at the University of Wisconsin–Madison, where he teaches on and researches housing policy, land use planning and public finance. Professor Paulsen was born and raised in Wisconsin, and is a lifelong Badgers, Packers and Brewers fan. He lives in Middleton where he chairs the city's Workforce Housing Committee. His research has appeared in national academic journals; and he has conducted housing research and analysis for Dane County, Waukesha County, and the Wisconsin Housing and Economic Development Authority.

ACKNOWLEDGEMENTS AND DISCLAIMERS

All statements in this document are the opinion of Professor Paulsen himself and do not necessarily reflect the views of the University of Wisconsin, or any city, county or state agency.

Wisconsin REALTORS® Association

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ABOUT THIS STUDY EXECUTIVE SUMMARY

WHAT IS **WORKFORCE HOUSING**?

Workforce housing is the supply of housing in a community (a variety of housing types, sizes, locations and prices) that meets the needs of the workforce in that community. Specifically, in this report, workforce housing is housing that is “affordable” for renting families earning up to 60 percent of the area's median income and for owning families earning up to 120 percent of the area's median income.



Wisconsin has a workforce housing shortage. While the Wisconsin economy has returned to growth since the end of the Great Recession, our housing stock is falling behind. We are not building enough housing to keep up with demand for our growing workforce. Our existing housing stock is aging, and construction prices and housing costs are rising faster than inflation and incomes. This state has seen declining homeownership, particularly among younger families, first-time homebuyers, and African American and Hispanic families. Housing costs and rents are rising faster than incomes, too. Compared to our neighboring states, we have the highest rate of extreme rental cost burden for lower-income families and the second highest rate of extreme cost burden for lower-income homeowners.

The purpose of this report is to document

the significant workforce housing shortage in Wisconsin, and to explain the main causes (lack of supply, rising construction costs and outdated regulations) and main results (rising prices, decreasing homeownership and decreased affordability).

This report also outlines a roadmap to reform to meet our workforce housing challenges. Reforms and policies are focused on five key goals: building more housing, increasing housing choice through a diverse housing stock, rebuilding and strengthening homeownership, reinvesting in older housing and older neighborhoods, and making housing a priority. These reforms and policies can help Wisconsin address our workforce housing shortage; modernize our housing system; and ensure a more prosperous, equitable and sustainable future for all our residents.

CAUSES OF THE WORKFORCE HOUSING SHORTAGE

Cause 1: Wisconsin has not built enough homes to keep up with population and income growth. Housing units authorized by building permits and new housing lots are way down from pre-crisis levels, and we are creating about 75 percent fewer lots and 55 percent fewer new housing units than pre-recession averages. Our fastest-growing counties — such as Dane, Brown and Waukesha — have collectively under-produced 15,000 housing units in the past decade.

FIGURE 1



Source: Subdivision Lots from Wis. Dept. Admin.; Building Permits Database, U.S. Census Bureau.

Cause 2: Construction costs are rising faster than inflation and incomes.

In the past seven years, construction costs have risen substantially faster than inflation, and construction companies report severe labor shortages in Wisconsin.

Cause 3: Outdated land use regulations drive up the cost of housing.

Large minimum lot sizes, prohibitions on non-single-family housing, excessive parking requirements, requirements for high-end building materials, and long approval processes do not protect public health and safety. They serve mostly to raise the cost of housing.

RESULTS OF WORKFORCE HOUSING SHORTAGE

Result 1: Housing costs are rising.

The report demonstrates how housing costs are rising across Wisconsin. Housing prices for ownership now exceed pre-crisis (2007) levels. Rents are growing faster than incomes.

Result 2: Declining homeownership,

especially among younger households and African American and Hispanic families. While homeownership rates across the United States declined from 2007-2017, Wisconsin was hit particularly hard. Compared to our neighboring states, Wisconsin has lower homeownership rates for 25-34 and 35-44 year-old households than all of our neighbors except Illinois. We have lower homeownership rates for African Americans than all of our neighbors except Minnesota, and have lower Hispanic homeownership rates than all of our neighbors.

Result 3: Declining housing affordability.

Overall affordability of housing for our workforce, both owners and renters, has declined in the past decade in Wisconsin. This report presents new measures of workforce housing affordability for renters and owners for each of Wisconsin's counties. Entry-level housing affordability has declined from 2010 to 2017 in 57 of Wisconsin's 72 counties. There are 14 counties across the state where the typical renter household cannot afford the middle-priced rental unit, and another 37 counties where this typical renter household can just barely afford the middle-priced rental home. Over 158,000 renting households in Wisconsin pay more than half of their income for housing,

and over 94,000 owning households pay more than half of their income for housing.

Roadmap to Reform:

Addressing Wisconsin's Workforce Housing Challenge. In this report, we present a number of strategies and policies based on our analysis of housing and zoning reform efforts in states such as Utah, New Hampshire, Oregon, New Jersey, Massachusetts and others. We present strategies organized under five goals.

Goal 1: Build more housing.

Strategies and policies under these goals include:

- Expedited permitting and development approval processes for housing at the state and local levels.
- Requiring all cities and villages to allow "missing middle" housing types in at least one residential zoning district.
- Requiring municipalities to allow accessory dwelling units (ADUs).
- Better enforcement of existing requirements.
- Establishing maximum/minimum lot sizes in sewer service areas.

Goal 2: Increase housing choices with a more diverse housing stock.

Strategies and policies include:

- Using tax incentives to reduce costs for workforce housing.
- Requiring municipalities to allow multifamily housing construction in at least one zoning district.
- Encouraging and/or incentivizing municipalities to plan for a better balance between jobs and housing.
- Analyzing statewide workforce housing data.

- Financing for workforce housing in rural areas and small communities.
- Providing additional incentives to local governments to approve workforce housing.
- Workforce housing tax increment financing districts (TID).

Goal 3: Rebuild and strengthen homeownership.

Strategies and policies include:

- Encouraging cities, villages and counties to make funding available for Down Payment Assistance Programs (DPAP).
- Creating a first-time homebuyer savings account program.

Goal 4: Reinvest in older housing stock and neighborhoods.

Strategies and policies include:

- Expanding WHEDA's Transform Milwaukee Advantage program.
- Creating a state tax credit or other financial incentives for the rehabilitation of older housing in older neighborhoods.
- Expanding training and apprentice programs for displaced or underemployed workers.

Goal 5: Make housing a priority!

Policies and strategies include:

- Coordinating housing programs across state agencies, expanding financial incentives for development of new and rehabilitation of older housing in areas such as Opportunity Zones and rural areas.
- Providing technical and financial assistance to local governments.
- Providing financing incentives for innovative models, as well as providing pre-development funds for nonprofit and affordable housing providers.

FIGURE 3 Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Age Groups (except Seniors), with Largest Drop for Youngest Families

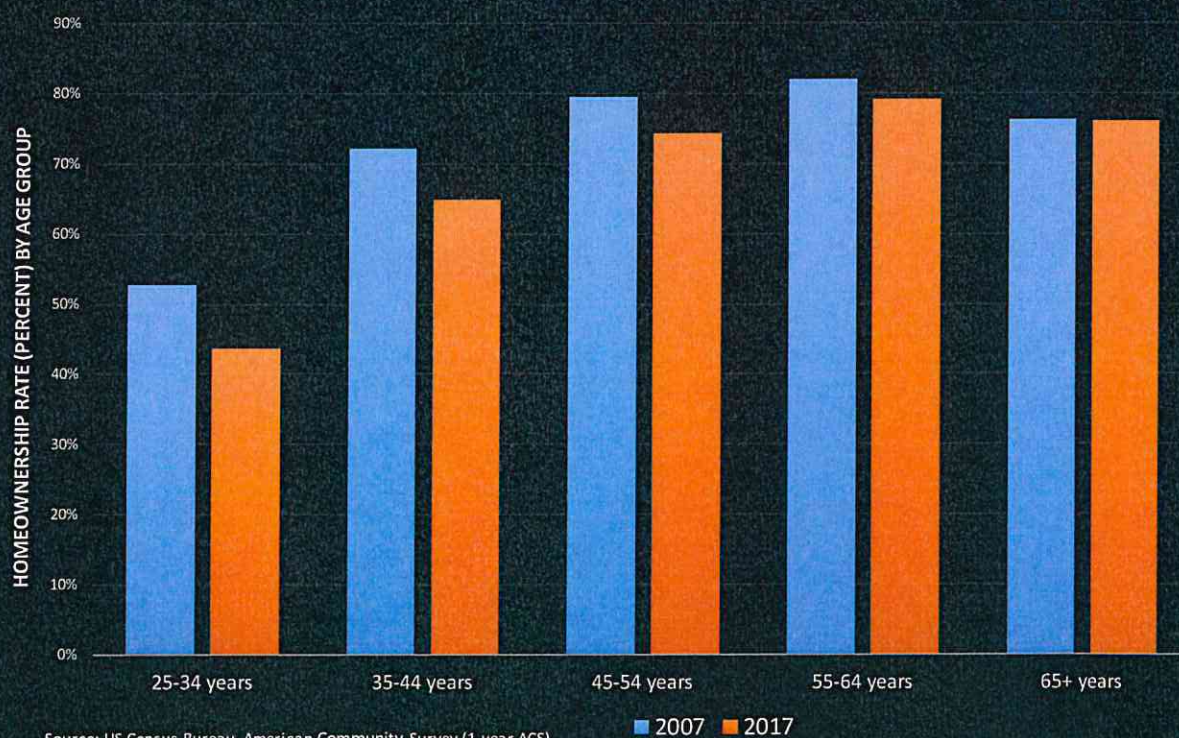
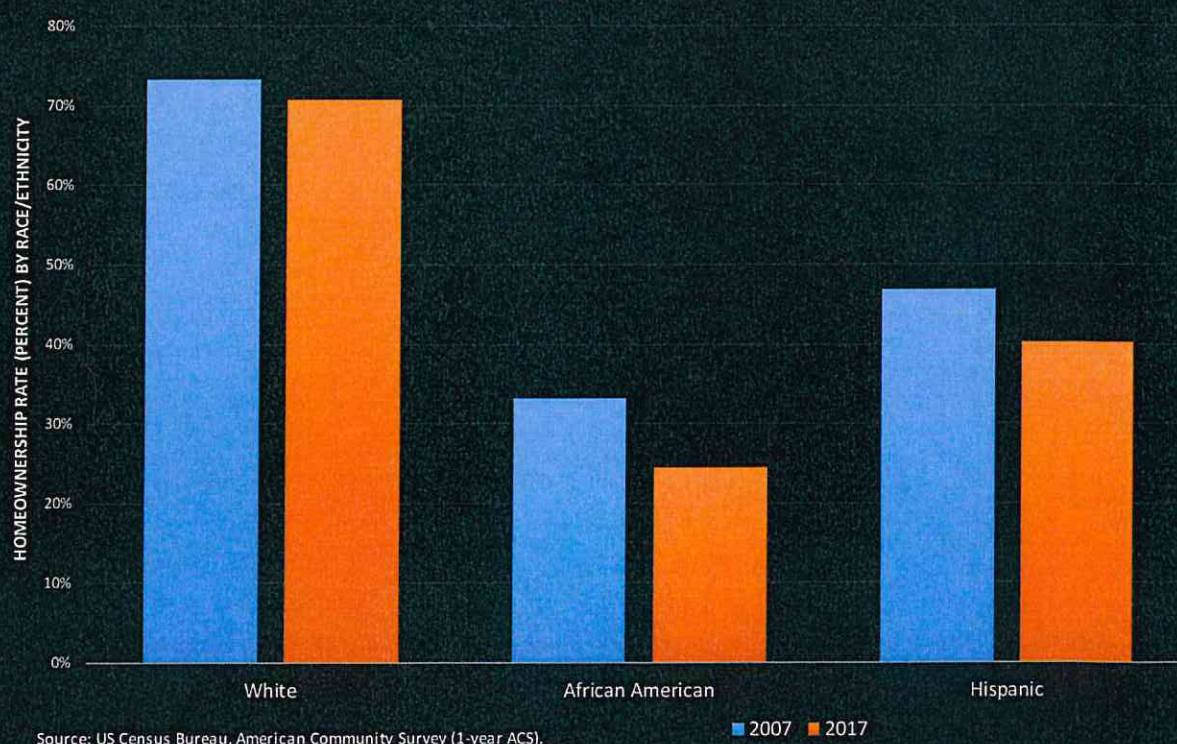


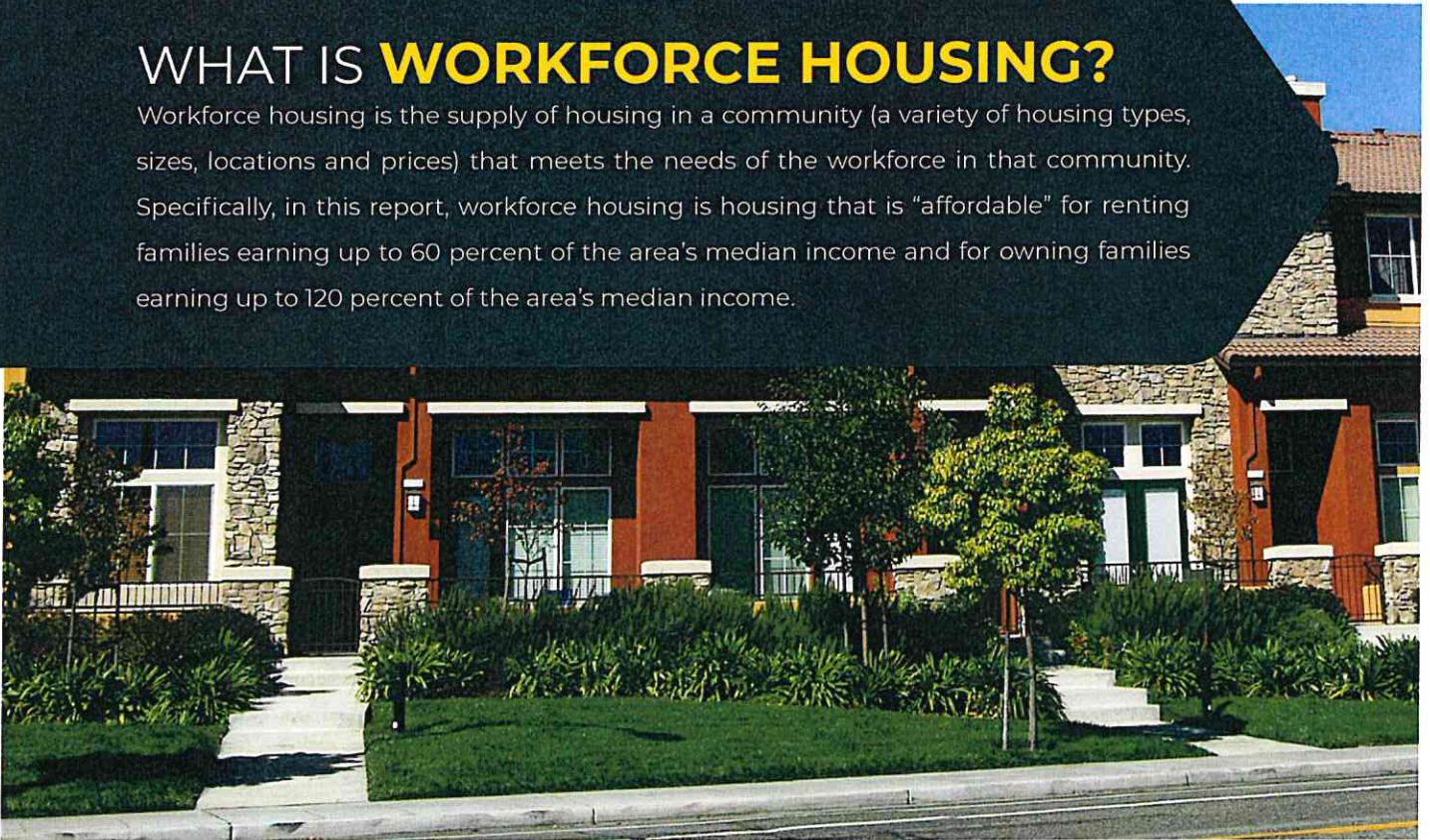
FIGURE 4 Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Racial/Ethnic Groups, with Largest Drop for African American Families



INTRODUCTION

WHAT IS **WORKFORCE HOUSING**?

Workforce housing is the supply of housing in a community (a variety of housing types, sizes, locations and prices) that meets the needs of the workforce in that community. Specifically, in this report, workforce housing is housing that is “affordable” for renting families earning up to 60 percent of the area’s median income and for owning families earning up to 120 percent of the area’s median income.



All across this great state — cities, suburbs, small towns and rural areas — communities and employers are recognizing the critical need to address Wisconsin’s workforce housing shortage, to expand housing opportunities for all, and to update our housing system to reflect 21st century needs.

Our business leaders recognize that workers need quality, affordable homes close to where they work or easily accessible to a reliable transportation system. Communities increasingly recognize that workforce housing is economic development because a home is where a job goes to sleep at night.

The Wisconsin economy has slowly returned to growth since the end of the Great Recession. From 2010-2017, Wisconsin experienced a 7.6 percent increase in real (adjusted for inflation) median household income, an 8.2 percent increase in the number of jobs, and a 1.2 percent increase in population.

Our economy is growing, but our housing stock is falling behind.

We are not building enough new housing units to keep up with demand, and we are not building enough housing for our growing workforce. Our existing housing stock is aging faster than most neighboring states.

Construction costs are rising faster than inflation, and regulations often drive up the cost of housing.

The result of this workforce housing shortage has been declining homeownership, particularly among younger-adults, first-time homebuyers and African American and Hispanic families. The result of this workforce housing shortage also has been rising housing costs, with rents rising faster than incomes. And the results of this workforce housing shortage have been particularly hard on workers at the lower end of the wage scale.

On most of the housing indicators presented in this report, we are falling behind neighboring states.

The shortage of workforce housing makes it harder for businesses to recruit or retain workers and harms our economic competitiveness. If workers are unable to find decent, affordable homes near where they work, they either have to live further away and travel long distances or pay a higher portion of their income for housing. Some workers might leave the state altogether, or never come here.

WISCONSIN ECONOMIC GROWTH

The Wisconsin economy has slowly returned to growth since the end of the Great Recession, but our housing stock is falling behind.



The purpose of this report is to document the significant workforce housing shortage in Wisconsin, and to explain the main causes (lack of supply, rising construction costs and outdated regulations) and main results (rising prices, decreasing homeownership and decreased affordability).

This report also outlines a roadmap to reform to meet our workforce housing challenges. Reforms and policies are focused on five key goals: building more housing, increasing housing choice through a diverse housing stock, rebuilding and strengthening

homeownership, reinvesting in older housing and older neighborhoods, and making housing a priority. These reforms and policies can help Wisconsin address our workforce housing shortage; modernize our housing system; and ensure a more prosperous, equitable and sustainable future for all our residents.

What caused the workforce housing shortage?

1. **WISCONSIN HAS NOT BUILT ENOUGH HOMES** *TO KEEP UP WITH POPULATION AND INCOME GROWTH*

From 1994 through 2004 (before the housing bubble and subsequent crash), building permits for new housing units in Wisconsin averaged nearly 36,000 units per year, including about 24,500 single-family permits and nearly 8,000 multifamily units. During this time period, land divisions (“subdivisions”) to create building lots averaged over 14,000 new lots per year.

Like all states in the U.S., construction activity significantly declined in Wisconsin during the Great Recession and has not recovered to pre-crisis levels. From 2012 through the most recent data, annual lots created have averaged 3,375 lots per year, and building permits have averaged about 16,000 per year. Housing production is falling behind: we are creating approximately 75 percent fewer lots and 55 percent fewer new homes than pre-recession averages.

FIGURE 1

HOUSING CONSTRUCTION AND SUBDIVISION ACTIVITY IN WISCONSIN HAVE NOT RECOVERED FROM THE GREAT RECESSION AND REMAIN HISTORICALLY LOW

Figure 1 shows the dramatic decline of housing production in Wisconsin. Single-family building permits only climbed back over 10,000 per year in 2016 and remain well below historical levels. Likewise, multifamily building permits dropped off significantly during the recession, even as demand for apartments surged. The number of units authorized by multifamily permits are still thousands of units below permit levels in the 90s and early 2000s.

FIGURE 1



Source: Subdivision Lots from Wis. Dept. Admin.; Building Permits Database, U.S. Census Bureau.

What caused the workforce housing shortage?

1. **WISCONSIN HAS NOT BUILT ENOUGH HOMES** *TO KEEP UP WITH POPULATION AND INCOME GROWTH*

[CONTINUED]

The population of Wisconsin has increased faster than housing construction. When adjusted for population, building permits per capita and development lots per capita are less than half what they were in the 90s and early 2000s.

If the same rate of construction from 1994 through 2004 were applied to our most recent decade, Wisconsin would have created over 200,000 more new homes and more than 115,000 new building lots.

If housing is not produced to meet demand, housing prices go up and families have difficulty finding housing they can afford in communities where they want to live. Families trying to save for a down payment fall further behind.

To create a lot or parcel where a home can be built, developers must first get subdivision approval from a local government, and then have that subdivision certified by the Wisconsin Department of Administration (DOA). Figure 1 (on page 11) shows the number of building lots approved in Wisconsin each year based on DOA data. In the past two years, 2017 and 2018, fewer than 10,000 buildable house lots were approved in Wisconsin, even though Wisconsin usually adds 10,000-20,000 net new households each year.

Future homes require buildable lots. The current supply pipeline of buildable lots is low, which only exacerbates the existing housing shortage. If we don't create more lots today, we will fall further behind in the future.

Although a shortage of new housing construction affects all areas of the state, the magnitude of the problem varies across different regions. In a balanced regional housing market, the rate of growth of housing units (supply) should be about the same as the rate of growth of households (demand).

However, if an area adds more households than housing units, vacancy rates decline, prices rise, and families have difficulty accessing housing. If developers and builders are unable to secure building sites and permission to meet the increased housing demand in an area (supply constraint), housing is being "under-produced," resulting in a "housing gap."

THE THREE FASTEST-GROWING COUNTIES — DANE, BROWN AND WAUKESHA — ACCOUNTED FOR OVER HALF OF THE HOUSEHOLD GROWTH IN WISCONSIN, AND COLLECTIVELY UNDER-PRODUCED 15,000 HOUSING UNITS FROM 2006-2017

TABLE 1

Table 1 shows the growth in the number of households compared to the growth in net new housing units for Wisconsin's 20 largest counties from 2006-2017. Table 1 shows that the largest 20 counties in Wisconsin under-produced nearly 20,000 units of housing from 2006-2017. The three-fastest growing counties — Dane, Brown and Waukesha — accounted for over half of the household growth in Wisconsin, and collectively under-produced 15,000 housing units, more than three-quarters of the state total. Dane county alone was responsible for the most new households and most new housing units, while also contributing more than half of the statewide supply gap.

Wisconsin's 20 Largest Counties Underproduced Nearly 20,000 Housing Units from 2006-2017

	Growth in households (2006-2017)	Growth in housing units (2006-2017)	Ratio of household growth to housing unit growth	Housing "Underproduction"
Milwaukee County	206	10,754	0.0192	
Dane County	36,334	25,128	1.4460	11,206
Waukesha County	13,199	10,986	1.2014	2,213
Brown County	9,806	8,145	1.2039	1,661
Racine County	2,319	2,645	0.8767	
Outagamie County	5,727	6,249	0.9165	
Winnebago County	3,134	4,903	0.6392	
Kenosha County	3,737	3,922	0.9528	
Rock County	2,516	1,480	1.7000	1,036
Marathon County	3,183	3,231	0.9851	
Washington County	4,019	4,289	0.9370	
La Crosse County	3,402	3,859	0.8816	
Sheboygan County	1,772	1,440	1.2306	332
Eau Claire County	2,504	3,156	0.7934	
Walworth County	3,208	2,671	1.2010	537
Fond du Lac County	3,727	2,929	1.2724	798
St. Croix County	3,164	3,246	0.9747	
Ozaukee County	2,909	2,082	1.3972	827
Dodge County	1,311	1,354	0.9682	
Jefferson County	3,469	2,241	1.5480	1,228
20 Largest Wisconsin Counties	109,646	104,710	1.0471	19,838

Source: Author's calculations based on 2006 and 2017 1-year American Community Survey data, U.S. Census Bureau. Households are 1- or more persons who occupy a housing unit. Housing units include vacant structures for sale or rent.

What caused the workforce housing shortage?

2. CONSTRUCTION COSTS ARE RISING FASTER THAN INFLATION AND INCOMES WISCONSIN

Compounding the housing supply gap, construction costs have been rising faster than inflation and income in recent years. From 2010-2017, construction costs have increased by 14.7 percent in Madison, 14.9 percent in Milwaukee, and 16.2 percent in Green Bay. When construction costs go up, new housing becomes more expensive, but so too does existing housing due to increases in repair, remodeling and replacement costs.

The rise in construction costs is due to an increase in material prices, but also due

to a severe labor shortage in the building and construction trades. According to the Association of General Contractors survey, 73 percent of Wisconsin construction firms reported labor shortages.

Rising construction costs mean that all forms of housing are becoming more expensive and less available. This creates barriers to homeownership and to rental affordability.

RISING CONSTRUCTION COSTS

Rising construction costs mean that all forms of housing are becoming more expensive and less available. This creates barriers to homeownership and to rental affordability.



3. OUTDATED LAND USE REGULATIONS *DRIVE UP THE COST OF HOUSING*

There is a growing bipartisan consensus that restrictive municipal land use regulations constrain housing supply and drive up the cost of housing. This bipartisan consensus is seen in policy proposals to reduce regulations from HUD Sec. Ben Carson (Republican) and Sen. Cory Booker (Democrat). Major research publications from the National Association of Home Builders (NAHB) and the Obama Whitehouse call attention to the effects of zoning restrictions on housing prices. Proposals to reduce restrictive zoning regulations so that developers can supply a greater variety of housing at all price points have been presented by the American Enterprise Institute and the Metropolitan Milwaukee Fair Housing Council.

Academic research by economists like Harvard's Ed Glaeser demonstrates that restrictive zoning policies, such as large minimum lot sizes, excessive parking requirements, prohibitions on multifamily development, accessory dwelling units, townhouses or duplexes collectively reduce housing supply and variety and therefore drive up housing costs.

The NAHB regularly surveys developers of housing and estimates that regulations can drive up the cost of single-family homes by at least 24 percent and multifamily housing by 30 percent.

Of course, regulations to protect public health and safety — such as fire safety, building codes, stormwater management and protecting environmentally sensitive lands — are necessary and proper roles for local governments. But large minimum lot sizes, prohibitions on non-single-family housing, excessive parking requirements, requirements for high-end building materials, and long approval processes do not protect public health and safety. They serve mostly to

raise the cost of housing.

Restrictive zoning regulations drive up the cost of housing in at least three ways. First, they lower the overall supply of housing units in an area. When supply is restricted but demand is increasing, more families chase fewer units, and prices go up. Second, for housing that is built, the underlying land is more expensive. For example, in the latest national survey of developers by the NAHB, the average price per square foot for a finished residential lot is \$8.22 ft². This would mean that a minimum lot size of 15,000 ft², about 1/3 of an acre, would cost \$123,300 while an 8,000 ft² minimum lot size would cost only \$65,760. In this example, public health and safety are not affected by smaller lot sizes, but the cost of the land for residential development is reduced nearly \$58,000. Third, when land is more expensive and larger lots are required, developers are forced to build more expensive and larger homes to recover their land costs. Large homes on large lots are not affordable to most of the workforce in a community.

Across the country, there is a growing "YIMBY" (Yes In My Backyard) movement that is calling attention to the outdated zoning and land use regulations in municipalities as a counter to the prevalence of "NIMBY" (Not in My Backyard) residents.

LARGE MINIMUM LOT SIZES, PROHIBITIONS ON NON-SINGLE-FAMILY HOUSING, EXCESSIVE PARKING REQUIREMENTS, REQUIREMENTS FOR HIGH-END BUILDING MATERIALS, AND LONG APPROVAL PROCESSES DO NOT PROTECT PUBLIC HEALTH AND SAFETY. THEY SERVE MOSTLY TO RAISE THE COST OF HOUSING.

What is the result of the workforce housing shortage?

RESULT 1 HOUSING COSTS ARE RISING

With housing demand growing but housing supply lacking, the cost of housing is rising. While price growth might be good for current homeowners, it can make it harder for first-time homebuyers to enter the market and for seniors to downsize. This can stifle the housing market as families are constrained from moving for job opportunities or are unable to adjust their housing consumption to meet their current lifestyle stage.

Homeownership costs are rising. Figure 2 shows the Federal Housing Finance Agency's (FHFA) House Price Index (HPI-AT) for Wisconsin. This House Price Index is the broadest measure of housing costs because it includes all mortgage transactions — purchase and refinance — and

measures the price change for a “constant quality” house. Because newer homes are almost always priced higher than existing homes, the average sales price of new homes can overstate the costs for the average family.

We re-scaled the House Price Index so that the first quarter of the year 2000 equals 100 so the value of the index represents the percent change in housing costs since 2000. The most recent data for Wisconsin, third quarter 2018, shows a value of 158.9, which means that house prices in Wisconsin have increased 58.9 percent since 2000. House prices in Wisconsin now exceed pre-crisis (2007) levels.

FIGURE 2 Wisconsin House Prices Now Exceed Pre-crisis (2007Q1) Levels



Source: Federal Housing Finance Agency

AND RENTS HAVE GROWN FASTER THAN INCOMES

According to data from the U.S. Census, from 2000 to 2017, the median household income in Wisconsin grew 35 percent, not adjusted for inflation, while the median house price grew 59 percent, not adjusted for inflation. When housing costs are growing faster than incomes, fewer families can afford a home.

Rental costs are rising. Table 2 shows changes in median rents and median household income for Wisconsin and our neighboring Midwestern states from 2007 to 2017.

In Wisconsin and all neighboring states, rents grew faster than incomes, which makes workforce housing harder to find and decreases housing affordability.

In Wisconsin, for example, rents grew 21.7 percent while incomes only grew 17.3 percent, not adjusted for inflation.

In terms of rental prices, however, Wisconsin had the slowest rate of rent growth compared to our neighboring states and slower than the nation as a whole. While rents in Wisconsin have

increased 21.7 percent since 2007, rents have increased over 28 percent nationwide and over 30 percent in neighboring states Minnesota and Iowa. The difference between the percent change in rents and percent change in income is the smallest in Wisconsin, at 4.4 percent, compared to our neighbors and the U.S. as a whole.

FROM 2000-2014, WISCONSIN PERMITTED MORE MULTIFAMILY UNITS ON A PER-CAPITA BASIS THAN DID ALL OF OUR NEIGHBORS, AND HAD SLOWER RENT GROWTH THAN OUR NEIGHBORING STATES. EXPANDING RENTAL HOUSING SUPPLY CAN IMPROVE RENTAL AFFORDABILITY.

TABLE 2

Rents rose faster than household incomes in Midwestern states

<i>State</i>	<i>Increase median rent, 2007-2017</i>	<i>Increase median income, 2007-2017</i>
ILLINOIS	24.4%	16.4%
INDIANA	24.3%	14.2%
IOWA	34.0%	23.8%
MICHIGAN	22.3%	14.5%
MINNESOTA	32.1%	22.6%
WISCONSIN	21.7%	17.3%
U.S. AVERAGE	28.3%	18.9%

Source: US Census, 1-year American Community Survey (ACS) data, not inflation adjusted

The data from other states actually confirms the link between housing supply, rents and housing affordability. During the time period from 2000-2014, Wisconsin permitted more multifamily units on a per-capita basis than did all of our neighbors. Higher rates of production were associated with a slower increase in rents. Even though Wisconsin did not produce enough total units to meet overall demand, this data demonstrates that expanding rental housing supply can improve rental affordability.

What is the result of the workforce housing shortage?

RESULT 2

DECLINING HOMEOWNERSHIP IN WISCONSIN, ESPECIALLY AMONG YOUNGER HOUSEHOLDS AND AFRICAN AMERICAN AND HISPANIC FAMILIES

With housing prices now exceeding pre-crisis (2007) levels, housing prices and rents rising faster than incomes and inflation, and a shortage of new supply, the ability to attract new workers to Wisconsin or for existing workers to move into homeownership is constrained. Even though incomes and jobs in this state have recovered from the Great Recession, homeownership has not.

Younger adults entering prime homebuying years or families trying to re-enter homeownership face multiple barriers. Because home prices are more expensive, they need to save for a larger down payment, but higher rents make it harder to save for this down payment. Stagnant incomes, decreased credit availability, and higher levels of student loan debt also make it hard for many to transition into homeownership.

While homeownership rates across the United States declined following the Great Recession, Wisconsin has been hit particularly hard. Rebuilding homeownership is vital for economic development. Workers need to be able to find stable and affordable homes for purchase near where they work. Many businesses across the state are experimenting with down-payment assistance and homebuyer counseling programs in order to recruit and retain their workers.

If we are to rebuild and strengthen homeownership in Wisconsin, many of these new homeowners will come from demographic categories of workers not currently in the homeownership market: younger adults, first-time homebuyers, and African American and Hispanic families. Figure 3 shows changes in homeownership rates in Wisconsin across all age groups from 2007-2017, and Figure 4 highlights changes in homeownership rates for racial and ethnic groups. Homeownership rates declined for all age groups except seniors, with the largest declines seen in younger adults.

Among our neighboring states, Wisconsin has a lower homeownership rate for the two youngest age categories — 25-34 year-old households and 35-44 year-old households — than Indiana, Iowa, Michigan and Minnesota. Only Illinois has lower homeownership rates for these age groups. Among our Midwestern neighbors, only Minnesota has a lower rate of homeownership for African American families than Wisconsin. Wisconsin's homeownership rate for Hispanic families is now the lowest of all our Midwestern neighbors.

FIGURE 3

Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Age Groups (except Seniors), with Largest Drop for Youngest Families

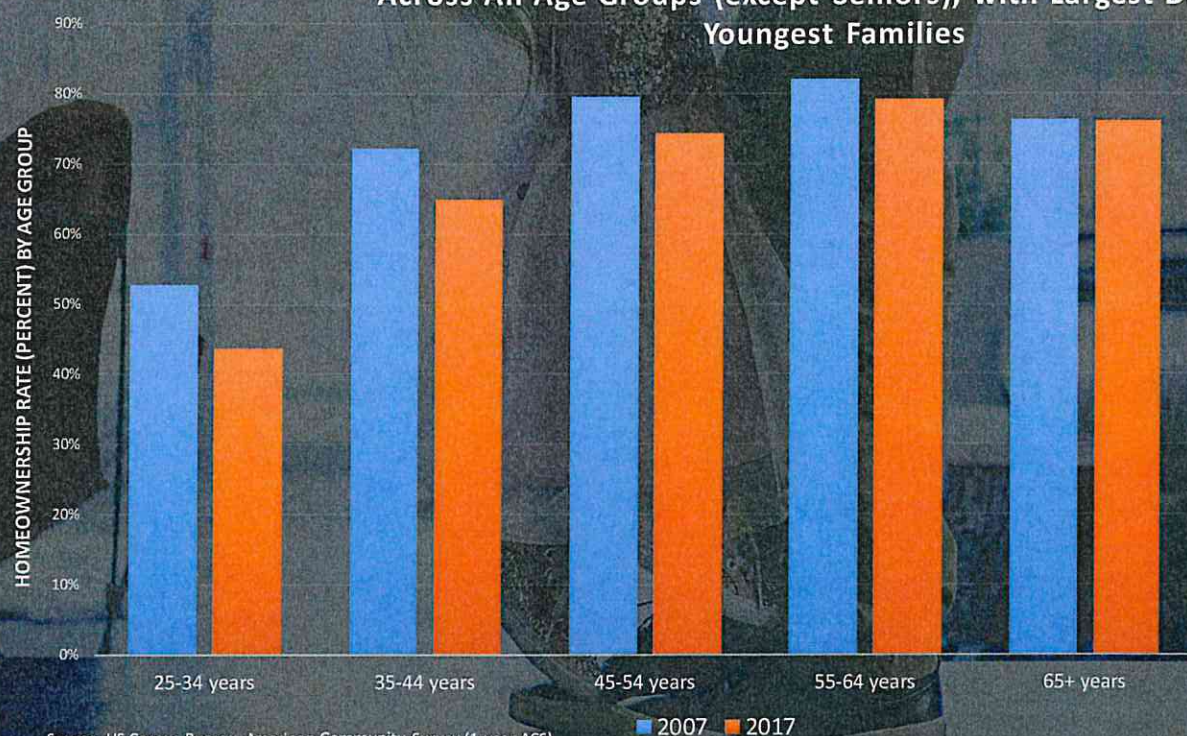
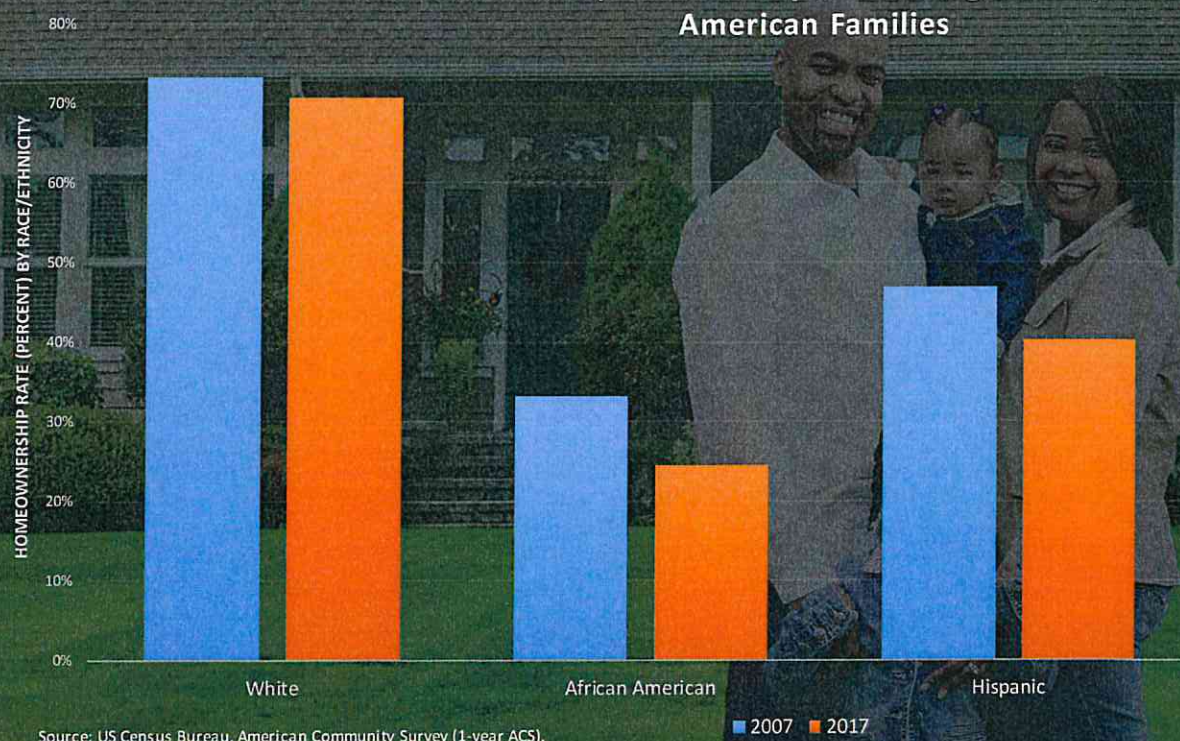


FIGURE 4

Homeownership Rates Declined in Wisconsin from 2007-2017 Across All Racial/Ethnic Groups, with Largest Drop for African American Families



What is the result of the workforce housing shortage?

HOMEOWNERS BORROWING MORE IN WISCONSIN

Families respond to increasing housing prices and a housing shortage near where they want to work in one of three ways: renting, purchasing a less expensive home further away from work, or stretching to purchase a home with more mortgage debt. We see all three happening in Wisconsin.

Despite historically low interest rates, homeowners who have been able to qualify for mortgages have been increasingly taking out larger loans compared to their home's value.

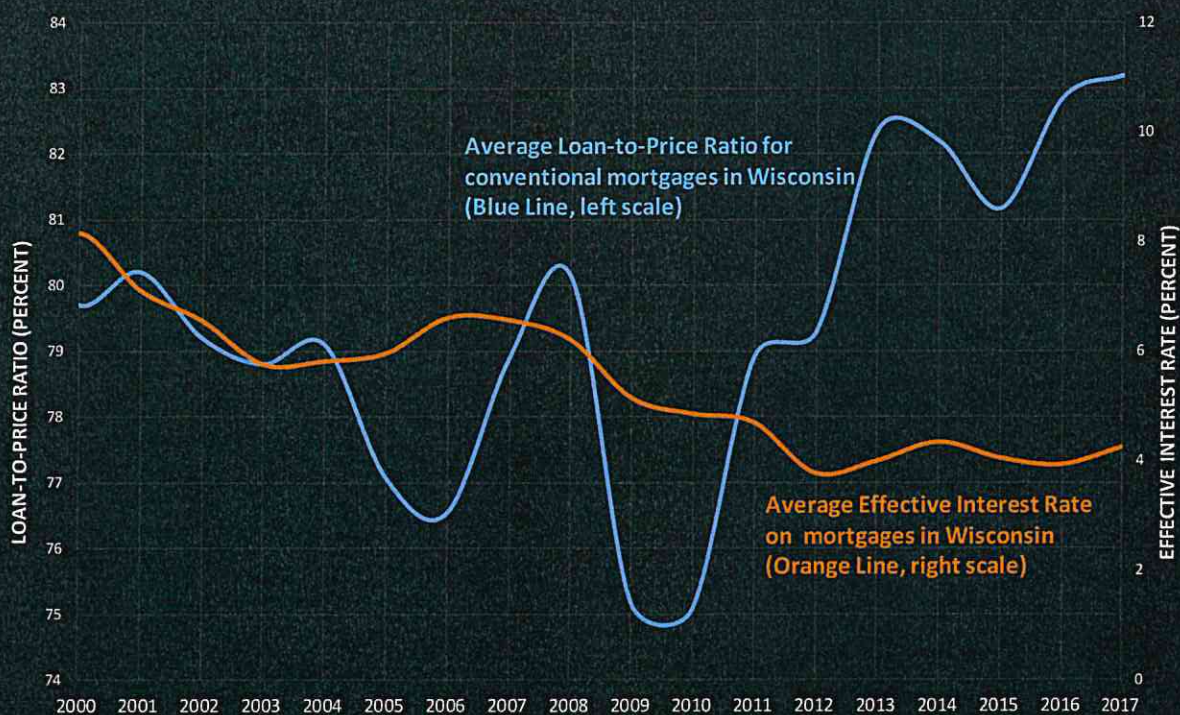
FIGURE 5

WISCONSIN HOMEOWNERS ARE BORROWING A LARGER PERCENTAGE OF THEIR HOME'S VALUE WHILE INTEREST RATES ARE AT HISTORIC LOWS

Figure 5 shows changes in the loan-to-price ratio (also called loan-to-value ratio or LTV) for mortgages in Wisconsin since the year 2000. The loan-to-price ratio equals one minus the down-payment percentage. For example, an 80 percent loan-to-price ratio is the same as a 20 percent down payment. When average loan-to-price ratios exceed 80 percent, this indicates a higher percentage of homeowners utilizing lower down payment loan products. Since 2013, the average loan-to-price ratio for mortgages in Wisconsin has exceeded 80 percent and is over 83 percent in the most recent data (2017).



FIGURE 5



Source: Federal Housing Finance Agency, Rates and Terms on conventional, single family, fully amortized, non-farm, mortgages, by state (purchase and refinance, new and existing houses). Effective interest rate amortizes fees and points. Loan-to-price ratio is the ratio of the loan amount to the house value. An 80% loan-to-purchase ratio is equivalent to a 20% downpayment.

What is the result of the workforce housing shortage?

RESULT 3

DECLINING HOUSING AFFORDABILITY

HOW IS AFFORDABILITY MEASURED?

“Affordability” measures whether a typical household, usually the median income household, can afford the housing in an area. Because this report focuses on workforce housing, we focus on affordability for entry-level homeownership, using a low-down-payment product, and affordability for rental homes.

We create two new indices for Wisconsin counties focusing on housing affordability at the county level. While many workers might live and work in different counties, these indices measure whether the typical household in a county can afford the housing in that county. Our data shows that housing affordability concerns encompass urban and rural areas across the state.

INDEX 1

ENTRY-LEVEL HOUSING AFFORDABILITY

Figure 6 shows the “entry-level” housing affordability index for Wisconsin counties. For this workforce housing ownership index, we focus on households utilizing a low-down-payment (3.5 percent down-payment) FHA-insured mortgage. For many first-time homebuyers without the savings for a down payment, FHA-type products are often the only way to become homeowners.

We first calculate what an FHA-insured low-down-payment mortgage would be for the median-priced house in the county. This calculation tells us the monthly mortgage payment that a homeowner would need to pay to purchase the median-priced home. We then calculate how much annual income a family would need to afford this FHA mortgage, assuming that for a mortgage to be affordable the principal and interest should be no more than 25 percent of a family’s income. This 25 percent of income for principal and interest standard is used by the National Association of REALTORS® in its housing affordability research, leaving room in housing expenses to account for property taxes, homeowners insurance and utilities.

The index is then the ratio of the median household income to the income that would be needed to afford the median-priced home with a low down payment mortgage product. Another way to think about this is what percentage of the income needed for the median-priced home does the typical family have? A score of 150, for example, means that the median income household has 50 percent more income than would be necessary to afford the median-priced home with an FHA mortgage. A value of less than 100 means that the median income household in a county cannot afford the median-priced home in the county. Any value greater than 100 indicates that the median income household can afford the median-priced home.



Figure 6 shows that in four Wisconsin counties — Dane, Door, Sawyer and Vilas — the median income household cannot afford the median-priced home, even with a low down-payment FHA mortgage product. There are 31 counties where the index score is above 100 but below 120, meaning that the median income household has enough income to purchase the median-priced home, but just barely. These areas include the southeast — Milwaukee, Racine and Kenosha metropolitan areas — as well as the northwest rural areas.

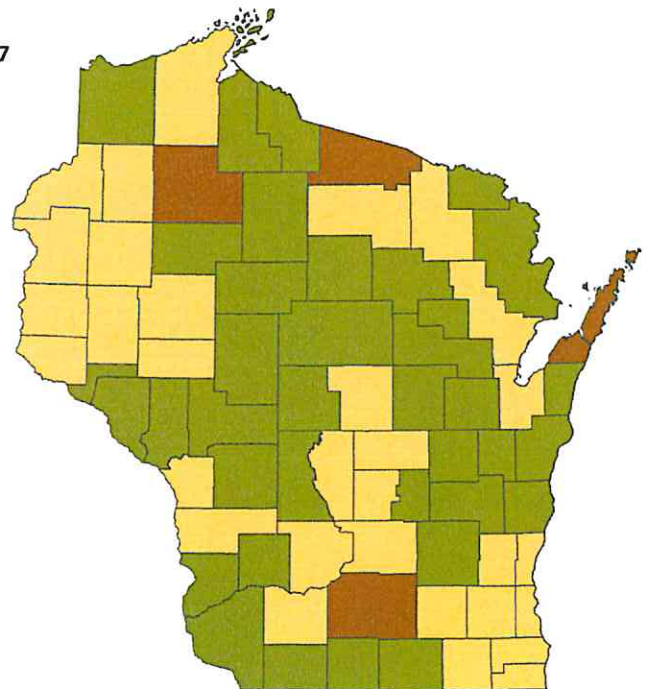
We can also calculate how this entry-level affordability index has changed over time. From the time period of 2010 through 2017, this index of affordability has declined in 57 out of 72 Wisconsin counties. In eight of those declining affordability counties — Vilas in the north; Marathon, Wood and Portage in the central; La Crosse in the west; and Richland, Grant and Iowa in the southwest — the declines were greater than 10 percentage points.

FIGURE 6

Wisconsin Entry-level Housing Affordability Index by County, 2017

- Not affordable (less than 100)
- Barely affordable (100-120)
- Affordable (greater than 120)

Note: A value of less than 100 means that the median-income household in a county cannot afford the median-priced home in the county. Any value greater than 100 indicates that the median-income household can afford the median-priced home.



What is the result of the workforce housing shortage?

RESULT 3

DECLINING HOUSING AFFORDABILITY

[CONTINUED]

INDEX 2

RENTAL AFFORDABILITY (2017)

Our second index for workforce housing affordability focuses on rental housing. Figure 7 shows the “rental affordability index” for each county for the most recent year available, 2017. This index measures whether the median-income renting household can afford the median rental unit in the county by spending no more than 30 percent of income on rent. The index is the ratio of the actual county median-renter-household income to the income that would be needed to afford the median rental unit. Just like the entry-level affordability index above, a score less than 100 means that the median-income renting household cannot afford the median-priced rental unit, and a score above 100 means that the median-income renter household can afford the median-priced unit. Again, a score of 150, for example, means that the typical renting household has 50 percent more income than would be needed to rent the median-priced unit.





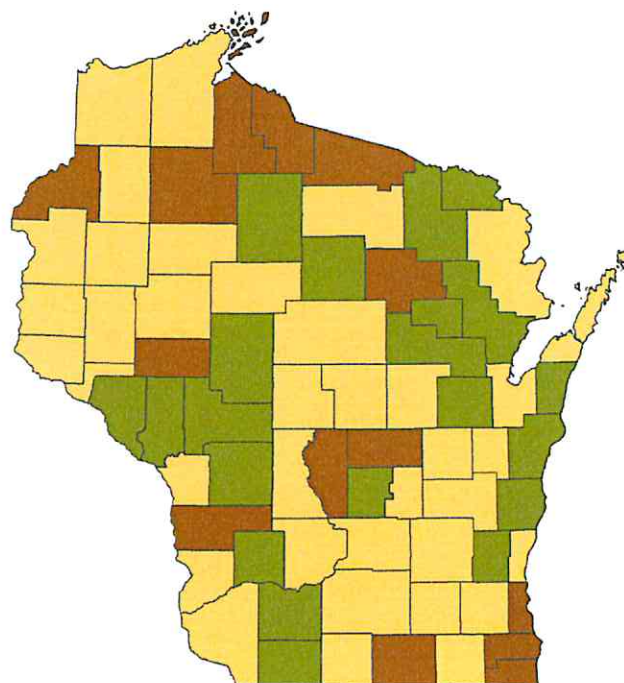
In Figure 7, there are 14 counties where the typical renting household cannot afford the middle-priced rental home: Kenosha, Racine, Milwaukee and Rock in the southeast; Burnett, Sawyer, Ashland, Iron and Vilas counties in the north; Vernon County in the southwest; and Adams and Waushara counties in the central part of the state. Finding adequate and affordable rental homes is thus a problem not only in larger cities and suburbs, but in small towns and rural areas of the state. There are 37 counties where the typical renter household can barely afford the median-priced rent, with scores between 100 and 120.

FIGURE 7

Wisconsin Renter Affordability Index by County, 2017

- Not affordable (less than 100)
- Barely affordable (100-120)
- Affordable (greater than 120)

Note: A value of less than 100 means that the median income renter-household in a county cannot afford the median rental unit in the county. A value greater than 100 indicates that the median income renter-household can afford the median rental unit.



What is the result of the workforce housing shortage?

RESULT 3

DECLINING HOUSING AFFORDABILITY

[CONTINUED]

Workforce housing affordability, of course, is more than whether the median-income families can afford housing opportunities. When there is a shortage of housing at all price points, the workers earning below median income as well as seniors can face significant affordability challenges. So, while the overall affordability indices in Figures 6 and 7 give a picture of the middle of the workforce housing market, it is also important to provide details at a wider range of income levels.

TABLE 3

MANY LOWER-INCOME HOMEOWNERS PAY MORE THAN 50 PERCENT OF THEIR INCOME ON HOUSING

State	Percent of homeowners "extremely cost-burdened," by income category				
	0-30 percent of area income	30-50 percent of area income	50-80 percent of area income	80-100 percent of area income	above median area income
ILLINOIS	64.1%	32.6%	13.7%	5.3%	1.0%
INDIANA	56.1%	22.3%	6.3%	1.9%	0.3%
IOWA	51.9%	17.0%	4.5%	1.4%	0.3%
MICHIGAN	62.2%	27.4%	9.6%	3.1%	0.6%
MINNESOTA	56.0%	24.3%	8.1%	2.5%	0.5%
WISCONSIN	63.5%	28.8%	10.4%	3.2%	0.6%

Source: US. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2011-2015

Table 3 shows the percent of homeowners in Wisconsin and neighboring states by income levels who pay more than 50 percent of their income for housing, considered "extremely cost-burdened." Across all income categories, Wisconsin's proportion of homeowners with extreme cost burdens is worse than Indiana, Iowa, Michigan and Minnesota. Only Illinois among our neighbors fares worse. Of course, many of the homeowners with incomes below 50 percent of the median are likely seniors who are no longer in the workforce, but still bear significant housing costs due to an overall

shortage of units and a particular shortage of units for downsizing. Households with incomes between 50 percent and 100 percent of median income are in the workforce but face significantly higher rates of cost burdens than similarly situated workers in other states.

Translating Table 3 into actual numbers, we see that in Wisconsin, currently over 94,000 homeowners whose income is below 50 percent of area median income spend more than half of their income on housing.

TABLE 4

WISCONSIN LEADS THE MIDWEST WITH THE **HIGHEST PERCENTAGE OF LOWER-INCOME RENTERS WITH EXTREME COST BURDENS**



Percent of renters "extremely cost-burdened," by income category

State	0-30 percent of area income	30-50 percent of area income	50-80 percent of area income	80-100 percent of area income	above median area income
ILLINOIS	62.1%	25.2%	4.6%	1.4%	0.3%
INDIANA	63.3%	24.0%	3.1%	0.8%	0.5%
IOWA	60.6%	14.9%	3.0%	0.8%	0.6%
MICHIGAN	65.0%	28.9%	5.6%	1.6%	0.6%
MINNESOTA	58.7%	18.0%	3.9%	1.2%	0.3%
WISCONSIN	65.3%	20.0%	2.9%	0.6%	0.3%

Source: US. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2011-2015

Table 4 now shows the same information for renting families, comparing the percent of renters by income category who are paying more than 50 percent of their income on rent in Wisconsin to our neighboring states. Wisconsin has the highest percentage of all of our neighbors of lower-income renters who are extremely cost-burdened, paying more than 50 percent of their income on rent.

Converting Table 4 into actual numbers, currently in Wisconsin, over 158,000 renting households with income below 50 percent of the area median income spend more than half of their income on housing.

The consequences of our workforce housing shortage, therefore, can be seen not only in rising prices and decreased homeownership opportunities, but also in decreased affordability for owners and renters. In the next section, we outline a series of reform possibilities to address our housing shortage and improve workforce housing affordability.

WHAT CAN WISCONSIN DO TO ADDRESS ITS WORKFORCE HOUSING GAP, STRENGTHEN HOMEOWNERSHIP, IMPROVE AFFORDABILITY, AND REINVEST IN OLDER HOMES AND NEIGHBORHOODS?



ROADMAP TO REFORM **ADDRESSING WISCONSIN'S WORKFORCE HOUSING CHALLENGE**

Many states across the country are wrestling with these same questions. Many states are proposing or are implementing innovative policy, legal, planning and finance options for dealing with the housing crisis. In this section, we identify key goals and specific recommendations for Wisconsin based on analysis of reform proposals and actions in other states. In the past years, major housing reform efforts have been proposed in California, Connecticut, New Hampshire, Oregon, South Carolina, New Jersey, Utah, Massachusetts and others.

We highlight five key goals for Wisconsin in the coming years:

Goal 1: Build more housing

Goal 2: Increase housing choice with a more diverse housing stock

Goal 3: Rebuild and strengthen homeownership

Goal 4: Reinvest in older housing stock and older neighborhoods

Goal 5: Make housing a priority



ROADMAP TO REFORM: GOAL 1 BUILD MORE HOUSING

Wisconsin needs to reduce regulatory barriers to ensure an adequate housing supply. Local government elected officials and community leaders need to take leadership to ensure their city, village or town is providing adequate opportunities for housing supply and to build more housing where people want to live. This involves reforming and updating zoning and subdivision codes, removing regulatory barriers, providing financing, and helping to educate their community to overcome NIMBY opposition to new housing.

Wisconsin law currently requires cities, villages, towns and counties with zoning or subdivision ordinances to have plans to:

“provide an adequate housing supply that meets existing and forecasted housing demand in the local governmental unit.” (Wis. Stat. 66.1001(2) (b))

The data presented in this report clearly indicates that we are falling behind in providing an adequate housing supply and in meeting existing and forecasted housing demand.

Cities and states across the country are re-examining their zoning and other land use regulations to reduce unnecessary regulations that limit housing supply, limit housing diversity with different types and sizes of units, and impose

unnecessary delays. Regulations that raise the cost of housing and limit housing choices for the workforce can limit the ability of businesses to hire workers, can force workers to drive long distances to their jobs, or can force residents to pay too much for their housing.

Cities and states across the country are also recognizing that restrictive zoning can be exclusionary and foster excessive segregation. Cities and states are increasingly realizing that separating land uses so that people have to drive everywhere and imposing large minimum lot sizes is expensive to service, causes excessive traffic and creates unhealthy communities.

Improving our housing supply and modernizing our regulations and zoning codes will create many economic and social benefits for our communities. Housing construction creates quality jobs and increases a community’s tax base. Expanding choices and housing opportunities for families can improve schools and reduce traffic congestion. And building more housing overall will reduce upward pressures on prices and rents.

Addressing the Workforce Housing Challenge

ROADMAP TO REFORM: GOAL 2 INCREASE HOUSING CHOICES WITH A MORE DIVERSE HOUSING STOCK



Demographics and housing demand are shifting. Average household size is declining. Baby Boomers are aging. Younger households are more diverse and have greater preferences for “walkable urbanism,” smaller or more sustainable housing options, and a diversity of experiences. Families are increasingly looking for multigenerational options and flexible housing arrangements.

This goal recognizes the need not only to build more housing but to build a greater variety of housing that people want in places where they want to live. We need to update our housing delivery system to meet 21st century tastes and technologies.

Architects, developers and planners have successfully implemented a wider range of newer housing models across the country that allow developers and builders to respond to housing demand and changing demographics. These have included tiny houses, the “not-so-big” house, small lot houses, cottage clusters, “pocket neighborhoods,” courtyard neighborhoods and live-work units. Innovative designs are available for multifamily structures that blend into neighborhoods and look like single-family houses. Cities across the country are trying to re-weave the

urban fabric by permitting “missing middle” housing types, such as duplexes, 3- or 4-plexes, small garden apartments, courtyard apartments, townhouses and city-houses. This includes allowing flexibility in design standards, parking requirements, setbacks, frontage requirements and other regulations. Overwhelmingly, these new units add value to existing neighborhoods, re-weave the urban fabric, and are constructed with modern materials and methods.

Communities should provide a greater range of housing in every neighborhood that offers options for people at different life stages to stay in the same area. In fact, Wisconsin state law requires communities to provide both an adequate housing supply to meet forecasted needs and “a range of housing choices that meet the needs of persons of all income levels and of all age groups.” (Wis. Stat. 66.1001(2)(b))

A wider variety of housing styles, types and sizes in each neighborhood will help meet changing market demands, reduce the workforce housing gap, and promote housing affordability.

Goal 2 Strategies: Increase housing choices with a more diverse housing stock

Based on our analysis of planning, zoning and regulatory reform efforts in other states, Wisconsin could consider any or all of the following menu of policies and strategies:

- **Expedited permitting and development approval processes for housing at the state and local levels:** New developments often take years to get through the local approval process, which increases the price of new housing units. Expedited approval processes reduce costs, time to develop and uncertainty, which will provide an incentive for developers and builders to create more workforce housing. Some states, for example, require municipalities to make final determinations on development applications that involve housing within 90 or 120 days.
- **Require all cities and villages to allow “missing middle” housing types in at least one residential zoning district as a permitted use by-right:** Missing middle could be defined as “attached townhouses, duplexes, triplexes or quads, and cottage clusters.” Encourage communities to plan for “complete neighborhoods” and to allow “missing-middle” housing types in all neighborhoods, based on proposals in Oregon.
- **Require municipalities to allow accessory dwelling units (ADUs), sometimes called “granny flats” as a permitted use by-right in all residential zoning districts:** Consider developing a state-level “model ordinance” to be adopted by municipalities for ADUs, including reducing parking requirements and impact fees for ADUs. Consider a task force of design professionals — architects, landscape architects and interior designers — to develop “off-the-shelf” ADU building plans that meet state building codes and reduce design costs and uncertainty. Consider requiring that applications for ADUs that conform

to state-approved building plans are automatically granted building and zoning permits.

- **Better enforcement of existing requirements:** Wisconsin law currently requires cities, villages, towns and counties with zoning or subdivision ordinances to have comprehensive plans that “provide an adequate housing supply that meets existing and forecasted housing demand in the local governmental unit.” (Wis. Stat. § 66.1001(2)(b)) However, the evidence in this study demonstrates that local governments are not meeting this requirement. Stronger enforcement standards should be added to the law to ensure this requirement is being met.

Many northeastern states including New Jersey, Connecticut, Massachusetts and New Hampshire, as well as the state of Washington, have created state appeals systems. If a municipality is not providing an adequate housing supply or not meeting its workforce housing needs, developers can appeal to a statewide board of housing and land use experts. Alternatively, Wisconsin could create an expedited appeals process to circuit court and require municipalities to approve workforce housing projects unless the municipality can demonstrate that the denial of a proposed project is necessary to protect community health or safety.

- **Establish maximum minimum lot sizes in sewer service areas:** Require municipalities with residential zoning districts in areas served by public water and sewer, “sewer service areas” under NR 121, to provide extraordinary justification for large single-family minimum lot sizes — for example, larger than 6,000 ft² or 8,000 ft²; or consider prohibiting a municipality from enacting, amending or enforcing a zoning ordinance with a minimum lot size larger than 6,000 ft² or 8,000 ft² in sewer service areas.

[CONTINUED]

Goal 2 Strategies: Increase housing choices with a more diverse housing stock

- **Use tax incentives to reduce costs for workforce housing:** State and any county sales taxes, for example, can add 5 to 5.5 percent to the cost of the materials. Exempting building materials for workforce housing from state and local sales taxes would lower the construction costs for such housing.
- **Require municipalities to allow multifamily housing construction in at least one zoning district as a permitted use by-right:** This has the effect of prohibiting municipalities from outright bans on multifamily construction.
- **Encourage and/or incentivize municipalities to plan for a better balance between jobs and housing:** Provide incentives for high-employment cities or areas to expand nearby housing opportunities or transit service. Incentives could include financial benefits to the city and/or higher priority for state economic development and infrastructure investments; “pay for success.” Encourage municipalities to reduce or eliminate minimum parking requirements in proximity to transit.
- **Analyze statewide workforce housing data:** Cities and villages with a population over 10,000 are required to prepare annual reports on implementation of the housing plans, progress toward meeting forecasted housing demands, and analyses of the cost of land development regulations on the price of housing. See 2017 Wis. Act 243. This data, however, is not required to be analyzed on a statewide basis to evaluate whether Wisconsin’s workforce housing issues are being addressed at the local level. The state should prioritize analyzing these reports, providing educational materials to citizens, publishing best practices and innovative plans, and reporting on municipal compliance with reporting requirements.
- **Financing for workforce housing in rural areas and small communities:** The state should consider creating funds targeted toward support for new workforce housing construction and reinvestment in rural areas and small communities. Construction costs in rural areas and small communities are often as expensive as nearby cities, but rents and property prices would not support construction costs. Technical assistance and gap-financing to access USDA rural housing funds would help smaller communities respond to their housing challenges.
- **Provide additional incentives to local government to approve workforce housing:** For example, 2017 Wisconsin Act 243 allows municipalities that permit new housing on less than a quarter-acre lot and that sells for less than 80 percent of other new housing to increase levy limits for police, fire and EMS. The state could consider additional financial incentives to municipalities to produce workforce housing, including rental.
- **Workforce housing tax increment financing districts (TID):** Allow the use of tax-increment financing (TIF) for the construction of the infrastructure — roads, sewer and water — necessary to service new workforce housing developments. TIF uses the increase in property tax revenues generated from the new development to pay for infrastructure and other costs.



ROADMAP TO REFORM: GOAL 3

REBUILD & STRENGTHEN HOMEOWNERSHIP

Rebuilding homeownership by expanding homebuying opportunities to groups currently underserved in the market — younger families, first-time homebuyers, and African American and Hispanic households — is crucial to the long-term economic health of Wisconsin and our communities. Reducing racial disparities in homeownership will reduce racial disparities along other dimensions. In many of our cities and older neighborhoods, plenty of older houses for purchase exist, but there are not enough “purchase-ready” households.

In nearly every county in Wisconsin, a number of nonprofit and for-profit housing counseling organizations, homebuyer assistance programs, banks and financial institutions catering to first-time homebuyers currently exist. We already have the infrastructure of lenders and housing counselors, and state and federal programs to assist first-time homebuyers. But these programs need to be scaled up, promoted, coordinated and funded to achieve a statewide impact.

The African American homeownership rate in Wisconsin is currently at 24.5 percent, while the national African American homeownership rate is at 41.7 percent. If Wisconsin’s black homeownership rate increased to the national average, which, of course, is still too low, the state would add at least 22,000 new homeowners.

Likewise, the Hispanic homeownership rate in

Wisconsin is currently 40.2 percent, while the national Hispanic homeownership rate is 47.2 percent. If Wisconsin’s Hispanic homeownership rate increased to the national average, which, of course, is still too low, the state would add nearly 8,000 new homeowners.

The homeownership rate for 25-34 year-old households in Wisconsin is 43.6 percent, while the average for our neighboring states is 48.8 percent. If Wisconsin’s homeownership rates for 25-34 year-old households increased to the average of our neighbor states, we would add 18,000 new homeowners in this state.

Improving homeownership among these three underserved populations could result in about 48,000 new homeowners in Wisconsin. Such a goal is certainly within the financial and administrative capacity of the state.

Years of experience already tell us what works to move families into sustainable homeownership: mandatory housing counseling, including credit repair; plus financial assistance for down payments, either through down payment assistance programs or other savings vehicles; plus neighborhood property stability and neighborhood revitalization.

In short, we need to create more purchase-ready borrowers and purchase-ready homes. This connects to the next goal of reinvesting in our aging housing stock.

Addressing the Workforce Housing Challenge

ROADMAP TO REFORM: GOAL 4 **REINVEST IN OLDER HOUSING STOCK AND OLDER NEIGHBORHOODS**



Wisconsin's aging housing stock and older neighborhoods provide great value and great places. But, like any physical infrastructure, homes need reinvestment and rehabilitation to maintain value. Many of our older homes are occupied by seniors, who may experience cash-flow difficulties in updating important house systems. Many older homes are not energy efficient, resulting in higher-than-needed electricity, heating and cooling costs for homeowners. Seniors in particular may live in older housing and may not be able to afford energy efficiency improvements, which can increase costs or leave them more vulnerable to extreme heat or cold events. For first-time homebuyers or buyers looking for housing in older neighborhoods, financing the necessary improvements along with the house purchase may be financially out of reach.

Wisconsin's older single-family housing stock can provide many opportunities for entry-level housing or move-down housing for seniors. However, over 60 percent of our single-family structures were built before 1980 and are often in need of substantial repair, modernization or energy-efficient investments.

Reinvesting in older housing stock and older neighborhoods pays off in the long run. Property values are stabilized, housing is made more efficient and sustainable, and communities are renewed. Although we clearly need to build more housing, as outlined in goal 1, the majority of our workforce and seniors in the next 20 years will live in already-built housing.

OVER 60 PERCENT OF OUR SINGLE-FAMILY STRUCTURES IN WISCONSIN WERE BUILT BEFORE 1980 **AND ARE OFTEN IN NEED OF SUBSTANTIAL REPAIR, MODERNIZATION OR ENERGY-EFFICIENT INVESTMENTS.**

Goal 3 Strategies: Rebuild and strengthen homeownership

- **Encourage cities, villages and counties to make funding available for Down Payment Assistance Programs (DPAP):** Statewide resources for DPAPs through WHEDA and the Federal Home Loan Bank of Chicago (FHLBC) already exist. Communities should design their programs to leverage and maximize these sources. For example, the FHLBC Downpayment Plus program provides matching funds, which could come from local banks, pools of employers, or a community development authority.
- **Create a first-time homebuyer savings account program:** Create incentives to help workers and families save enough money to purchase a home by providing a state tax deduction and a tax-advantaged savings vehicle for accumulation of a down payment for future homeowners. Matching contributions from employers, community organizations or financial institutions could be allowed. Currently, Colorado, Iowa,

Minnesota, Mississippi, Montana and Wyoming offer some form of tax-advantaged first-time homebuyer savings accounts. The program could be enhanced by providing employers with financial incentives or tax credits for contributions to an employee's homebuyer savings account.



Goal 4 Strategies: Reinvest in older housing stock and older neighborhoods

- Expand WHEDA's Transform Milwaukee Advantage program:** Expand WHEDA's Transform Milwaukee Advantage program to the entire city of Milwaukee and possibly expand to reinvestment in targeted areas in other older urban neighborhoods. WHEDA's Transform Milwaukee Advantage program partners with local housing counselors and community development groups to expand homeownership in underserved markets in a limited number of Milwaukee neighborhoods. Products like the Transform Milwaukee Advantage are particularly useful for acquisition and rehabilitation of single-family structures.
- Create a state tax credit or other financial incentives for the rehabilitation of older housing in older neighborhoods:** Much of the workforce housing stock is located in older neighborhoods. Improvements to older, existing homes such as new windows or insulation add value to the house. Tax credits or low-interest loans could be provided to owners, including seniors, to rehab or improve their homes. Tax credits or other financial incentives could be directed to nonprofit housing agencies to acquire, rehabilitate, and then re-sell older housing at an affordable price.
- Expand training and apprentice programs for displaced or underemployed workers:** Continue and expand partnerships with community colleges and the Department of Workforce Development (DWD) to expand training and apprenticeship programs for displaced or underemployed workers and at-risk youth to become skilled contractors in skilled trades in construction and rehabilitation of older housing. The shortage of construction workers for new construction also constrains rehabilitation and reinvestment in existing housing. Consider reduced tuition or financial incentives for students who take construction classes at technical college and enter the building trades.

Addressing the workforce housing challenge

ROADMAP TO REFORM: GOAL 5 **MAKE HOUSING A PRIORITY!**



Meeting Wisconsin's workforce housing challenge, expanding housing options for seniors and younger workers, and reinvesting in our communities will require leadership and effort at all levels. We need to think big — at a large enough scale to address the scale of our housing challenges.

Public statements from the governor and legislative leaders already indicate that making housing a priority is a bipartisan idea. Housing needs are present in all of our communities — big cities, small towns, suburbs and rural areas. Making housing a priority will mean legislative and administrative changes as well as new and expanded funding and financial incentives at the state level. But much of the implementation of strategies to meet our housing needs will mostly come from local governments and the private sector: developers, builders and lenders.

Making housing a priority will require a sustained partnership across all sectors, including leadership from statewide associations such as the Wisconsin REALTORS® Association, which has funded this

report to highlight the critical housing needs in the state.

The proposals in this report are just a starting point for reform and modernization efforts, and we hope that ongoing conversations all across the state will continue to invent creative, innovative and flexible methods of expanding housing choices.

Goal 5 Strategies: Legislative, financial and administrative reforms

A key approach for these strategies is to leverage existing programs and structures for maximal advantage, and to provide opportunities for municipalities and the private sector to innovate and respond to new housing challenges.

Leverage, partnership and flexibility are important approaches to solving the housing crisis.

- **Target state incentives to build and preserve workforce housing in Opportunity Zones:** The state should leverage the Federal Opportunity Zone tax incentives from 2017 tax reform legislation to coordinate housing investments into designated Opportunity Zones in the state. The federal tax incentives will focus investment into new construction and new business creation in Opportunity Zones, but there will still be a need for preservation and reinvestment in existing rental and ownership housing. Preserving and upgrading the existing housing stock in these areas would benefit workforce housing, as workers in these new businesses can live near work.

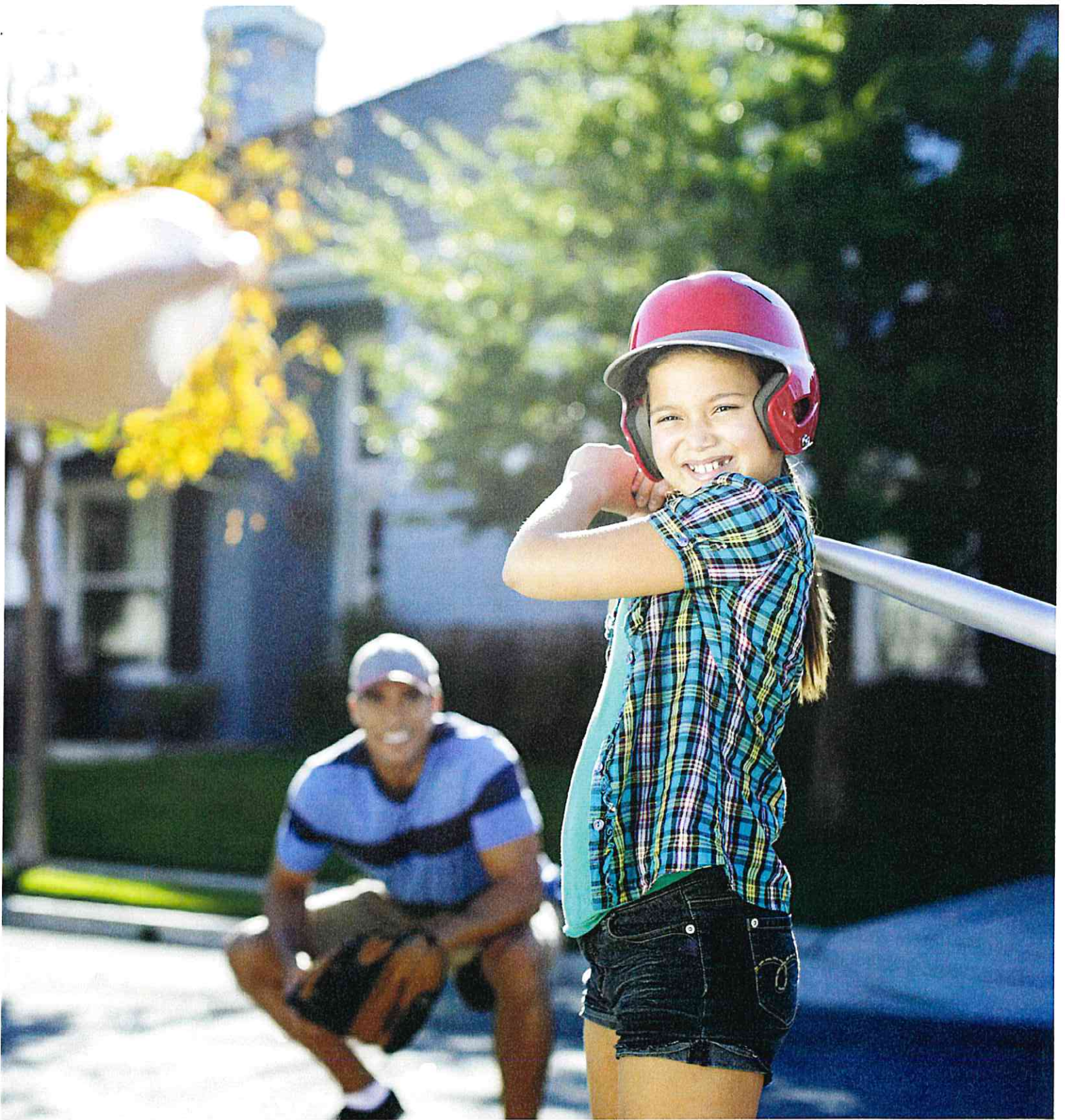
Specifically, the state could consider expanding the recently passed Affordable Housing Tax Credit (Act 176) to create a special pool of tax credits for investment preservation and/or rehabilitation of existing rental units in Opportunity Zones. These state credits would leverage federal tax credits and the housing bond program. Likewise, the state could target homebuyer assistance programs or loans to housing developers and/or nonprofits located within Opportunity Zones.

- **Expand state housing tax credit for rural areas:** The state could consider expanding the successful state housing tax credit program with additional funding designed for rural areas and small towns, including financial assistance and technical assistance to help deal with application and financing costs for many small buildings across a larger area. WHEDA's recent coordinated efforts in Barron County are a great example of this strategy.
- **Financial incentives for innovative models:** The state could consider special financing incentives for new or innovative models of housing supply and affordability. This could include, for example, lease-to-purchase programs, community land trusts, cooperative housing, and shared-equity programs. The state could also consider special financing incentives or programs for homeowners

who want to develop an ADU on their property. Currently, it is difficult for existing homeowners to finance construction of an ADU on their property because of federal mortgage rules. State financing or credit guarantees could facilitate investment.

- **Coordinate housing programs:** Currently, many state housing programs and regulations are scattered across different state agencies. Executive and legislative action could bring all housing programs together in a centralized, coordinated way.
- **Technical and financial assistance for local governments:** Because local governments play such a critical role in shaping housing opportunities, the state should provide more technical assistance, training and grant funding to help communities plan for and meet their housing needs. This could take many forms, either through a state agency or through partnerships with the University of Wisconsin, UW-Extension or statewide associations.
- **Create a revolving loan fund for nonprofit and affordable housing developers:** Because land costs in many of our cities are so high, nonprofit and affordable housing developers often face difficulties in pre-development financing and land acquisition. The state should consider a revolving loan fund for these developers. California, Florida and the city/county of Denver all have financing programs worth considering.
- **Maintain and expand rental assistance programs:** Even though expanding housing choices and reducing regulatory barriers to supply will bring down housing costs, many working families, seniors and those with disabilities or special needs will continue to face housing affordability challenges in the private housing market. Maintaining and expanding rental assistance programs and fair housing enforcement will continue to be critical to meeting the needs of all our residents.

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Wisconsin REALTORS® Association

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Capital Financing Plan Sizing

	Bank Loan		Taxable				Proposed Totals
	GO Notes 2019	GO Notes 2020	GO Notes 2019	GO Notes 2021	GO Notes 2022	GO Notes 2023	
Projects							
Capital Projects	2,147,860	1,228,630	0	1,154,915	1,144,750	1,236,840	6,912,995
Previously Funded	(550,000)	0	0	0	0	0	(550,000)
Bishops Bay	0	0	8,832,655	0	0	0	8,832,655
Project Needs	1,597,860	1,228,630	8,832,655	1,154,915	1,144,750	1,236,840	15,195,650
Issuance Expenses							
Municipal Advisor	7,500	7,500	38,700	7,500	7,500	7,500	76,200
Bond Counsel			20,000				20,000
Underwriter Fees			112,563				112,563
Total Funds Needed	1,605,360	1,236,130	9,003,918	1,162,415	1,152,250	1,244,340	15,404,413
Less Interest	(3,995)	(6,143)	0	(5,775)	(5,724)	(6,184)	(27,820)
Rounding	635	13	1,083	360	474	844	3,408
Size of Issue	1,602,000	1,230,000	9,005,000	1,157,000	1,147,000	1,239,000	15,380,000



Projected Impact of Proposed Projects - Bishops Bay Analysis (Level Principal and Interest)

Existing General Obligation Debt Only

YEAR	Equalized Value Projection	Growth %	Total Payment (P&I)	Total Less Non Levy Revenues	Net Debt Service Levy	Debt Service Tax Rate
2018	812,925,400	3.96%	506,515	506,515	206,515	0.25
2019	845,156,800	3.96%	568,816	568,816	568,816	0.67
2020	853,608,368	1.00%				0.00
2021	862,144,432	1.00%				0.00
2022	870,765,896	1.00%				0.00
2023	879,473,555	1.00%				0.00
2024	888,268,291	1.00%				0.00
2025	897,150,974	1.00%				0.00
2026	906,122,483	1.00%				0.00
2027	915,183,708	1.00%				0.00
2028	924,335,545	1.00%				0.00
2029	933,578,901	1.00%				0.00
2030	942,914,690	1.00%				0.00
2031	952,343,837	1.00%				0.00
2032	961,867,275	1.00%				0.00
2033	971,485,948	1.00%				0.00
2034	981,200,807	1.00%				0.00
2035	991,012,815	1.00%				0.00
2036	1,000,922,943					0.00
2037	1,010,932,173					0.00
2038	1,021,041,495					0.00
2039	1,031,251,910					0.00
TOTALS			1,075,332	(300,000)	775,332	

Projected Debt Service

YEAR	Taxable General Obligation Bonds (Level P&I), 2019 \$9,005,000				Capital Plan Debt Service			Less		Total Projected Debt Service (less abatements)	Net Debt Service Levy	Levy Change	Debt Service Tax Rate @ 1.00% Growth	Impact on a \$ 250,000 Home		YEAR
	Prin (\$/1)	Rate	Dated	Total	Principal	Interest	Total	Bishops Bay	Abatements					Taxes	Change	
2018														63.51		2018
2019	340,000	2.450%	287,136	627,136	1,062,000	333,020	1,395,020			767,884	206,515	362,301	0.25	168.26	104.75	2019
2020	350,000	2.500%	278,806	628,806	1,079,000	326,273	1,405,273			776,467	568,816	199,067	0.67	224.89	56.64	2020
2021	355,000	2.520%	270,056	625,056	1,105,000	303,969	1,408,969			783,913	776,467	8,584	0.90	225.16	0.26	2021
2022	365,000	2.550%	261,110	626,110	1,078,000	339,302	1,417,302			791,132	783,913	7,445	0.90	225.06	(0.09)	2022
2023	375,000	2.600%	251,803	626,803	1,074,000	352,534	1,426,534			799,731	791,132	7,279	0.90	224.90	(0.16)	2023
2024	385,000	2.650%	242,053	627,053	1,056,000	321,389	1,377,389			750,336	799,731	8,539	0.90	225.08	0.18	2024
2025	395,000	2.750%	231,550	626,550	1,066,000	290,293	1,356,293			729,443	750,336	(20,893)	0.84	209.09	(15.99)	2025
2026	405,000	2.850%	220,388	625,388	929,000	260,438	1,189,438			563,451	729,443	(165,993)	0.81	201.25	(7.83)	2026
2027	420,000	2.950%	209,445	629,445	836,000	233,334	1,069,334			439,889	563,451	(123,562)	0.62	153.92	(47.34)	2027
2028	430,000	3.050%	197,055	628,055	737,000	208,593	945,593			318,538	439,889	(121,351)	0.34	85.30	(34.94)	2028
2029	445,000	3.200%	183,940	628,940	618,000	187,041	805,041			176,101	318,538	(142,437)	0.19	46.69	(38.61)	2029
2030	455,000	3.300%	169,700	624,700	455,000	169,700	624,700				176,101	(176,101)	0.00	-	-	2030
2031	475,000	3.400%	154,685	629,685	475,000	154,685	629,685						0.00	-	-	2031
2032	490,000	3.500%	138,535	628,535	490,000	138,535	628,535						0.00	-	-	2032
2033	505,000	3.600%	121,630	626,630	505,000	121,630	626,630						0.00	-	-	2033
2034	525,000	3.700%	103,955	628,955	525,000	103,955	628,955						0.00	-	-	2034
2035	540,000	3.800%	85,055	625,055	540,000	85,055	625,055						0.00	-	-	2035
2036	560,000	3.900%	65,345	625,345	560,000	65,345	625,345						0.00	-	-	2036
2037	585,000	4.000%	44,625	629,625	585,000	44,625	629,625						0.00	-	-	2037
2038	605,000	4.100%	22,688	627,688	605,000	22,688	627,688						0.00	-	-	2038
2039													0.00	-	-	2039
TOTALS	9,005,000		3,540,458	12,545,458	15,380,000	4,062,402	19,442,402	(12,545,458)		6,896,944	7,672,276					TOTALS

NOTES
Taxable Bond based upon 6/18/19 Taxable sale = 0.25
Bank Note based upon quote from Monona State Bank.

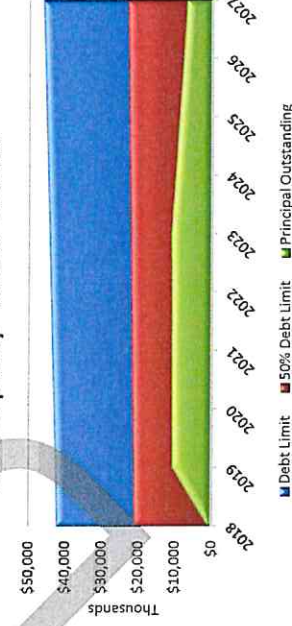




Current and Projected Debt Limit Calculations - Bishops Bay Level P & I

Year	Projected Equalized Value (TID IN) ¹	Change in EV	Existing General Obligation Debt				Projected General Obligation Debt										Residual Capacity	Year
			Debt Limit	50% Debt Limit	Principal Outstanding	% of Limit	2016 Fire District Loan	2018 Developer Loan	2019 Notes	2019 Taxable Bonds Level P&I	2020 Notes	2021 Notes	2022 Notes	2023 Notes	Principal Outstanding	% of Limit		
2018	845,156,800	3.96%	42,257,840	21,128,920	555,000	1.31%	30,712	627,214	1,602,000	9,005,000					1,212,926	2.87%	41,044,914	2018
2019	853,608,368	1.00%	42,680,418	21,340,209	0	0.00%			880,000	8,665,000	1,230,000				10,607,000	24.85%	32,073,418	2019
2020	862,144,452	1.00%	43,107,223	21,553,611	0	0.00%			734,000	8,315,000	647,000	1,157,000			10,775,000	25.00%	32,332,223	2020
2021	870,765,896	1.00%	43,538,295	21,769,147	0	0.00%			588,000	7,960,000	540,000	660,000	1,147,000		10,853,000	24.93%	32,685,295	2021
2022	879,473,555	1.00%	43,973,678	21,986,839	0	0.00%			441,000	7,595,000	432,000	550,000			10,895,000	24.78%	33,078,678	2022
2023	888,268,291	1.00%	44,413,415	22,206,707	0	0.00%			294,000	7,220,000	324,000	440,000	666,000	1,239,000	11,056,000	24.89%	33,357,415	2023
2024	897,150,974	1.00%	44,857,549	22,428,774	0	0.00%			147,000	6,835,000	216,000	330,000	533,000	1,038,000	9,982,000	22.25%	34,875,549	2024
2025	906,122,483	1.00%	45,306,124	22,653,062	0	0.00%				6,440,000	108,000	220,000			8,926,000	19.70%	36,380,124	2025
2026	915,183,708	1.00%	45,759,185	22,879,593	0	0.00%				6,035,000		110,000			7,850,000	17.18%	37,895,185	2026
2027	924,335,545	1.00%	46,216,777	23,108,389	0	0.00%				5,615,000					6,931,000	15.00%	39,285,777	2027
2028	933,578,901	1.00%	46,678,945	23,339,473	0	0.00%				5,185,000					6,095,000	13.06%	40,583,945	2028
2029	942,914,690	1.00%	47,145,734	23,572,867	0	0.00%				4,740,000					5,358,000	11.36%	41,787,734	2029
2030	952,343,837	1.00%	47,617,192	23,808,596	0	0.00%				4,285,000					4,740,000	9.95%	42,877,192	2030
2031	961,867,275	1.00%	48,093,364	24,046,682	0	0.00%				3,810,000					4,285,000	8.91%	43,808,364	2031
2032	971,485,948	1.00%	48,574,297	24,287,149	0	0.00%									3,810,000	7.84%	44,764,297	2032
2033	981,200,807	1.00%	49,060,040	24,530,020	0	0.00%									3,320,000	6.77%	45,740,040	2033
2034	991,012,815	1.00%	49,550,641	24,775,320	0	0.00%									2,815,000	5.68%	46,735,641	2034
2035	1,000,922,943	1.00%	50,046,147	25,023,074	0	0.00%									2,290,000	4.58%	47,756,147	2035
2036	1,010,932,173	1.00%	50,546,609	25,273,304	0	0.00%									1,750,000	3.46%	48,796,609	2036
2037	1,021,041,495	1.00%	51,052,075	25,526,037	0	0.00%									1,190,000	2.33%	49,862,075	2037
2038	1,031,251,910	1.00%	51,562,595	25,781,298	0	0.00%									605,000	1.17%	50,957,595	2038

Debt Capacity - 1.00% Growth



NOTES:



Projected Impact of Proposed Projects - Bishops Bay Analysis (Level Principal)

Existing General Obligation Debt Only

YEAR	Equalized Value Projection	Growth %	Total Payment (P&I)	Total Less Non Levy Revenues	Net Debt Service Levy	Debt Service Tax Rate
2018	812,925,400	3.96%	506,515	(300,000)	206,515	0.25
2019	845,156,800	3.96%	568,816		568,816	0.67
2020	853,608,368	1.00%				0.00
2021	862,144,452	1.00%				0.00
2022	870,765,896	1.00%				0.00
2023	879,473,555	1.00%				0.00
2024	888,268,291	1.00%				0.00
2025	897,150,974	1.00%				0.00
2026	906,122,483	1.00%				0.00
2027	915,183,708	1.00%				0.00
2028	924,335,545	1.00%				0.00
2029	933,578,901	1.00%				0.00
2030	942,914,690	1.00%				0.00
2031	952,343,837	1.00%				0.00
2032	961,867,275	1.00%				0.00
2033	971,485,948	1.00%				0.00
2034	981,200,807	1.00%				0.00
2035	991,012,815	1.00%				0.00
2036	1,000,922,943					0.00
2037	1,010,932,173					0.00
2038	1,021,041,495					0.00
2039	1,031,251,910					0.00
TOTALS			1,075,332	(300,000)	775,332	

Projected Debt Service

YEAR	Taxable General Obligation Bonds (Level Pl, 2019 \$9,005,000)			Capital Plan Debt Service			Less Abatements Bishops Bay		Total Projected Debt Service less abatements	Net Debt Service Levy	Levy Change	Debt Service Tax Rate @ 1.00% Growth	Impact on a \$ 250,000 Home		YEAR
	Prin (6/1)	Rate	Total	Principal	Interest	Total	Abatements	Bishops Bay					Taxes	Change	
2018	455,000	2.450%	279,888	1,177,000	325,771	1,502,771		(734,888)	767,884	206,515	362,301	0.25	63.51		2018
2019	455,000	2.500%	268,740	1,179,000	316,207	1,495,207		(718,740)	776,467	568,816	199,067	0.67	168.26	104.75	2019
2020	450,000	2.500%	257,490	1,200,000	291,403	1,491,403		(707,490)	783,913	776,467	8,584	0.90	224.89	56.64	2020
2021	450,000	2.500%	246,150	1,163,000	324,342	1,487,342		(696,150)	791,192	783,913	7,445	0.90	225.16	0.16	2021
2022	450,000	2.600%	234,675	1,149,000	335,406	1,484,406		(684,675)	799,731	791,192	7,225	0.90	225.06	(0.09)	2022
2023	450,000	2.650%	222,975	1,121,000	302,311	1,423,311		(672,975)	750,336	799,731	8,539	0.90	224.90	(0.16)	2023
2024	450,000	2.750%	211,050	1,101,000	269,483	1,390,483		(661,050)	729,443	750,336	8,539	0.84	209.09	0.18	2024
2025	450,000	2.850%	198,675	1,074,000	238,126	1,272,126		(648,675)	623,451	729,443	16,993	0.81	201.25	(15.99)	2025
2026	450,000	2.950%	186,850	1,047,000	207,739	1,254,739		(635,850)	607,889	563,451	(44,437)	0.62	153.92	(47.34)	2026
2027	450,000	3.050%	175,575	1,020,000	184,113	1,204,113		(622,575)	581,511	583,451	2,940	0.48	118.97	(163.48)	2027
2028	450,000	3.100%	164,450	993,000	161,951	1,154,951		(609,450)	545,501	439,889	(115,612)	0.34	85.30	(33.67)	2028
2029	450,000	3.200%	153,325	966,000	144,450	1,110,450		(594,450)	516,000	439,889	(76,111)	0.19	46.69	(38.61)	2029
2030	450,000	3.300%	142,450	939,000	129,600	1,068,600		(579,600)	489,000	318,538	(170,462)	0.00	-	(46.69)	2030
2031	450,000	3.400%	131,775	912,000	114,300	1,026,300		(564,300)	462,000	176,101	(285,899)	0.00	-	-	2031
2032	450,000	3.500%	121,300	885,000	98,775	983,775		(548,775)	435,000			0.00	-	-	2032
2033	450,000	3.600%	111,050	858,000	83,025	941,025		(533,025)	408,000			0.00	-	-	2033
2034	450,000	3.700%	101,050	831,000	68,825	899,825		(516,825)	383,000			0.00	-	-	2034
2035	450,000	3.800%	91,250	804,000	54,400	858,400		(500,400)	357,000			0.00	-	-	2035
2036	450,000	3.900%	81,750	777,000	40,000	817,000		(483,750)	333,250			0.00	-	-	2036
2037	450,000	4.000%	72,500	750,000	25,500	775,500		(466,875)	308,625			0.00	-	-	2037
2038	450,000	4.100%	63,500	723,000	11,000	734,000			297,500			0.00	-	-	2038
2039	450,000	4.200%	54,750	696,000	0	750,750			286,250			0.00	-	-	2039
TOTALS	9,005,000		3,174,918	15,380,000	3,696,861	19,076,861	(12,179,918)		6,896,944	7,672,276					TOTALS

NOTES Taxable Bond based upon 6/19/19 Taxable sale + 0.25
Bank Note based upon quote from Monona State Bank.

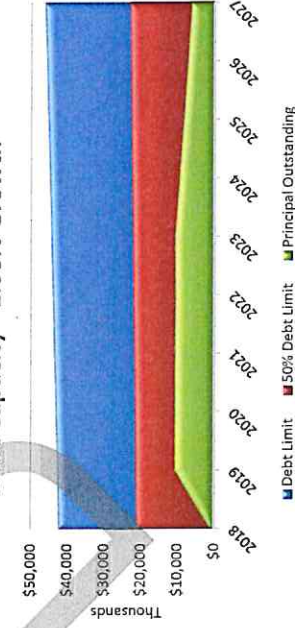




Current and Projected Debt Limit Calculations - Bishops Bay Level Principal

Year	Projected Equalized Value (TID IN) ¹	Change in EV	Existing General Obligation Debt				Projected General Obligation Debt										Residual Capacity	Year
			Debt Limit	50% Debt Limit	Principal Outstanding	% of Limit	2016 Fire District Loan	2018 Developer Loan	2019 Notes	2019 Taxable Bonds Level P	2020 Notes	2021 Notes	2022 Notes	2023 Notes	Principal Outstanding	% of Limit		
2018	845,156,800	3.96%	42,257,840	21,128,920	555,000	1.31%	30,712	627,214	1,602,000	9,005,000	1,230,000				1,212,926	2.87%	41,044,914	2018
2019	853,608,368	1.00%	42,680,418	21,340,209	0	0.00%			880,000	8,550,000	1,230,000				10,607,000	24.85%	32,073,418	2019
2020	862,144,452	1.00%	43,107,223	21,553,611	0	0.00%			734,000	8,100,000	647,000	1,157,000			10,660,000	24.73%	32,447,223	2020
2021	870,765,896	1.00%	43,538,295	21,769,147	0	0.00%			588,000	7,650,000	540,000	660,000	1,147,000		10,638,000	24.43%	32,900,295	2021
2022	879,473,555	1.00%	43,973,678	21,986,839	0	0.00%			441,000	7,200,000	432,000	440,000		1,239,000	10,585,000	24.07%	33,388,678	2022
2023	888,268,291	1.00%	44,413,415	22,206,707	0	0.00%			294,000	6,750,000	324,000	440,000	666,000	1,038,000	10,661,000	24.00%	33,752,415	2023
2024	897,150,974	1.00%	44,857,549	22,428,774	0	0.00%			147,000	6,300,000	216,000	330,000	533,000	865,000	8,391,000	21.20%	35,345,549	2024
2025	906,122,483	1.00%	45,306,124	22,653,062	0	0.00%				5,850,000	108,000	220,000	400,000	692,000	7,270,000	18.52%	36,915,124	2025
2026	915,183,708	1.00%	45,759,185	22,879,593	0	0.00%				5,400,000		110,000			6,296,000	15.89%	38,489,185	2026
2027	924,335,545	1.00%	46,216,777	23,108,389	0	0.00%				4,950,000				519,000	5,430,000	13.62%	39,920,777	2027
2028	933,578,901	1.00%	46,678,945	23,339,473	0	0.00%				4,500,000					4,673,000	11.63%	41,248,945	2028
2029	942,914,690	1.00%	47,145,734	23,572,867	0	0.00%				4,050,000				173,000	4,050,000	9.91%	42,472,734	2029
2030	952,343,837	1.00%	47,617,192	23,808,596	0	0.00%				3,600,000					3,600,000	8.51%	43,567,192	2030
2031	961,867,275	1.00%	48,093,364	24,046,682	0	0.00%				3,150,000					3,150,000	7.49%	44,493,364	2031
2032	971,485,948	1.00%	48,574,297	24,287,149	0	0.00%									2,700,000	6.48%	45,424,297	2032
2033	981,200,807	1.00%	49,060,040	24,530,020	0	0.00%									2,250,000	5.50%	46,360,040	2033
2034	991,012,815	1.00%	49,550,641	24,775,320	0	0.00%									1,800,000	4.54%	47,300,641	2034
2035	1,000,922,943	1.00%	50,046,147	25,023,074	0	0.00%									1,350,000	3.60%	48,246,147	2035
2036	1,010,932,173	1.00%	50,546,609	25,273,304	0	0.00%									900,000	2.67%	49,196,609	2036
2037	1,021,041,495	1.00%	51,052,075	25,526,037	0	0.00%									450,000	1.76%	50,152,075	2037
2038	1,031,251,910	1.00%	51,562,595	25,781,298	0	0.00%										0.87%	51,112,595	2038

Debt Capacity - 1.00% Growth



NOTES:

THE PUBLICAZATION OF PRIVATE BUSINESS

Ever since the Gold Rush of 1859, Colorado land speculators have sought governmental institutions that maximized profit and protected their investments. Initially they formed “town companies” to sell lots, but long ago the practice of creating new towns and cities was abandoned. Over the past few decades developers have adopted metropolitan districts as the preferred form of government to accomplish those goals.

Colorado is considered by most people a relatively small-government state. We rank near the bottom of all states in state tax collections and state government expenditures as a proportion of State Gross Domestic Product (GDP). However, we also stand out for the size of our system of local government, ranking in the top ten states for local tax collections, and exceeding the national average in local government expenditures, as a proportion of State GDP. Perhaps it’s not surprising that local government employees outnumber state employees by a ratio of 3:1.

Ranking in the top ten states for sheer numbers of local governments, Colorado is #1 in number of governments per capita. We rank in the middle (#22) of all states for the number of general-purpose governments (cities, towns and counties), but #4 in number of special districts, behind California, Texas and Illinois.¹

An analysis of governmental revenue over the past twenty years indicates that local revenue from their own sources has grown at an average annual rate of 6.8% per year, while own source state government revenue has grown at an average annual rate of 5.3% per year.

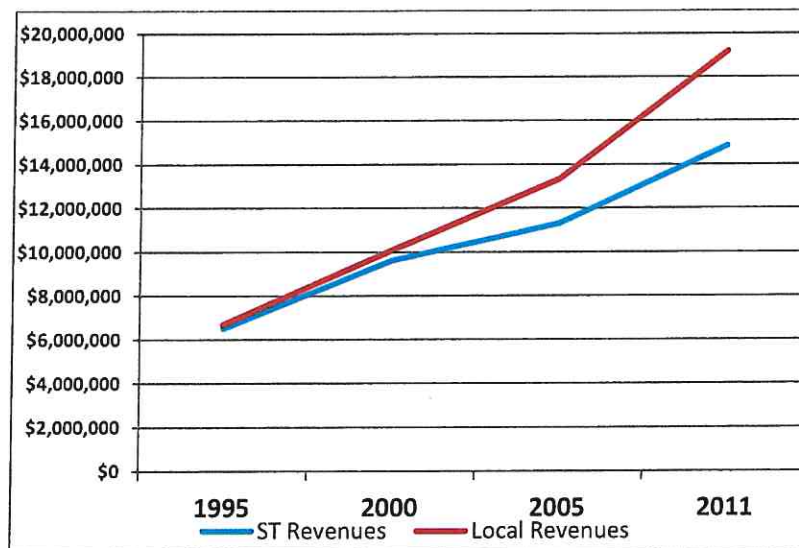


Figure 1 - State vs. Local Own Source Revenue, 1995-2011 (in \$ Thousands)

¹ All statistics cited in these opening paragraphs are from the U.S. Census Bureau, 2012 Census of Governments. Discussions of most of these data can be found in Legislative Council Issue Briefs No. 12-07, *How Colorado Compares in State and Local Taxes*, and No. 14-08, *State and Local Government as a Proportion of the State Economy*.

This trend is reflected in the growth of the sheer number of local governments that have grown over that time period, as compared with state revenue².

Some people appreciate our decentralized system of governance with its emphasis on local units, considering it to offer the most local control and least interference from a big, more centralized agency, so from that perspective the dominance of local government in these statistics makes sense. The population growth in the state over the past 30 years has been reflected by a marked increase in local government units, predominantly special districts. And the largest increase by type of district by far is found in the number of metropolitan districts. No other type of local government in the state has grown at anywhere near their rate. The three most numerous types of districts in the state are water & sanitation districts, fire protection districts and metropolitan districts, shown in Table 1 below.

<u>Type of Local Government</u>	<u>Total Active</u>	<u>Formed since 1980</u>
Water and Sanitation Districts ³	270	64
Fire Protection Districts	255	89
Metropolitan Districts	1520	1335

Table 1. Most numerous types of Colorado special districts created from January 1980 to September 2016

When we examine the list of all active local governments in Colorado today, 41% (1,520) of them are “metropolitan districts.”⁴ What is it about these districts that make them so popular?

METROPOLITAN DISTRICTS

Metropolitan districts in Colorado occupy an obscure corner of our system of governance, of which many people are not aware, even many of those who live within their boundaries and pay their taxes. They were devised to “secure for the inhabitants thereof any two or more of the purposes of providing domestic water, sewer disposal and sanitation, fire protection, or safety protection,” according to Colorado’s 1953 statutory law.⁵ Originally designed to provide these urban services to properties that otherwise would not be able to acquire them; they have since that time become useful for another purpose, unstated in the law. They are now the first choice of land developers to use as mechanisms to finance the public improvements necessary for new development, even when within a city or near another special district where those services are otherwise readily available. They also allow developers to retain control of the development with minimum risk or accountability. Dusty corners of the laws governing these districts have been enacted by the legislature and governor over the years, which permit private corporations to create metropolitan districts to serve private purposes, and control them as

² “Own source revenue” includes taxes and fees, but excludes grants and other intergovernmental transfers.

³ This includes Water Districts (77), Sanitation Districts (70) and Water and Sanitation Districts (which provide both services – 123).

⁴ See Attachment 1

⁵ Colorado Revised Statutes of 1953 §89-3-3, the Metropolitan District Act of 1947.

though they were wholly-owned subsidiaries of their corporate interests. Many were not initially organized to provide “services for the inhabitants thereof,” since most metropolitan districts are formed to incur debt for the development of raw land where there are not yet any inhabitants.

State records show that one metropolitan district created prior to 1960 is still operating today. Of currently active districts, 48 more were created between 1960 and 1980. The 1471 other metropolitan districts active today have all been created since 1980, as shown in Table 2 below.

by 1980	49
1980s	118
1990s	101
2000s	936
2010s	<u>316</u>
Total	1520

Table 2. Metropolitan Districts by Decade Formed 1/1/1980 to 9/15/2016⁶

Prior to 1980, the most popular mechanism for financing improvements in new development was with water and sanitation districts, since most counties did not provide those basic services, and many municipalities were reluctant to do so outside their boundaries. Now it seems that these general purpose governments are happy to cede control of virtually all services to developers, except for those “police powers” that cannot be delegated.⁷ In fact, there are relatively large municipalities today, some incorporated after 1980, which do not provide water, sanitary sewer or fire protection to any of its residents; these services are provided by special districts.

In 1985, the legislature became concerned when stories surfaced of special districts lying dormant for many years and suddenly reviving to begin operation, surprising some counties that had forgotten they existed. The Special District Act was then amended to allow the state to administratively dissolve a district if it had failed to 1) conduct or properly cancel a biennial board election, 2) adopt an annual budget, 3) compile an annual financial statement, or 4) had not provided any of the services for which the district was organized, if it did not have any outstanding financial obligations.⁸ Under this provision, the state has dissolved about 50 districts that had failed to perform these basic management functions.

Then, in 2010, the legislature again amended the Special District Act to allow a district to enter “inactive” status by simply declaring the district to be inactive, until such time as it was convenient to do otherwise.⁹ According to Colorado law, an inactive district means a district

⁶ Local Government Information System, Colorado Division of Local Government

⁷ “Police powers” in this sense are much broader than law enforcement, and include the power to regulate private behavior that affects the health, safety and welfare of the general public, to an extent that special-purpose governments do not. Local zoning ordinances are an example.

⁸ 32-1-710, C.R.S.

⁹ 32-1-104(3), C.R.S.

- in a predevelopment stage that has no residents other than those who lived within the district boundaries prior to the formation of the district
- that has no business or commercial ventures or facilities within its boundaries
- that has not issued any general obligation or revenue debt and does not have any financial obligations outstanding or contracts in effect that require performance by the district during the time the district is inactive
- that has not imposed a mill levy for tax collection in that fiscal year
- anticipates no receipt of revenue and has no planned expenditures, except for statutory compliance, in that fiscal year
- that has no operation or maintenance responsibility for any facilities
- that has initially filed a notice of inactive status pursuant to section 32-1-104 (3), and, each year thereafter, has filed a notice of continuing inactive status pursuant to section 32-1-104 (4).¹⁰

This inactive status allows the district to be exempt from many legal requirements - giving notice of their board election, having board meetings, adopting a budget, and compiling financial statements – the most basic requirements of accountability that apply to all other local governments, thus removing the district from the list of causes for which the state can dissolve it.

There are about 220 officially inactive metropolitan districts today, some of which have gone in and out of inactive status multiple times. (Since these districts have given notice that their inactivity is only temporary, they are included in the total number of 1520 active districts today.) This seems to be the latest example of the many successful efforts to reshape the laws governing special districts to accommodate the interests of development. By 2010 such measures had been gradually accumulating in the Special District Act for many years. To appreciate these changes, it is necessary to outline some basic organizational requirements of special districts.

FORMATION OF A METROPOLITAN DISTRICT

Even when a metropolitan district is actively complying with all the various legal requirements, some other basic modes of accountability in the law can be removed so that they do not apply to them. A number of legal provisions requiring accountability of all local governments can be modified by voters, and most metropolitan districts take full advantage of that ability during the process of forming the district. Also, special districts are the only form of government in the state whose residents do not have the power to recall board members or initiate ballot issues by petition. So, after people have moved into the district or purchased a business property, they do not have the power to revisit any of the election-approved obligations the district might have without being elected to, and gaining control of, the board. And sometimes that is impossible, as we shall see.

¹⁰ 32-1-103(9.3), C.R.S.

But first, let's go back to the beginning of the formation of a metropolitan district. A developer might purchase a large undeveloped property, perhaps near a proposed airport, on the outskirts of a fast-growing city, or around a prospective highway interchange or light rail stop. A common practice is then to form a series of metropolitan districts to provide financing for the public improvements necessary to support development in a phased approach to development, either residential or commercial or both, one district at a time. The formation process requires two primary things: a "service plan" delineating the services to be provided by each district, and an election by qualified voters to approve each district's creation. Since metropolitan districts are "political subdivisions of the state" (i.e., a local government), the steps necessary are governed by law, and involve approval by the board of county commissioners (unless the proposed district is within a municipality, in which case the town board or city council takes their place), and action by a state district court.

The Service Plan

The service plan is essentially the district's charter, which outlines the services to be provided, their financing, and the geographic area in which they are to be provided. It sets the basic operating powers of, and limits on, the proposed district, and is submitted to the county board of commissioners for their review, or the governing body of a municipality if within a city or town's corporate limits.¹¹ There are very specific things the reviewing government must look for in the service plan, and other things they may require, for their approval.¹² If the service plan is approved by the reviewing government, the "qualified electors" of the proposed district petition district court for organization of the district. The court must judge only that the petitioners are indeed electors, and if so, orders an election to be held. If the election passes, the court orders the district to be organized as a separate independent unit of local government, and the service plan remains in effect until such time as it may be modified by the same process as when it was approved, a rare occurrence.

Therefore, the service plan is the first step in a district's organization. It is the basis on which the board of county commissioners (or city council) must judge the efficacy of the proposed district, and provides the standards by which the district will later operate. The law says the service plan must include a number of items, such as¹³

- (a) *A description of the proposed services.* A metropolitan district must provide two or more of the following ten services: fire protection, mosquito control, parks & recreation, safety protection, sanitation, solid waste disposal, street improvements, television relay/translation, transportation and water.¹⁴

The various service plans of recently-organized metropolitan districts indicate that it is common for them to state that they will provide all of the ten services which

¹¹ 32-1-202, C.R.S.

¹² 32-1-203, C.R.S.

¹³ The following provisions, in italics, can be found at 32-1-202(2), C.R.S.

¹⁴ 32-1-103(10) and 32-1-1004(2), C.R.S.

metropolitan districts are legally able to provide, with some location-specific exceptions. For example, a district formed within the City and County of Denver would only provide fire protection services to the extent of dedicating land and building facilities for the Denver Fire Department to staff, so that service is somewhat limited; and Denver has its own solid waste disposal system, so that service would not be listed.

As noted above, a current approach in developing raw land is to organize a series of metropolitan districts at the same time, one of which is often the “management district,” responsible for managing, implementing and coordinating the financing, construction, operation and maintenance of improvements in all the other districts. The other districts, which may represent phases of development, are considered to be “financing” districts only, organized for the sole purpose of borrowing money to finance public improvements. Commonly referred to as a “master/slave” relationship, this puts the management district in complete control of all actions within the entire service area of all the combined districts, and leaves the financing districts with relatively little to do other than issue debt and levy taxes to redeem that debt. A management district is typically the legal owner of critical infrastructure, such as water rights, and water and wastewater treatment plants.

A series of relatively new changes to the law have created powers for metropolitan districts that move them close to those of a municipality. Under a 2010 amendment, metropolitan districts that provide street improvements, safety or transportation services may levy a sales tax.¹⁵ In 2009 the legislature gave metropolitan districts the power to create a special improvement district within their boundaries in the same fashion as municipalities, and the improvement district is often defined as a “component unit,” or subsidiary, of the metropolitan district.¹⁶ A metropolitan district may provide activities in support of business recruitment, management and development, pursuant to a 2007 amendment.¹⁷ As of 2004, a metropolitan district may also provide covenant enforcement and design review services, which are usually the powers of a homeowners association (HOA), if it has entered into a contract with the HOA to do so, a step short of a municipality’s ability to zone uses of land under the police power.¹⁸

- (b) ***A financial plan showing how the proposed services are to be financed, including the proposed operating revenue derived from property taxes for the first budget year of the district.*** This usually includes provisions that allow the developer to loan money to the new district, to be repaid when bonds are issued.

¹⁵ 32-1-1106, C.R.S. As of June 26, 2014 two metropolitan districts have taken advantage of this power, one in Jefferson County and one in Eagle County, according to the Colorado Department of Revenue Form DR1002 on Colorado Sales and Use Taxes.

¹⁶ 32-1-1101.7, C.R.S. This statute gives all special districts organized under Title 32 of the statutes this power, including metropolitan districts.

¹⁷ 32-1-1004(9), C.R.S., most recently amended by HB 16-1011 in 2016.

¹⁸ 32-1-1004(8), C.R.S.

(c) *A map of the proposed special district boundaries and an estimate of the population and valuation for assessment of the proposed special district.* Many metropolitan districts simply describe a general area in which services might be provided, and limit the boundaries of the initial district as minimal. One recently-organized set of six metropolitan districts, all proposed at the same time by the same petitioners, showed a map of the boundaries of each of the proposed districts as contiguous parcels measuring 20 feet by 20 feet, with an “inclusion area” of 684 acres, on which one or more of the metropolitan districts can expand. The plan said that districts numbered two through six, the financing districts, would include (i.e., annex) property as needed, and stated that the management district, number one, would not necessarily include any property other than the initial 400 square foot parcel, and would not ever contain any residential or commercial buildings. The reason for this will become obvious in the discussion of “The Election,” below.

The law goes on to say that a county or municipality may disapprove the service plan if “evidence satisfactory to the board, at the discretion of the board, of any of the following is not presented”:

- (a) Adequate service will not be available to the area through the county, any municipality or existing special districts, within a reasonable time and on a comparable basis.
- (b) The facility and service standards of the proposed special district are compatible with the facility and service standards of each county and nearby municipality.
- (c) The proposal is in substantial compliance with a county master plan.
- (d) The proposal is in compliance with any adopted county, regional, or state long-range water quality management plan for the area.
- (e) The creation of the proposed special district will be in the best interests of the area proposed to be served.

We have not found any example of a district’s service plan having been disapproved for any of these reasons, which is not to say that has not occurred.

A fairly recent phenomenon shows some metropolitan districts literally organize in the air. Developments that have commercial areas at ground level have been known to create a ground-level metropolitan district just for them, and create other ones above to serve residential units on upper floors, such as apartments and condominiums. Apparently this is done to equalize to some extent an aspect of our property tax system, commonly referred to as the Gallagher Amendment, which requires commercial property to be taxed based on 29% of their value, but residences at only 7.96 %. By creating “air” districts, a lower mill levy (i.e., tax rate) can be levied on the ground-level commercial properties than on the upper floor residences, so that the burden of paying for debt-financed public improvements can ostensibly be more equitable.

The Election

After determining that the petition to organize the district was properly submitted by eligible electors, the court orders an election to be held, asking if the district should be organized, and to elect members of the initial board to serve if the district is approved. An eligible voter in these elections has to be registered to vote in Colorado and either 1) a resident of the district, or 2) an owner, or spouse of an owner, of taxable property within the district.¹⁹

This is unusual, in that it is one of the rare provisions of Colorado's election laws that allow taxpayer status to be a qualification to vote in a local election. Presumably this was put in the original 1947 Act to accommodate owners of second homes, who wouldn't be able to register to vote in two places at the same time. In 1970, the General Assembly amended the law to allow registered voters to qualify to vote in these elections as an owner of taxable property if they are "obligated to pay general taxes under a contract to purchase real property within the district."²⁰

This offered a new opportunity to developers of vacant land, who wanted to use a metropolitan district as a financing mechanism but had no eligible voters to vote in the election or serve on the board. Since most metropolitan districts are organized to improve undeveloped land, initially no one resides within the boundaries, so the only possible qualified voters are owners of taxable property. The board of a new district needs five members in order to be properly constituted, so at least five people have to qualify as owners of taxable property to vote and serve on the board. The property is usually owned by a corporation which cannot qualify as an elector, since a corporation has not yet been declared to be a "person" who can qualify to vote. With this 1970 amendment in place the property owner (the corporation) can enter into contracts with five people (usually relatives, partners or trusted employees) to sell them a parcel of the property, the contract for which obligates them to pay property taxes on the undeveloped property. The property is not ever actually sold, and the contract may be operable indefinitely, but it qualifies the five as "electors," as well as their spouses.

If the district includes residential property, as people buy or rent residences and register to vote they also become qualified as eligible electors, and can vote and serve on the board of the district they live in. However, they would only be in one of the financing districts, because, as the Service Plan said in the example above, the management district will have no residences. The only electors who qualify in the Management District would do so by virtue of their relationship to, and contract with, the corporate owner of the property, and the new homeowners would not have any say in some of the most basic governance decisions made on their behalf. This arrangement results in the developer retaining control over who can serve on the board of the "management" district, and virtually all the governance decisions affecting the other five districts in our example.

¹⁹ 32-1-103(5), C.R.S.

²⁰ Ch. 71, Colorado Session Laws 1970, p. 290, codified at 89-17-8, 1963 C.R.S. as amended; 32-1-103(5)(b), C.R.S. in current law.

Professionals who work in this area have said that some development company executives who have used this approach, have at the same time required the other four people to provide signed, undated releases from their contract. Then, if at some time in the future their relationship changes and the developer should no longer want them on the board, or perhaps they move out of state and no longer are registered to vote in Colorado, the developer can date the release and record it, thus disqualifying the person from continuing to be an elector and allowing a replacement to be appointed to the Board with a new contract. This approach would assure the developer of retaining absolute control over the Board and the management district indefinitely.

Other ballot questions are very often approved in these organizational elections, in addition to the basic question of organizing the district. They address such matters as

- Authorization of multiple debt issues, including ones which specify that developer advances are reimbursable general obligations of the district
- Exemption from TABOR tax and revenue limitations (“deBrucing”) that authorize taxes to a maximum mill levy and grant authority to receive revenue from any source without limit
- Removal of term limits for board members
- Approval of intergovernmental agreements between the series of districts which delineate the responsibilities of the “management” district’s control, relative to the “financing” districts

These election ballots often have as many as thirty ballot questions, and, since there are usually only five eligible electors, many are approved by a vote of 5-0, the five electors qualifying by virtue of their purchase contract with the land owner. Once all these ballot issues pass, contracts called “intergovernmental agreements” are executed that create legal obligations for all the financing districts to the management district.

State data indicates that metropolitan districts formed since January 1, 2001 have authorized debt collectively that totals nearly \$2 trillion, including districts formed since January 1, 2010 which have approved \$504.7 billion. State-level data do not show how many votes were cast in any of these elections, or how much of that debt has actually been issued since the election.²¹

WHY DO DEVELOPERS WANT TO HAVE THEIR OWN GOVERNMENT?

Many years ago, access to tax exempt debt and the power to condemn property (i.e., “eminent domain”) were the major motivators for developers to create water and sanitation districts. Today, an added incentive is for developers to perpetuate control over the governance of the development, even after eligible voters who rely on their services have bought properties and moved in. Also, today existing municipalities in general are reluctant to extend services to new properties, especially residences which contribute little to the city’s property tax base. This

²¹ As of November, 2014

latter issue may be the primary reason for metropolitan districts' ascension to the preferred mechanism of issuing debt and providing services, since they can provide such an array of services without being the county's or the municipality's responsibility.

By maintaining control of the management district, in a development so organized, the development interests realize a number of advantages. First, the organizational election can approve a ballot question that recognizes monetary advances made by the developer to the new district as "general obligations" of the district. This makes these advances legal debts which must be repaid by the district when they issue bonds. Thus, the developer will be repaid for money spent on planning and legal expenses to set up the development, at an interest rate mutually agreed with the board of the district, which the developer controls by contract.

Reimbursement of the developers' expenses in starting up the district saves a good deal of money which would otherwise have to have been invested directly into the prospective development. In this way, the developers are reimbursed for some of the costs they have incurred to pursue the development. This may have the effect of keeping the cost of housing lower than it would otherwise be, by deferring its repayment, but also increases the profit margin of the developers and burdens the properties with more debt and interest expense.

If the management district retains ownership of all water, sewer and other infrastructure, it eliminates some potential barriers to the development plan, which could be a problem if a citizen board took over control of those decisions.

In a recent example, just before Thanksgiving 2014, a large developer in the south metro Denver area announced the launching of a large subdivision of 1250 homes, near one of their existing developments that is nearly built out. A reason cited in the press release for deciding to pursue this now was that the neighboring district had committed to provide water and sanitation services to the new homes, as though this was a recent serendipitous event. Upon closer scrutiny, it came to light that the neighboring district's board of directors was made up of five high-ranking employees of the same homebuilder for the new development.

ALTERNATIVES EXIST

When the Taxpayer's Bill of Rights²² (TABOR) was added to the state constitution in 1991, there was some fear in legal circles that it would encourage the proliferation of independent special districts, since general-purpose local governments would be constrained by how much debt and spending they could manage.²³ The next year, the state legislature amended both the county and municipal "improvement district" statutes, which gave counties and municipalities more flexibility to use those mechanisms to serve the needs of planned development.²⁴ It is difficult to say whether the proliferation of independent districts after 1991

²² Art. X, Sec. 20, Colo. Const.

²³ "Use of the Nonprofit Supporting Foundation to Assist Governmental Districts After Amendment 1", by Peter C. Guthery, Kerrie A. Boese and Lisa J. Lambert; *The Colorado Lawyer*, April 1993, pp. 685-693.

²⁴ Title 30, Article 20, Parts 4 and, and Title 31, Article 25, Parts 5 and 6, C.R.S.

was in any way caused by TABOR, but the fact is that many times more metropolitan districts have been organized than municipal or county improvement districts. This may simply be due to the reluctance of the general purpose governments to take on the responsibilities of improvement district management. Land developers appear to prefer having the independence as well, so both parties are motivated to pursue the metropolitan district option.

Although general purpose governments may be hesitant to create improvement districts – which are essentially component units of, and dependent upon, the county or municipality - for the public infrastructure and services necessary to accommodate new development, there is nothing to prevent only one metropolitan district to be formed to service the entire service area, the whole 684 acres in the example outlined in item c) on page 6, above. Then, the metropolitan district could create its own five improvement districts, under the 2009 statute created specifically for this purpose, all of which would be under one Board.²⁵ This would prevent the need for invoking the fictional (but legal) definition of qualified elector as a “property owner” who has a contract to purchase property, but never actually purchases it. This, however, would in turn, prevent the development company from retaining complete control over the development for as long as they see fit. Such an approach would contribute to citizens of special districts being empowered to control more of the aspects of their community’s policy-making process, and perhaps encourage a measure of increased respect for this small part of Colorado’s system of governance

Clearly, creative amendments to Colorado’s laws have led to novel approaches for not only minimizing risk to developers and maximizing their return on investment, but also keeping control of future government decisions affecting their operations. Future residents and property owners cannot become obstacles while development plans are implemented, by allowing the development company to maintain control of the governments undertaking the plan. In some cases, the actual development plans may not be altogether clear in advance of a district’s approval, such as in the 400 square foot districts 2 through 5 in our example above which make it difficult for a prospective property owner to evaluate exactly what the plan is. County and municipal governing boards, as well as district courts, have allowed this practice, which appears to only benefit development interests, potentially at the expense of the ultimate consumer, whether a resident or business owner. This “publicization” of private, for profit purposes goes significantly beyond the original stated intent of the 1947 Metropolitan District Act: securing for the districts residents certain urban services which would otherwise not be available. There are other alternatives, as we can see by looking at other states.

What Some Other States Do

Being a high-growth state, Colorado is under some pressure to provide a path that developers can use to cheaply and effectively develop raw land to accommodate an increasing population. To date, that path has been rather circuitous, relying on clever legal angles to take

²⁵ 32-1-1101.7, CRS

advantage of often unclear, and sometimes in the absence of, statutory provisions. We may be able to look to some of our sister high growth states for examples of alternative approaches.

Colorado ranked 8th of all 50 states in total population increase for the period 2010 to 2015, but the other seven states with greater growth all began the period with a higher total population, making Colorado's population growth remarkable. In percentage terms, Colorado ranked 2nd of all these eight states in rate of increased population, slightly behind Texas.²⁶ Texas also experienced the highest absolute number of population growth of all states during that time. Therefore, Texas seems a reasonable candidate to begin examination of alternative practices.

Texas

The Texas Constitution has provided for special districts since 1904, but an amendment in 1971 authorized the creation of Municipal Utility Districts (MUDs), which have become the primary tool for new development in the state. Texas municipal governments enjoy an area of extraterritorial jurisdiction within which they have certain influence, from one-half to five miles, depending upon the size of the municipality.²⁷ It is within this unincorporated ring that municipalities have the ability to consent to the creation of a MUD for the development of vacant land, and it is there that most of the special districts in Texas have been created.

A MUD is an independent unit of local government with a board of five directors, the qualifications of which are to "be at least 18 years old, a resident citizen of the State of Texas, and either own land subject to taxation in the district or be a qualified voter within the district."²⁸

In forming a new MUD, the city may require the proposed MUD to submit all infrastructure plans for approval, and limit the length of maturity and interest rate of the MUD bonds. The city then has the legal option to annex the MUD, acquire all the assets and assume the debt, under specific procedural steps.²⁹

MUDs can provide water, sewer and drainage services, and construct parks, street lighting, fire protection facilities and certain types of roads. They can borrow money by means of municipal bonds, and use their taxing power to levy property taxes to pay for the principal and interest on them, as well as collect user fees for the expenses of operating a water and or sewer system.

The Texas Commission on Environmental Quality has strict financial feasibility rules which a MUD must follow before a MUD can issue any debt: a) the completion of all water, sewer and drainage facilities to be financed, b) completion of all streets and roads that provide access to the areas served, c) the completion of at least 25% of the improvements (i.e., houses, businesses, etc.) in the financial projections, and d) demonstrate that the projected buildout will

²⁶ See Attachment 2

²⁷ Texas Local Government Code, Section 42.021

²⁸ Texas Water Code Ann., Section 54.102

²⁹ This overview is taken primarily from "Texas Municipal Utility Districts: An Infrastructure Financing System" by Allen Boone Humphries Robinson, LLP; doc.#154186-2; Houston, TX.

support debt service payment with a reasonable mill levy rate and service fee structure. All MUD bonds must be approved by the Texas Office of the Attorney General.

Once organized, a MUD's powers and functions are supervised by the state through the Texas Natural Resource Conservation Commission.³⁰

The developer can recover infrastructure costs from a subsequent bond issue, as soon as the conditions above are met, then can use that reimbursement to build out the next phase, and so on until the development is complete.

California

California saw the second highest absolute population growth during the period 2010-2015, behind Texas. California has set up a system allowing the organization of Community Facility Districts (CFDs), often referred to as Mello-Roos districts (after the legislation's sponsors), designed for use by developers.

The Mello-Roos Community Facilities Act was enacted in 1983, five years after California's Proposition 13 was enacted. Prop 13, as it's referred to, limited increases in the tax on any given property, among other things,³¹ and made it difficult for planned development to pay for itself through property taxes, widely considered the most conventional method. Community facilities districts (CFDs) are statutorily authorized to levy a "parcel tax," defined as a flat-amount property tax levied on each parcel of property without regard to any improvements thereon or the value of the taxable property; it is therefore not an *ad valorem* property tax (and would be similar to Colorado's system of fee "assessments," by means of which many of our state's improvement districts operate). The parcel tax is used to redeem bonds issued for the facilities needed in the district, pay directly for the facilities themselves, pay for services, or any combination thereof.

CFDs are created by a general-purpose local government (i.e., a city or a county), whose governing body (city council or county Board of Supervisors) act *ex officio* as the board of the district. Once created, a CFD is a "dependent" unit of government, similar to a county or municipal improvement district in Colorado. The city or county approves the bond issue to pay for needed improvements, the parcel tax to be levied to service the debt, and the improvements themselves. A ~~rather~~ careful process is required of a city or county prior to considering a district's organization, which includes assembling teams of internal and external experts to analyze the proposed development, and development of a Joint Powers Agreement between the general purpose "parent" government and surrounding other agencies which may be affected. Developers who advance money for needed improvement and other expenses can be reimbursed out of the proceeds of a bond issue, when bonds are sold.

³⁰ Texas Water Code Ann., Section 54.024

³¹ "What is Prop 13?" California Tax Data, Irvine, CA, undated at <http://www.californiataxdata.com/pdf/Prop13.pdf>

California requires a vote to approve a bond issue or property tax increase, a 2/3 majority of which is also required by Prop 13. The CFD statute sets up a unique system to accomplish this. “Qualified electors” in such a CFD election are the registered voters of the area,³² unless there are less than 12 electors within the boundaries of the proposed district. In that case, the “qualified electors” are the owners of the land within the district, with each owner entitled to one vote per acre (or portion) owned.³³ These “landowner vote” districts are designed specifically to mitigate the impacts of new development, and California law places restrictions on both the type and level of services, as well as the level of facilities, that may be authorized by a landowner vote. As a practical matter, their use is only applicable in the initial stage of development.

After CFD debt is issued, annual reporting to the California Debt and Investment Advisory Commission of basic financial information about the bond issue is required. In state Fiscal Year 2013-14, there were 919 active Mello-Roos districts in California.³⁴

Florida

After Texas and California, Florida realized the third highest population increase of all states, as well as the third highest percentage rate of increase (behind Texas and Colorado), from 2010-2015.³⁵

Florida’s Community Development Districts (CDDs) are more like Colorado’s metropolitan districts, but with some notable differences. Their enabling statute was passed in 1980, but they proliferated after the 1985 Florida Growth Management Act required that the capital improvements needed to support development must be available concurrent with the impacts of that development.³⁶ Since that time, CDDs have only been initiated by developers in areas with no residents.

CDDs are independent of any general-purpose local government, and governed by a board elected by landowners on the basis of one vote per acre owned. After the sixth year, the landowner Board members are gradually replaced by registered electors from within the district, if the population of the district has reached 250 voters (or 500 voters after ten years).³⁷ Board elections are held every two years, on a date determined by the board of the district. Developers

³² Except when the special tax will not be levied on residential property

³³ *An Introduction to California Mello-Roos Community Facilities Districts*, Bort, Daniel C., Orrick, Herrington and Sutcliffe, LLC, 2006, San Francisco, CA.

³⁴ Reports were filed for 1,407 bond issues; California Mello-Roos Community Facilities Districts Yearly Fiscal Status Reports - 2013–2014, California Debt and Investment Advisory Commission, CDIAC Publication No. 16-03, p. 2.

³⁵ Other states in the top eight during this period also have similar structures to accommodate development: Arizona (#6) and Washington (#5) have their own types of community facilities districts with some similarities to the states addressed here. Georgia (#4) allows a structure called county improvement districts, which has some similarities, and are not unlike Colorado county improvement districts.

³⁶ *2014 Florida County Government Guide*, Florida Association of Counties, p. 120

³⁷ Fla.Stat §190.006(3)(a)2.b.

have to disclose to purchasers of property the existence of the district and its power to issue debt and impose taxes and assessments.³⁸ There are 607 CDDs in Florida.³⁹

CONCLUSION

Colorado's current metropolitan district framework results in advantages and disadvantages for those involved. For developers it provides financial certainty in developing new communities to accommodate Colorado's growing population. Because developers can recover their investments in land and infrastructure more quickly, those costs do not need to be built into the sales prices offered to home and business purchasers, so home prices may be lower. On the other hand, however, property owners are often deprived of access to the governmental entity controlling their taxes, are not able to hold them accountable through recall, and are unable to receive the protections that the laws and procedures applicable to other state and local governments afford, such as running for office in a "management district," term limits for board members, the power of citizen initiative, and the tax limits contained in TABOR. Simply stated, often property owners in metropolitan districts have but one option, and that is to live with whatever the management district board, installed and controlled by the developer, decides. This seems to deviate from the form of representative government most citizens have grown to expect.

California's approach appears to offer the most straightforward alternative for further consideration. It preserves the system of general-purpose public sector organizations and their policies to be dominant in the public sphere, and accommodates development interests while limiting their access to public institutions to only the most important aspect of their needs. The Joint Powers Agreement also fosters better inter-local cooperation on approval of developments, which can sometimes be contentious.

In this model, developers can use the CFD structure to make use of federally-subsidized public debt, get their investments reimbursed, and keep the cost of improvements low for the (eventual) property owner. At the same time, general-purpose local governments take responsibility for the oversight of the district, and citizens who move into the development can exercise their rights to access the district in a democratic process, through the general-purpose government. The district is essentially dissolved when the debt liability is satisfied, and the private use of the CFD is only to accomplish the financing of improvements, not to control the operation in perpetuity or for some arbitrary length of time.

California is also governed by property tax restriction somewhat similar to Colorado's, and "landowner vote" elections are restricted to the organizational process. The robust planning process required before a CFD is created takes every precaution to avoid problems in the resulting development.

³⁸ "Special Districts as Institutional Choices for Service Delivery: Views of Public Officials on the Performance of Community Development Districts in Florida"; Scutelnicu, Gina; Public Administration Quarterly Fall 2014.

³⁹ List from the Florida Department of Economic Opportunity, March 26, 2016

Whether or not California provides a viable alternative to balance the needs of developers as well as providing citizens both control and accountability over the improvements that their taxes must finance, we believe policymakers in Colorado should begin the process of examining options to improve our current metropolitan district laws and practices. Piecemeal patches to our existing laws and the way they are implemented are not likely to be effective and may foster unintended consequences. We are convinced that it is time for a wholesale revision to be carefully considered.

Attachment 1. Types of Local Governments

Active Colorado Local Governments by Type

Code	Entity Type	Statute	Count
1	Counties	30-1-101	62
2	Home Rule Municipalities	31-1-202 & Constitution Art. XX	97
3	Territorial Charter Municipalities	Territorial Charter & Constitution Art. XIV, Sec. 13	1
4	Statutory Cities	31-1-203	12
5	Statutory Towns	31-1-203	160
6	Metropolitan Districts	32-1-103	1520
7	Park & Recreation Districts	32-1-103	56
8	Fire Protection Districts	32-1-103	255
9	Health Service Districts (Hospital)	32-1-103	38
10	Sanitation Districts	32-1-103	70
11	Water Districts	32-1-103	77
12	Water & Sanitation Districts	32-1-103	123
13	County Recreation Districts	30-20-701	8
14	Metropolitan Sewage Disposal Districts	32-4-501	2
15	Cemetery Districts	30-20-801	81
16	Library Districts	24-90-103	56
17	Ground Water Management Districts	37-90-118	13
18	Water Conservancy Districts	37-45-101	52
19	County Pest Control Districts	35-5-101	17
20	Conservation Districts (Soil)	35-70-101	76
21	Metropolitan Water Districts	32-4-401	0
22	Irrigation Districts (Irrigation Drainage)	37-41-101 to 37-44-149	16
23	Junior College Districts	23-71-101	4
24	Law Enforcement Authorities	30-11-401	7
25	Drainage Districts	37-20-101	13
26	Downtown Development Authorities	31-25-801	16
27	Urban Renewal Authorities	31-25-101	59
28	General Improvement Districts (Municipal)	31-25-601	56
29	Special Improvement Districts (Municipal, Incl. Storm Sewer)	31-25-501	45
30	Local Improvement Districts (County)	30-20-601	62
31	Public Improvement Districts (County)	30-20-501	82
32	County Housing Authorities	29-4-502	27
33	County Disposal Districts	30-20-201	1
34	Power Authorities	29-1-204	2
35	Water Authorities	29-1-204.2	30
36	Moffat Tunnel Authority	32-8-101	1
37	Regional Transportation District	32-9-101	1
38	Colorado Travel And Tourism Authority	29-24-101 (repealed 8/1/2000)	0
39	Urban Drainage & Flood Control District	32-11-101	2
40	Internal Improvement Districts (Flood Control)	37-44-101	0
41	Airport Authorities	41-3-101	4
42	Tunnel Districts	32-1-103	0
43	Conservancy Districts (Flood Control)	37-1-101 to 37-8-101	4
44	Grand Valley Drainage District	37-31-104	1
45	Ambulance Districts	32-1-103	9
46	Housing Authorities (Municipal)	29-4-204	81

Active Colorado Local Governments by Type

Code	Entity Type	Statute	Count
47	Authorities (Intergovernmental Contract)	29-1-201 to 203	42
48	Rail Districts	32-12-101	0
49	Recreation Facility Districts	29-7-101	2
50	County Water & Sanitation Facilities	30-20-401	0
51	Conservation Districts (River Water)	37-46-101 to 37-50-142	4
52	Denver Metropolitan Scientific & Cultural Facilities District	32-13-104	1
53	Scientific & Cultural Facilities Districts	32-13-108	0
54	Mine Drainage Districts	34-51-101	0
55	Public Highway Authorities	43-4-501	3
56	Cherry Creek Basin Water Quality Authority	25-8.5-101	1
57	Business Improvement Districts	31-25-1201	50
58	Regional Service Authorities	32-7-101 & Constitution Art. XIV, Sec. 17	1
59	Special Taxing Districts of Home Rule County	30-35-901 & Home Rule Charter	1
60	Emergency Telephone Service (911 Authorities)	29-11-101	31
61	City & County Of Denver	30-11-101 & Constitution Art. XX, Sec. 4	1
62	University Of Colorado Hospital Authority	23-21-503	1
63	Denver Metropolitan Major League Baseball Stadium District	32-14-104	1
64	Regional Transportation Authorities	43-4-601	5
65	Pueblo Depot Activity Development Authority	29-23-104	1
66	Colorado Intermountain Fixed Guideway Authority	32-16-104 (repealed 1/1/2004)	0
67	Metropolitan Football Stadium District	32-15-104	1
68	Denver Health And Hospital Authority	25-29-103	1
69	Multijurisdictional Housing Authorities	29-1-204.5	6
70	City & County Of Broomfield	Constitution Art. XX, Sec. 10-13	1
71	Local Marketing Districts	29-25-101	5
72	Special Taxing Districts of Home Rule Municipality	Home Rule Charter (not from CRS, incl. 31-25-501, 31-25-601)	11
73	Health Assurance Districts	32-1-1003.5	0
74	Mental Health Care Service Districts	32-17-101	0
75	Forest Improvement Districts	32-18-101	0
76	Fountain Creek Watershed, Flood Control, and Greenway District	32-11.5-201	1
77	Colorado New Energy Improvement District	32-20-104	1
78	Federal Mineral Lease Districts	30-20-1304	5
79	Subdistrict of Special District	Title 32, Article 1, Section 1101(1)(f)	2
80	Special Improvement Districts (Title 32 Special District)	32-1-1101.7	0
95	Boards of Cooperative (Educational) Services (BOCES)	22-5-104	20
96	Tax Increment Finance (TIF) URA/DDA Plan Areas	31-25-107 & 31-25-807	0
99	School Districts	22-30-103 & Constitution Art. IX, Sec. 15	178
Total Active Local Governments:			3,676
Total Active Title 32 Districts:			2,160
Total Active Title 32, Article 1 Districts:			2,148

Attachment 2. Top Ten States in Population Increase 2010-2015⁴⁰

Geography	April 1, 2010		Population Estimate (as of July 1)						2010 - 2015 % chg	2010-2015 POP GROWTH
	Census	Estimates Base	2010	2011	2012	2013	2014	2015		
United States	308,745,538	308,758,105	309,346,863	311,718,857	314,102,623	316,427,395	318,907,401	321,418,820	3.90%	12,071,957.00
Texas	25,145,561	25,146,105	25,244,363	25,654,464	26,089,741	26,500,674	26,979,078	27,469,114	8.81%	2,224,751.00
California	37,253,956	37,254,503	37,334,079	37,700,034	38,056,055	38,414,128	38,792,291	39,144,818	4.85%	1,810,739.00
Florida	18,801,310	18,804,623	18,849,890	19,105,533	19,352,021	19,594,467	19,905,569	20,271,272	7.54%	1,421,382.00
Georgia	9,687,653	9,688,681	9,713,454	9,812,280	9,917,639	9,991,562	10,097,132	10,214,860	5.16%	501,406.00
North Carolina	9,535,483	9,535,692	9,558,979	9,651,025	9,747,021	9,845,432	9,940,387	10,042,802	5.06%	483,823.00
Washington	6,724,540	6,724,543	6,743,060	6,823,229	6,897,292	6,973,281	7,063,166	7,170,351	6.34%	427,291.00
Arizona	6,392,017	6,392,307	6,408,208	6,468,732	6,553,262	6,630,799	6,728,783	6,828,065	6.55%	419,857.00
Colorado	5,029,196	5,029,324	5,048,254	5,119,480	5,191,731	5,271,132	5,355,588	5,456,574	8.09%	408,320.00
New York	19,378,102	19,378,087	19,402,920	19,523,202	19,606,981	19,691,032	19,748,858	19,795,791	2.02%	392,871.00
Virginia	8,001,024	8,001,045	8,025,787	8,110,783	8,193,374	8,267,875	8,328,098	8,382,993	4.45%	357,206.00

⁴⁰ PEPANNRES: Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2015, US Bureau of Census