

EXECUTIVE SUMMARY

BUILDING BLOCKS

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



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POLICY FORUM

EXECUTIVE SUMMARY

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

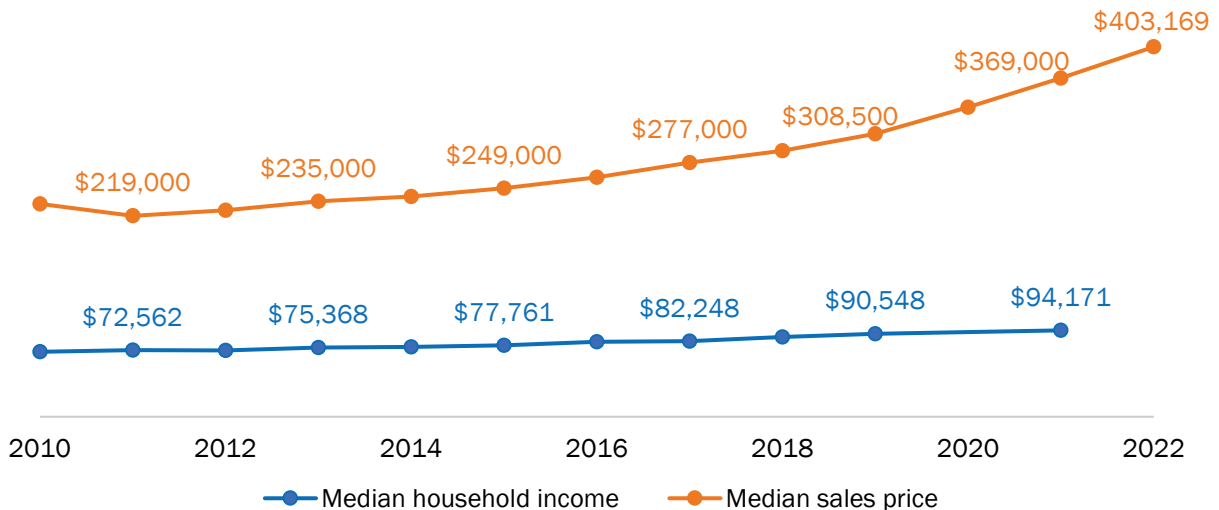
In this report, we examine the housing affordability landscape in Waukesha County, including market characteristics and trends, barriers to housing development, and potential solutions. We do so by analyzing relevant data and municipal policies, through a series of stakeholder interviews with local government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

Key Challenges and Development Barriers

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

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

Median sales prices versus median household income in Waukesha County



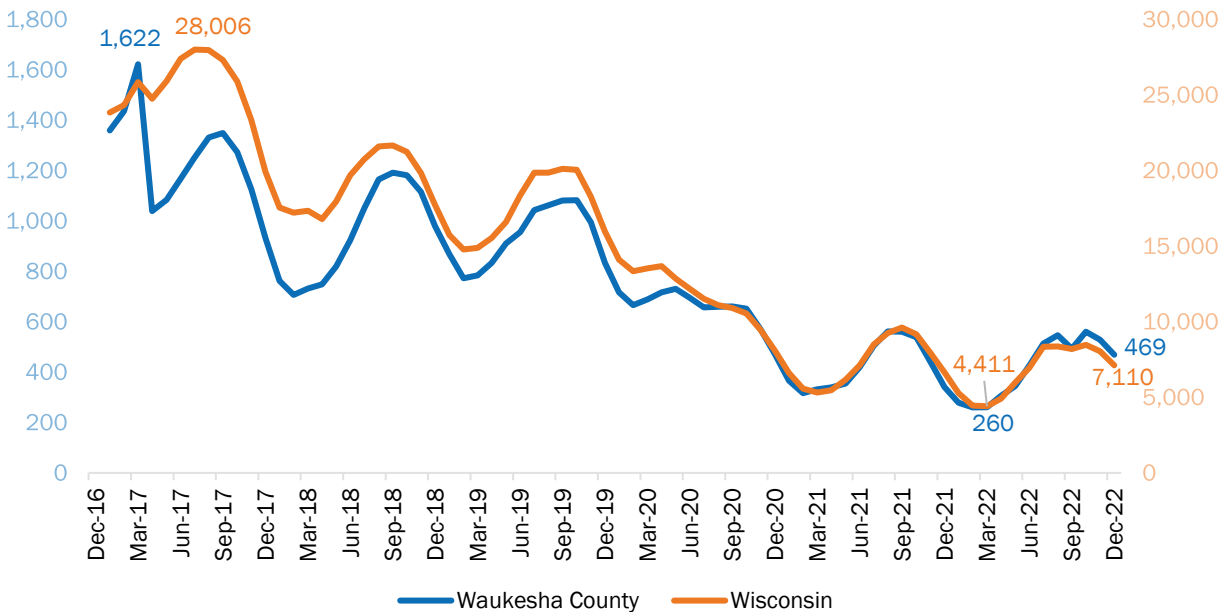
Source: Wisconsin Realtors Association and U.S. Census Bureau – ACS 1-year estimates (File S1901)

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



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

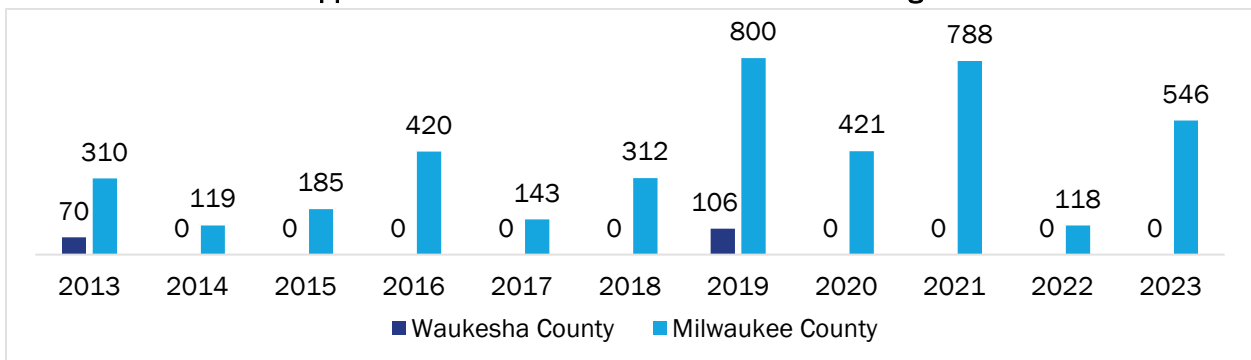
Active listing count of homes for sale in Waukesha County and Wisconsin, 2017-2022



Source: Realtor.com monthly inventory data

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

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

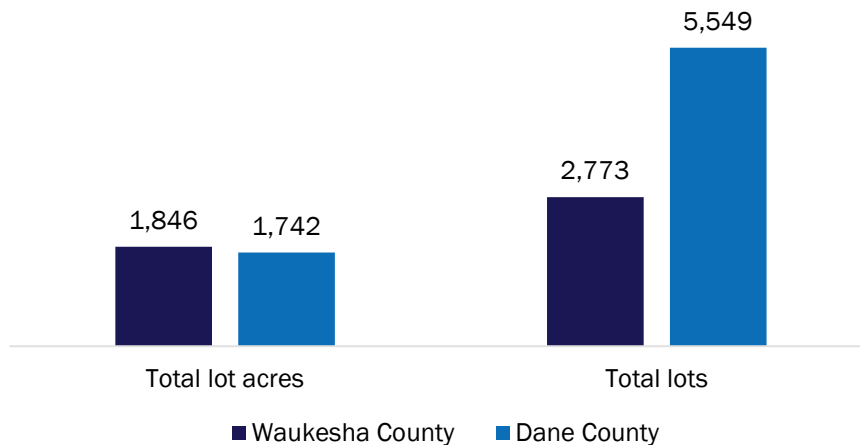


Source: Wisconsin Housing and Economic Development Authority



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

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



Source: WPF analysis of Wisconsin Department of Administration data

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

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

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

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



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

Potential Solutions

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

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

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

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

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

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



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

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

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

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

Sources

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

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



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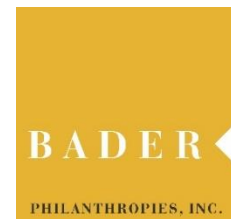
The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their long histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. The Wisconsin Policy Forum is committed to those same activities and to that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

This report was undertaken to provide policymakers, business and civic leaders, philanthropic organizations, and residents with greater understanding of Waukesha County's housing affordability challenges, barriers to housing development, and potential solutions. We hope those leaders will use the report's findings to inform discussions and develop strategies to improve affordable and workforce housing policy and production in the county.

Report authors would like to thank the leadership and staff of the organizations that participated in our project advisory committee or our interviews for this report, including the cities of Brookfield, Oconomowoc, and Waukesha and the village of Sussex. We also wish to thank UW-Madison professor Kurt Paulsen for his input and research on housing affordability in Wisconsin, which provided valuable ideas and data sources used in this report.

Finally, we would like to thank AARP Wisconsin, United Way of Greater Milwaukee and Waukesha County, Waukesha County Business Alliance, Waukesha County Center for Growth, Waukesha County Community Foundation, and Waukesha County Technical College for commissioning this study and for their grants that helped make this report possible. This research also was supported by a generous grant from Bader Philanthropies.





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INTRODUCTION

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

In this report, we examine Waukesha County’s housing affordability landscape, including market characteristics and trends, barriers to affordable and “workforce” housing development,ⁱ and potential solutions. We consider this issue both from a countywide perspective and through a narrower lens using four municipalities (the cities of Brookfield, Oconomowoc, and Waukesha and the village of Sussex) as case studies.

The primary research questions guiding our analysis include the following:

- How do the incomes of those who live in Waukesha County – or work there -- compare with housing prices in both the rental and owner-occupied housing markets?
- To what extent has affordable housing been built in Waukesha County in the past decade, where has it been built, how has it been financed, and what populations has it targeted?
- What barriers may be impeding housing affordability and the development of new affordable and workforce housing in Waukesha County? Are local government policies limiting the supply?
- Are there best practices for improving housing affordability that leaders in Waukesha County and its municipalities could consider?

To help answer these questions, we rely on numerous data sources, including the U.S. Census Bureau, U.S. Department of Housing and Urban Development, U.S. Bureau of Labor Statistics, Wisconsin Housing and Economic Development Authority (WHEDA), Wisconsin Department of Administration, and Wisconsin Realtors Association. Our analysis also involves a review of local zoning ordinances, local and national housing affordability plans and reports, and actions being taken to address housing challenges in similar counties and states nationally, and a series of interviews with local government officials, development leaders, and Waukesha County employers.

As local governments and businesses in Waukesha County grapple with how to meet the housing needs of current and prospective residents and employees, we hope this research enhances public understanding of the county’s trends and challenges and potential strategies for improving affordability in the future.

ⁱ The term “workforce housing” typically refers to housing that is affordable for moderate-income households that do not qualify for federal housing voucher programs or properties supported with low-income housing tax credits (LIHTC). This housing often targets households with incomes between 80% and 120% of the area median.



HOUSING MARKET ANALYSIS

As a foundation for understanding housing affordability in Waukesha County, in this section we explore the market’s characteristics and recent trends. These include housing tenure (owning versus renting), demographic and financial characteristics of current renters and homeowners, housing supply and costs, new housing production activity, and more. In many cases, we also examine how Waukesha County compares with the state and other counties in the metropolitan area and how market conditions vary by municipality within Waukesha County.

Waukesha County has high levels of homeownership overall, but with racial and geographic distinctions

Homeownership rates are strong in Waukesha County. Roughly three-quarters of the occupied housing units in the county (76.1%) are owner-occupied (**Table 1**), which is similar to the other suburban counties in the metro area (Washington and Ozaukee) and considerably higher than the homeownership rates statewide and in Milwaukee County in particular.

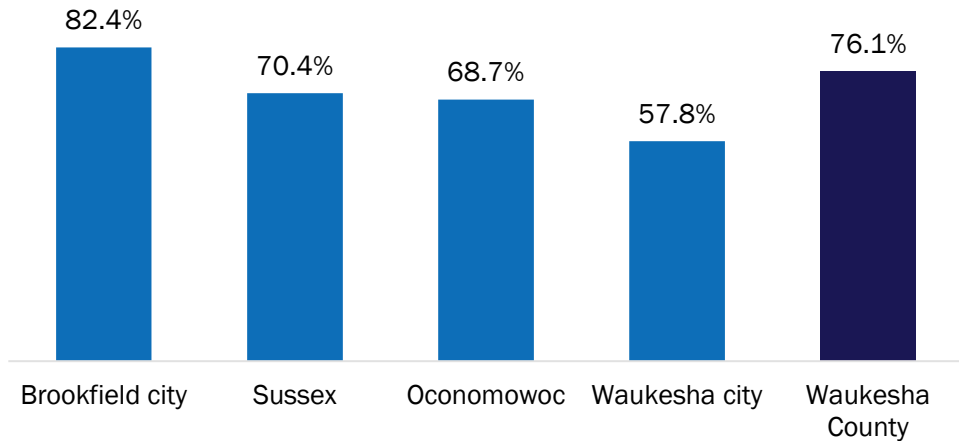
Table 1: Homeownership rates in the Milwaukee-Waukesha metro area, 2021

Waukesha County	Washington County	Ozaukee County	Milwaukee County	Wisconsin
76.1%	76.6%	75.3%	49.3%	67.4%

Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Within Waukesha County, homeownership rates differ substantially by municipality, however. For example, in Brookfield, more than four in five households own their homes (**Chart 1**), while in the city of Waukesha the same is true for less than three in five. As previously noted, we highlight these four municipalities throughout this report to provide more granular detail and to highlight how conditions vary throughout the county.

Chart 1: Homeownership rates for select Waukesha County municipalities, 2021

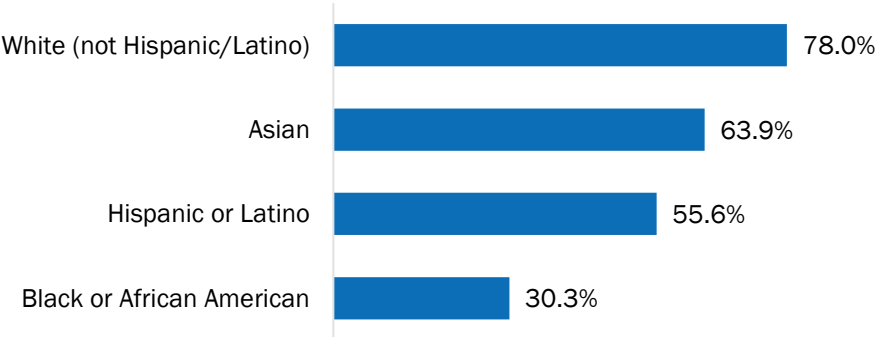


Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)



Stark racial disparities in homeownership rates exist in Waukesha County (**Chart 2**), particularly between the county’s predominantly white and relatively small Black or African-American population (only about 2,000 Black households live in Waukesha County compared to roughly 149,000 Non-Hispanic white households, according to the latest Census Bureau estimates).¹ In 2021, the homeownership rate for Black households was even lower statewide (25.7%) than in Waukesha County (30.3%), while nationally, the Black homeownership rate was notably higher (42.7%).

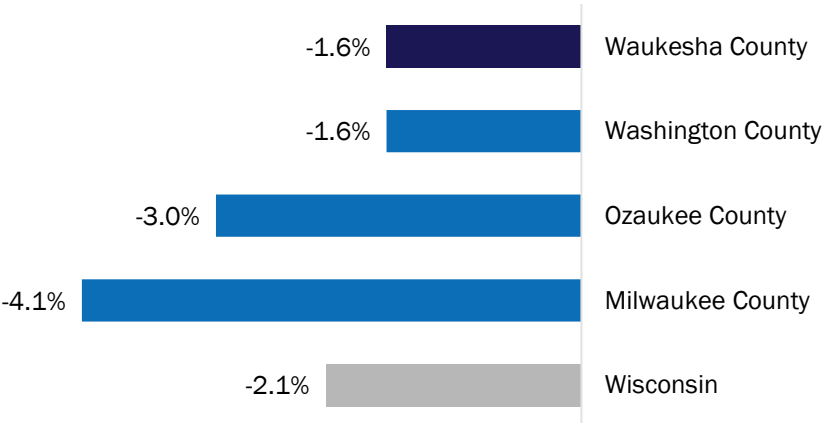
Chart 2: Homeownership rates in Waukesha County by race and ethnicity, 2021



Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Homeownership rates are influenced by the strength of the economy, the pace and type of new housing development (rentals versus homes targeting owner-occupants), and other factors. The Great Recession and associated subprime mortgage and foreclosure crises caused homeownership rates to drop in Wisconsin and nationally for several years from the late 2000s until roughly 2015. As **Chart 3** shows, homeownership rates have recovered somewhat since then, but in 2021, they remained below 2010 levels in Waukesha County, neighboring counties, and statewide.

Chart 3: Percentage point change in homeownership rates, 2010-2021



Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Homeownership rates have shifted by larger margins since 2010 for particular age groups and races. For example, the biggest declines were for the county’s Black (-15.2 percentage points) and Asian populations (-6.6 percentage points). This was driven by an increase in renter households rather



than a decrease in homeowners. The county has added several hundred Black households and more than 2,000 Asian households since 2010, while the numbers of Black and Asian households who own their homes have also increased, but at slower rates.

Seniors ages 65 and over were one of the only demographic groups with a higher homeownership rate in 2021 than in 2010 (+2.6 percentage points). That could be influenced by older households choosing to stay in their homes longer than previous generations did before shifting into senior apartments or other forms of rental housing that include supportive services. The pandemic also may have contributed to older households delaying those types of moves.

Low vacancy, few rental units, large homes drive high housing costs

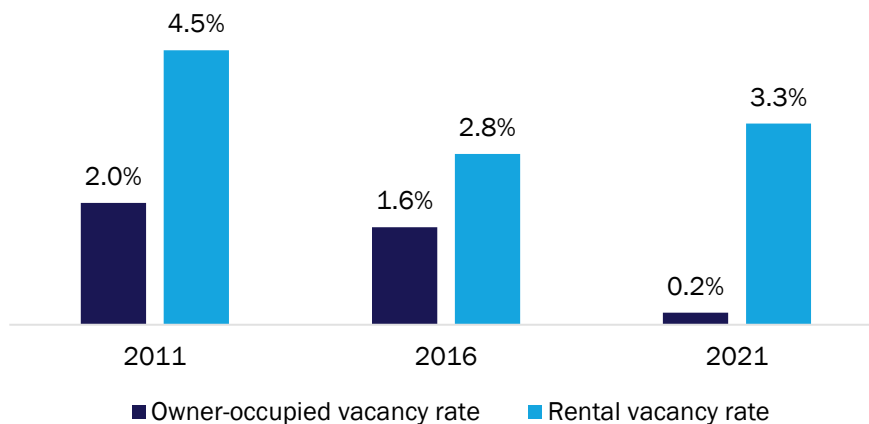
Housing costs are influenced by many characteristics of an area’s housing supply, including vacancy rates, structure type and size, and volume of homes listed for sale.

Vacancy rates. A high vacancy rate indicates that demand is low, which may reduce the cost of housing or at least prevent it from increasing. Conversely, a low vacancy rate can cause housing costs to increase as households compete to secure housing in a tighter market.

Waukesha County’s 2021 rental vacancy rate was 3.3% (**Chart 6**), which was well below the rates in Washington (7.5%) and Ozaukee (4.8%) counties and lower than the statewide rate of 4.5%. By comparison, Census data extending back to 1956 show the national rental vacancy rate has never been lower than 5.0% and usually hovers in the 6% to 8% range, meaning Waukesha County’s rate has remained relatively low for at least the last decade.²

The vacancy rate for owner-occupied housing tends to be much lower but has been particularly low in recent years, which likely contributes to higher home prices. In Waukesha County, the vacancy rate for owner-occupied housing was just 0.2% in 2021 (the latest full year for which data are available), which was lower than the statewide rate of 0.6%. Nationally, the homeowner vacancy rate was at a record low of 0.8% as of the first quarter of 2022.³

Chart 6: Housing vacancy rates in Waukesha County, 2011-2021

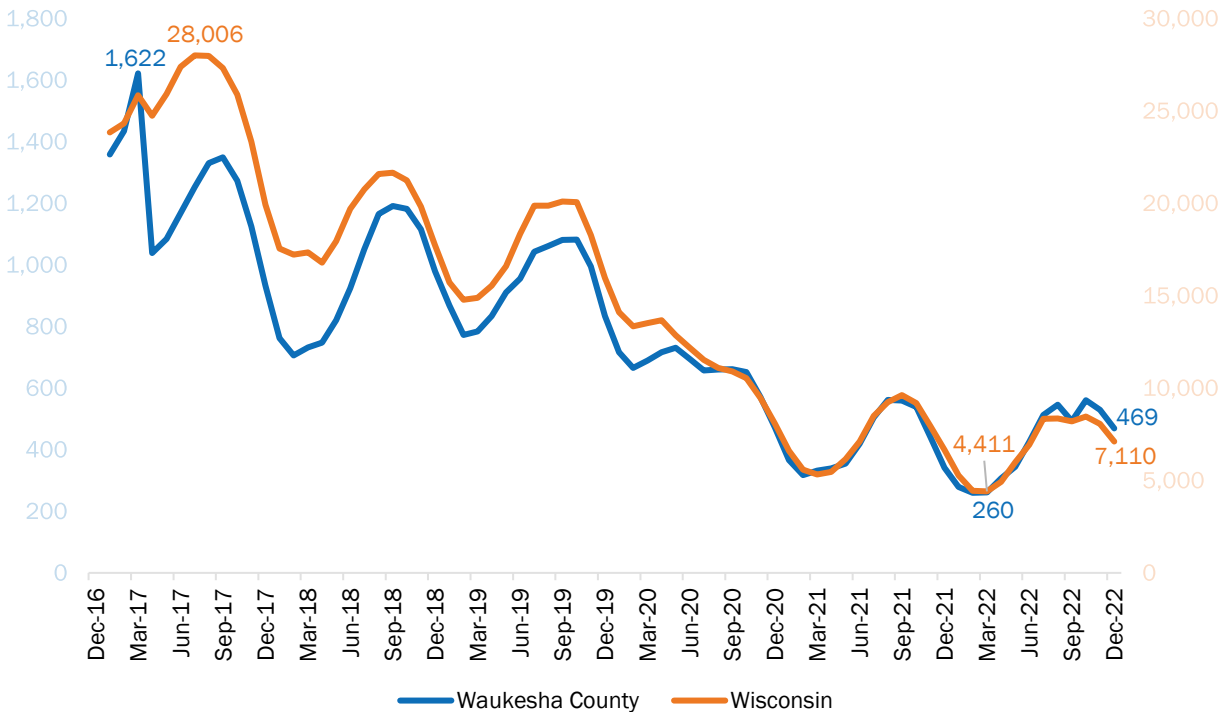


Source: U.S. Census Bureau – ACS 1-year estimates (File DP04)



Active listings. Data from Realtor.com provides further evidence of the low inventory of homes for sale in Waukesha County. As shown in **Chart 7**, the number of active listings in Waukesha County and statewide has declined for several years. Monthly active listings in Waukesha County averaged 416 in 2022, which was roughly one-third of the monthly average in 2017 (1,248).

Chart 7: Active listing count of homes for sale in Waukesha County and Wisconsin, 2017-2022



Source: Realtor.com monthly inventory data

Jobs per housing unit. Another way to gauge the adequacy of an area’s housing supply is to compare it with employment numbers. Waukesha County has a higher ratio of jobs to housing units (1.37) than the other counties in the metro area, and its ratio exceeds the statewide average (**Table 2**). Although downtown Milwaukee has the strongest concentration of jobs in the region – many of which are filled by suburban commuters – Milwaukee County’s jobs-to-housing ratio (1.08) is substantially lower than Waukesha County’s. Dane County, which like Waukesha County has one of the most expensive housing markets in the state, has a jobs-to-housing ratio that is comparable to Waukesha’s.

Table 2: Ratio of jobs to housing units in Waukesha County and other select counties, 2021

County	Jobs	Housing Units	Ratio
Waukesha	237,949	173,392	1.37
Milwaukee	456,242	424,090	1.08
Dane	336,300	253,901	1.32
Ozaukee	40,116	39,532	1.01
Washington	55,928	58,751	0.95
Wisconsin	2,800,269	2,748,274	1.02

Sources: U.S. Bureau of Labor Statistics QCEW Annual Averages and U.S. Census Bureau ACS 1-year estimates

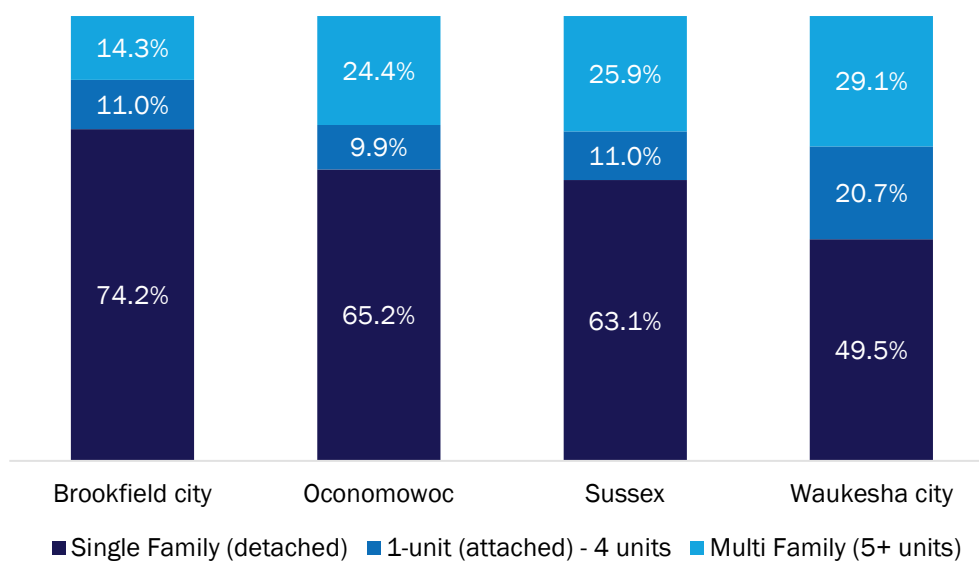


Waukesha County’s high jobs-to-housing ratio means that many people who work in Waukesha County live in other counties and commute long distances.

Structure type. The availability of housing of varied types and densities can promote affordability by providing options at differing price points. In Waukesha County, 69.3% of all housing units are single-family detached houses, while 18.5% are in multi-family developments containing at least five units and the remaining 11.7% are in “middle housing” types⁴ ranging from attached single-family homes⁵ (e.g. townhouses) to duplexes, triplexes, and fourplexes.⁶ Waukesha County’s concentration of detached single-family homes is slightly higher than (though comparable to) those of Ozaukee (68.8%) and Washington (68.0%) counties and Wisconsin (66.5%). Only 45.3% of the housing units in Milwaukee County are detached single-family homes.

The mix of housing types varies by municipality within Waukesha County, however, as shown in **Chart 8**. The city of Waukesha has the most diverse housing portfolio, with just over half of its units in multi-family or attached single-family structures. Brookfield has the least diverse housing mix, with detached single-family homes accounting for nearly three-quarters of all units.

Chart 8: Structure type as share of all housing units in select municipalities, 2021



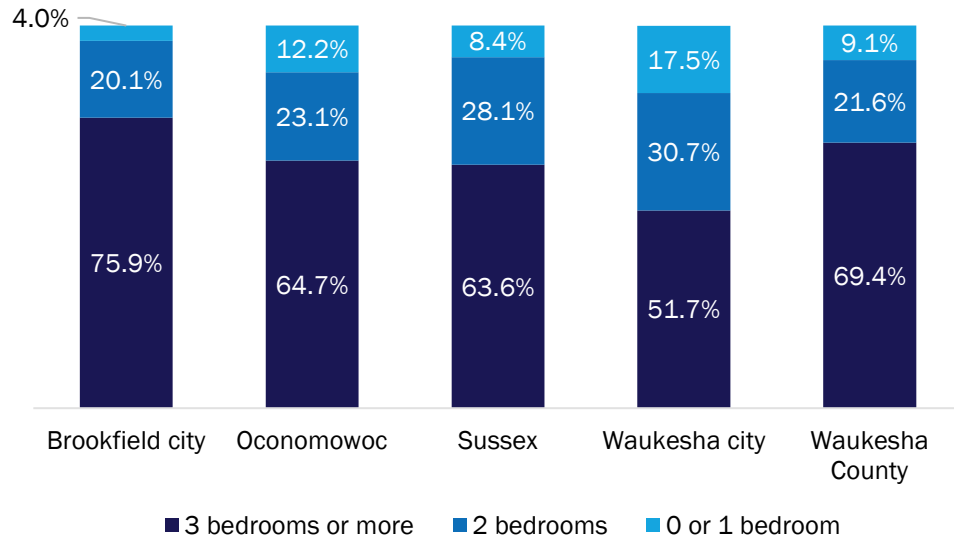
Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Number of bedrooms. The number of bedrooms included in each housing unit also factors into its cost. In Waukesha County, 69.4% of all units contain three bedrooms or more, which is similar to the concentrations in Ozaukee and Washington counties but considerably higher than in Milwaukee County (48.2%) and statewide (60.1%). Those larger units can accommodate larger households but typically cost more to rent or own.

Larger differences emerge within Waukesha County on this measure (**Chart 9**). The city of Waukesha again has the most varied housing stock among the selected municipalities, while Brookfield’s stock is the least diverse. Nearly half of the housing units in the city of Waukesha contain two bedrooms or fewer, while the same is true for less than one-quarter of the units in Brookfield.



Chart 9: Number of bedrooms as share of all housing units, 2021



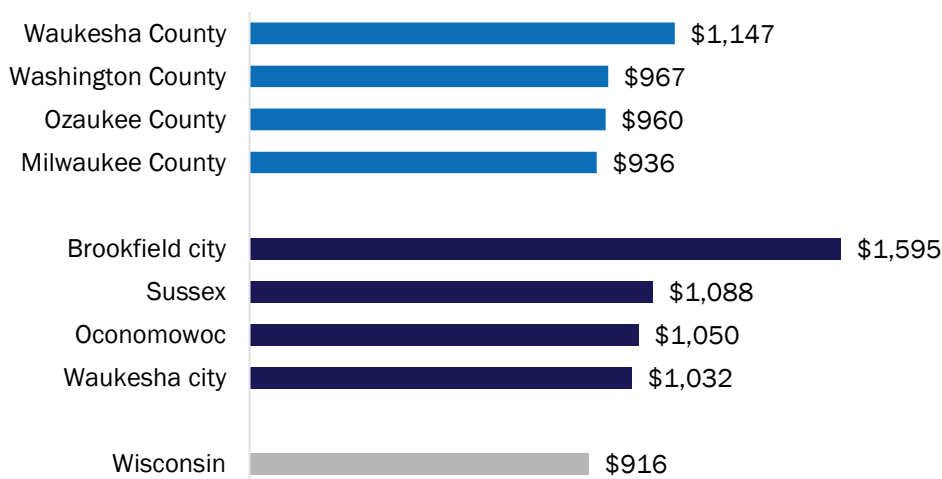
Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Rental and home buying costs are high and growing higher

It is perhaps not surprising, based on the above, that both rental and homeownership costs in Waukesha County tend to be considerably higher than in neighboring counties and statewide averages.

Rental costs. While Waukesha County is very similar to the other suburban counties in the area (and Wisconsin averages) on many indicators, it diverges when it comes to housing costs. For example, as of 2021, the median gross monthly rent (including both rent and utilities) in Waukesha County was considerably higher than in neighboring counties and statewide, as shown in **Chart 10**. In fact, Dane County (\$1,179) was the only county in Wisconsin with a higher median rent than Waukesha County.

Chart 10: Median gross monthly rent, 2021



Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)



Waukesha County’s relatively high median rent is driven by certain municipalities in particular. In Brookfield, for example, the median rent in 2021 was \$1,595, which was far higher than the other select municipalities and the countywide median. The median rents in the other selected municipalities were closer to the county and statewide medians.

A detailed breakdown reveals that more than one-third of the rental units in Brookfield (34.9%) charged gross rents of \$2,000 or higher, while the same was true for less than 5% of the units in the other select municipalities (**Table 3**). This may be driven, in part, by an influx of luxury apartments built in Brookfield during the last decade. In the table, the darker the shade of green, the higher the percentage of each community’s total rental units that fall into each price range.

Table 3: Share of rental units by gross monthly rent in select Waukesha County municipalities, 2021

	Brookfield	Oconomowoc	Sussex	Waukesha city	Waukesha County
Less than \$500	3.0%	3.8%	10.0%	6.4%	4.3%
\$500 to \$799	16.7%	11.9%	8.2%	13.4%	10.6%
\$800 to \$999	9.1%	28.0%	19.4%	25.5%	19.3%
\$1,000 to \$1,499	17.4%	38.5%	49.8%	43.6%	42.2%
\$1,500 to \$1,999	18.9%	11.7%	8.9%	8.0%	15.1%
\$2,000 to \$2,499	15.1%	2.2%	1.7%	1.2%	4.5%
\$2,500 or more	19.8%	1.9%	0.0%	0.5%	2.0%

Source: U.S. Census Bureau – ACS 5-year estimates (File S2503)

Between 2010 and 2021, the median monthly rent in Waukesha County rose by close to \$300, which exceeded the increases in other nearby counties and statewide (**Table 4**). Rents also grew faster than the pace of inflation in Waukesha County and in three of the four selected municipalities. The biggest increase was in Oconomowoc, though its median rent in 2021 remained below the countywide median.

Table 4: Change in median gross rent (not adjusted for inflation), 2010-2021

	2010	2021	Change, 2010-2021
Waukesha County	\$869	\$1,147	\$278
Washington County	\$770	\$967	\$197
Ozaukee County	\$769	\$960	\$191
Milwaukee County	\$752	\$936	\$184
Brookfield city	\$1,250	\$1,595	\$345
Oconomowoc	\$739	\$1,050	\$311
Waukesha city	\$788	\$1,032	\$244
Sussex	\$881	\$1,088	\$207
<i>Wisconsin</i>	<i>\$713</i>	<i>\$916</i>	<i>\$203</i>

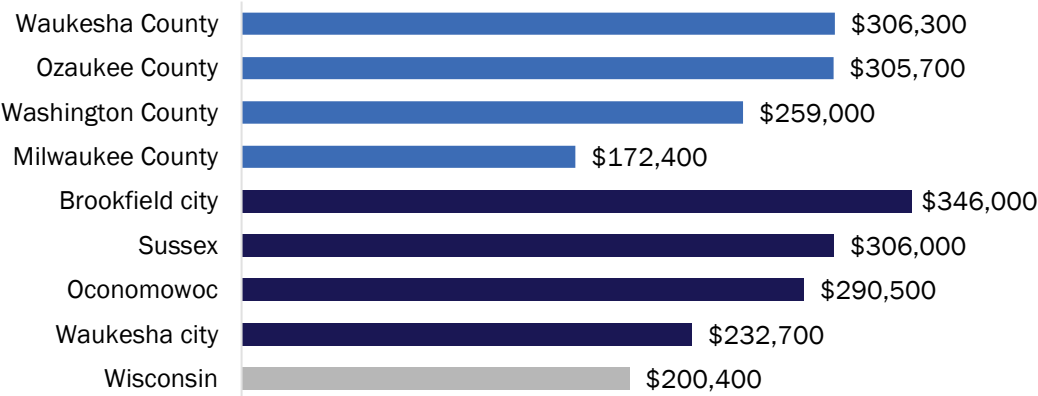
Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)



Home values. Waukesha County’s housing market is also particularly expensive for homeowners and homebuyers. In fact, the median value of homes in Waukesha County was the highest among Wisconsin counties in 2021. As shown in **Chart 11**, Waukesha County’s median value (\$306,300) barely topped Ozaukee County’s but far exceeded the medians of the other counties in the area and statewide. The only other rival in Wisconsin was Dane County (\$294,500).

The median value of a home in Brookfield was far higher than in the other selected Waukesha County municipalities. It was lowest in the city of Waukesha, though its median home value still was notably higher than statewide.

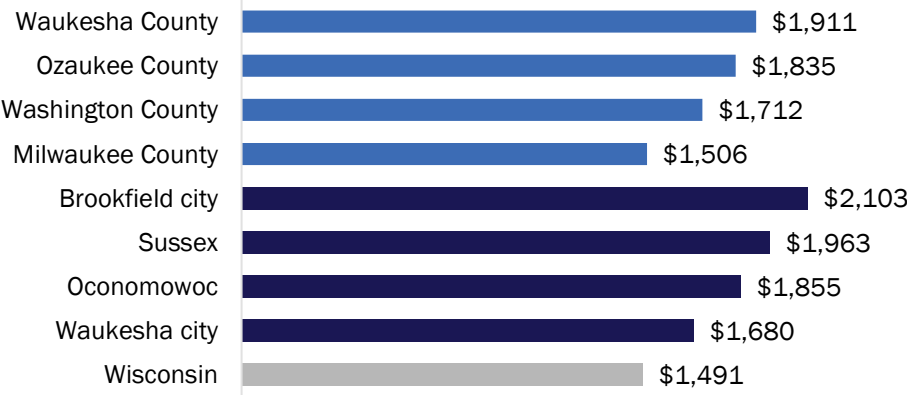
Chart 11: Median value of owner-occupied units, 2021



Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Monthly costs for homeowners. In 2021, the median monthly housing costs for homeowners with mortgages was \$1,911 in Waukesha County, compared with \$1,491 statewide (**Chart 12**). These figures include mortgages, insurance, taxes, utilities, and (when applicable) condominium fees. Brookfield’s median monthly housing costs were the highest of the four selected municipalities, exceeding \$2,100 per month.

Chart 12: Median monthly housing costs for units with mortgages, 2021

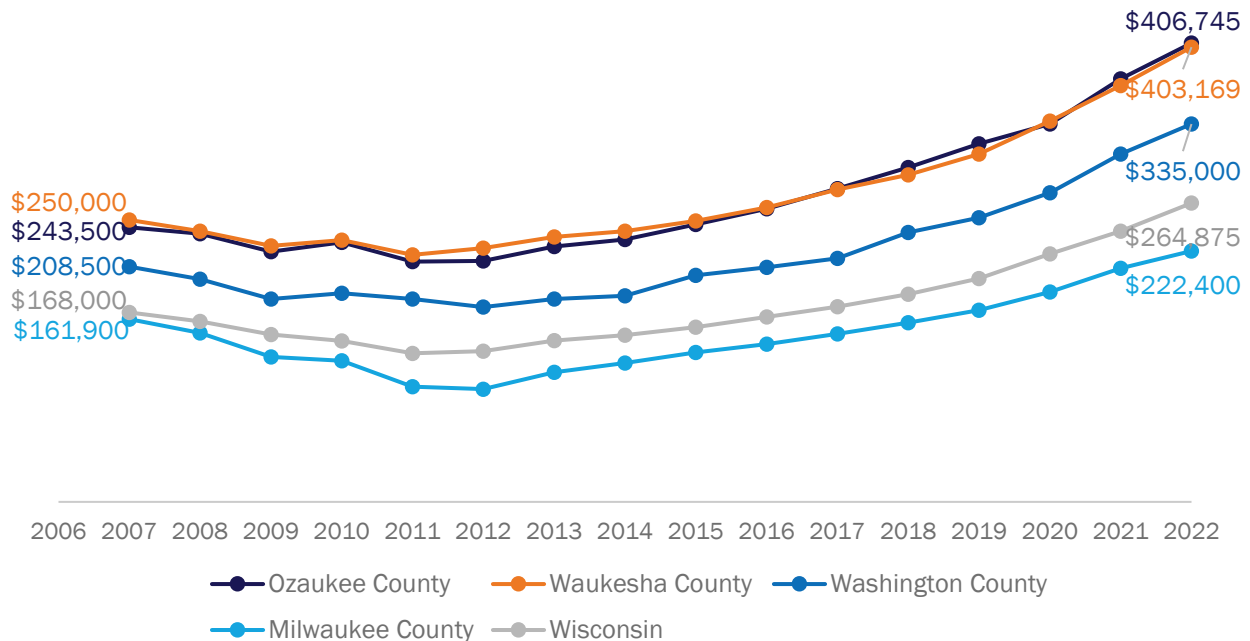


Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)



Sales prices. Supply chain shortages, low interest rates, and an increased demand for more space during the pandemic led the cost of buying a home to rise at an accelerated pace both locally and nationally. Data from the Wisconsin Realtors Association show that the median home sales price in Waukesha County rose from \$308,500 in 2019 to \$403,169 in 2022, an increase of more than 30% in just three years, which likely will drive further increases in median values for all homes in the county over time (**Chart 13**). Waukesha and Ozaukee counties had very similar median sales prices in 2022 and in most years dating back to 2006 or earlier.

Chart 13: Median sales price by county, 2007-2022



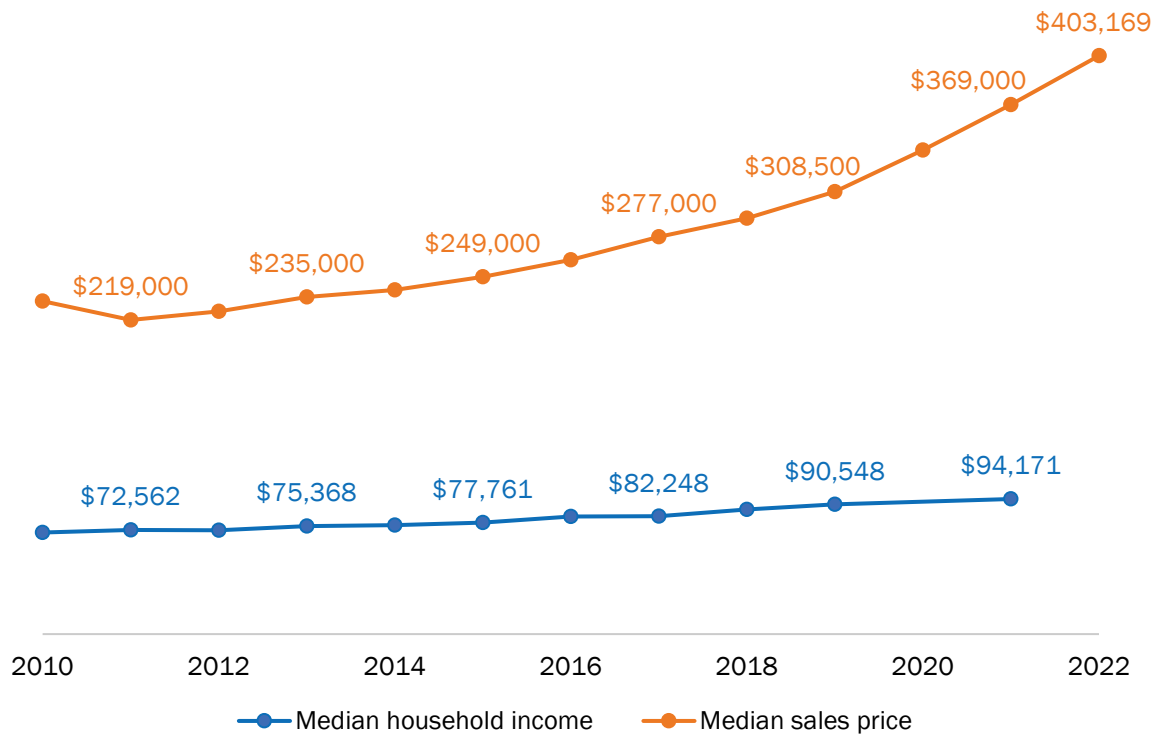
Source: Wisconsin Realtors Association

Home sales prices vs. income. The pace with which the cost of buying a home has increased in recent years has far exceeded growth in household income, making it more difficult for many individuals and families to purchase homes and putting homebuying out of reach for some. Between 2016 and 2021 (the most recent year for which income data are available), the median home sales price in Waukesha County increased by over 41%, while median household income increased by only 15% (**Chart 14**).⁷ Income growth also lagged the 26% increase in the median value of all homes in Waukesha County during that period.⁸

Economists often suggest that the median sales price of homes in an area should not exceed three times the area’s median household income. In Waukesha County, the median sales price was close to that recommended ratio in 2011, at roughly 3.02. By 2021, however, it had risen to 3.92, and it likely rose further in 2022. Thus, Waukesha County housing market used to be relatively affordable for the median household living in the county, but that is no longer the case.



Chart 14: Median sales prices vs. median household income in Waukesha County



Source: Wisconsin Realtors Association and U.S. Census Bureau – ACS 1-year estimates (File S1901)
Note: Census ACS 1-year estimates were not published in 2020 and are not yet available for 2022

Housing affordability may be impacting current and potential workers

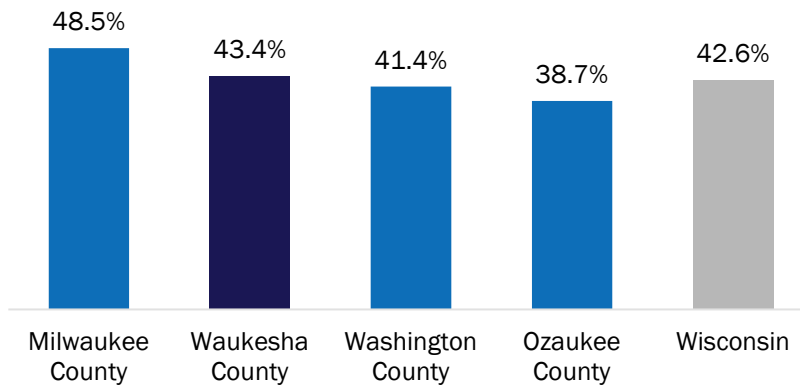
One of the key objectives of this report was to analyze the extent to which housing affordability challenges in Waukesha County may be affecting the ability of those who currently or could potentially work in the county to live there. We can assess that question, in part, by examining rent burden and occupational income data.

Rent burden. In the rental market, the prevalence of “rent burden” – defined as a household spending more than 30% of their income on gross rent – is a common indicator of housing affordability. In Waukesha County, 43.4% of renter households were considered rent burdened in 2021, which was higher than the rates in the other suburban counties in the area and statewide (**Chart 15** on the following page). Rent burden is an even more common issue among Milwaukee County households but it is still notable for Waukesha County given its very high incomes.

Notably, the share of Waukesha County’s renter households who meet this definition of rent burden increased from 41.8% in 2016 to 43.4% in 2021, while the statewide rate decreased from 44.4% to 42.6%. Thus, the prevalence of rent burden in Waukesha County went from below the state average to above it during that five-year period.



Chart 15: Share of renters spending 30% or more of income on gross rent, 2021



Source: U.S. Census Bureau – ACS 5-year estimates (File DP04)

Rent-to-income comparison. A more positive finding is that the median income among renter households in Waukesha County is sufficient to afford the median rent, as shown in **Table 5**. A household earning the median income and using 30% of it to pay for rent and utilities would have \$113 left at the end of the month. Brookfield renters have an especially high median income, leaving renters there with a particularly large monthly surplus despite the city’s high rental prices. Renters in Washington and Ozaukee counties have larger monthly surpluses than those in Waukesha County, while the median income among renters in Milwaukee County is not enough to cover the median rent without exceeding the 30% rent-to-income threshold.

Table 5: Rent-to-income comparison, 2021

	Renter Median Monthly Household Income, 2021	Median Gross Rent, 2021	Maximum Affordable Rent (30% of median income)	Median Monthly Income Surplus
Milwaukee County	\$3,078	\$936	\$923	-\$13
Waukesha County	\$4,200	\$1,147	\$1,260	\$113
Washington County	\$4,147	\$967	\$1,244	\$277
Ozaukee County	\$4,225	\$960	\$1,268	\$308
Waukesha City	\$3,597	\$1,032	\$1,079	\$47
Oconomowoc	\$3,830	\$1,050	\$1,149	\$99
Sussex	\$4,626	\$1,088	\$1,388	\$300
Brookfield	\$7,711	\$1,595	\$2,313	\$718
<i>Wisconsin</i>	<i>\$3,432</i>	<i>\$916</i>	<i>\$1,029</i>	<i>\$113</i>

Source: U.S. Census Bureau – ACS 5-year estimates (File S2503 and File DP04)

These data also reveal a potential issue with regard to the ability of some employers in certain parts of Waukesha County to attract workers who live in Milwaukee County or even certain communities in their own county. As also shown in **Table 5**, the maximum affordable rent for median-income renter households in both the city of Waukesha (\$1,079) and Milwaukee County (\$923) is less than the median rent of \$1,147 in Waukesha County. That finding is particularly relevant for Waukesha County employers seeking job applicants from urban parts of the region, as those applicants may be unable to afford to live in the community in which they work if that is their desire.



Housing affordability by occupation. To further detail how much potential workers sought by Waukesha County employers can afford to spend on housing, **Table 6** presents employment and earnings data for select occupations that employ large numbers of workers in the Milwaukee-Waukesha metro area. It also shows how much a single-earner household with one member employed in each occupation can afford if they dedicate 30% of their monthly income to housing.

Table 6: Maximum affordable monthly housing costs by occupation, 2021

Occupation	Employment in Milwaukee-Waukesha Metro Area	Annual median wage	Maximum Monthly Affordable Housing Cost
Cashiers	16,290	\$23,870	\$597
Home Health and Personal Care Aides	30,690	\$28,560	\$714
Retail Salespersons	18,000	\$29,340	\$734
Preschool Teachers, Except Special Education	3,380	\$29,710	\$743
Janitors and Cleaners, Except Maids and Housekeeping	10,950	\$29,760	\$744
Cooks, Restaurant	5,130	\$29,800	\$745
Nursing Assistants	9,215	\$30,880	\$772
Hairdressers, Hairstylists, and Cosmetologists	2,390	\$36,500	\$913
Assemblers and Fabricators, Miscellaneous	7,780	\$36,900	\$923
Tellers (Bank)	2,530	\$37,080	\$927
Laborers and Freight, Stock, and Material Movers, Hand	15,480	\$37,800	\$945
Office Clerks, General	16,620	\$37,920	\$948
Shipping, Receiving, and Inventory Clerks	3,940	\$38,070	\$952
Medical Assistants	4,380	\$38,160	\$954
Bus Drivers, School	1,810	\$39,130	\$978
Machinists	3,100	\$39,950	\$999
<i>All Occupations</i>	<i>786,640</i>	<i>\$46,910</i>	<i>\$1,173</i>
Automotive Service Technicians and Mechanics	3,610	\$47,010	\$1,175
Maintenance and Repair Workers, General	7,880	\$47,220	\$1,181
Construction Laborers	3,840	\$47,310	\$1,183
Firefighters	2,160	\$48,000	\$1,200
Computer User Support Specialists	3,450	\$48,380	\$1,210
Welders, Cutters, Solderers, and Brazers	4,070	\$49,180	\$1,230
Computer Numerically Controlled (CNC) Tool Operators	5,210	\$49,360	\$1,234
Carpenters	4,230	\$49,920	\$1,248
Mechanical Engineering Technologists and Technicians	480	\$60,980	\$1,525
Elementary School Teachers, Except Special Education	6,920	\$61,370	\$1,534
Market Research Analysts and Marketing Specialists	3,730	\$62,210	\$1,555
Electricians	3,230	\$66,330	\$1,658
Registered Nurses	21,750	\$78,780	\$1,970
Industrial Engineers	3,560	\$79,820	\$1,996
Police and Sheriff's Patrol Officers	3,760	\$80,820	\$2,021
Software Developers	7,130	\$101,380	\$2,535

Source: U.S. Bureau of Labor Statistics – Occupational Employment Statistics

Half of the selected occupations (shaded red) do not pay enough to allow a single-earner household to afford the county's median rent of \$1,147 without becoming rent burdened. This includes not only



many retail and service sector occupations, but also several others in health care, early childhood education, and manufacturing.

Meanwhile, only registered nurses and police and sheriff’s patrol officers (shaded green) earn enough to afford the \$1,911 monthly cost of *owning* a median-priced home in Waukesha County. In 2021, a household would have needed annual earnings of roughly \$76,500 to afford to own a median-priced home in Waukesha County without using more than 30% of their income on housing.

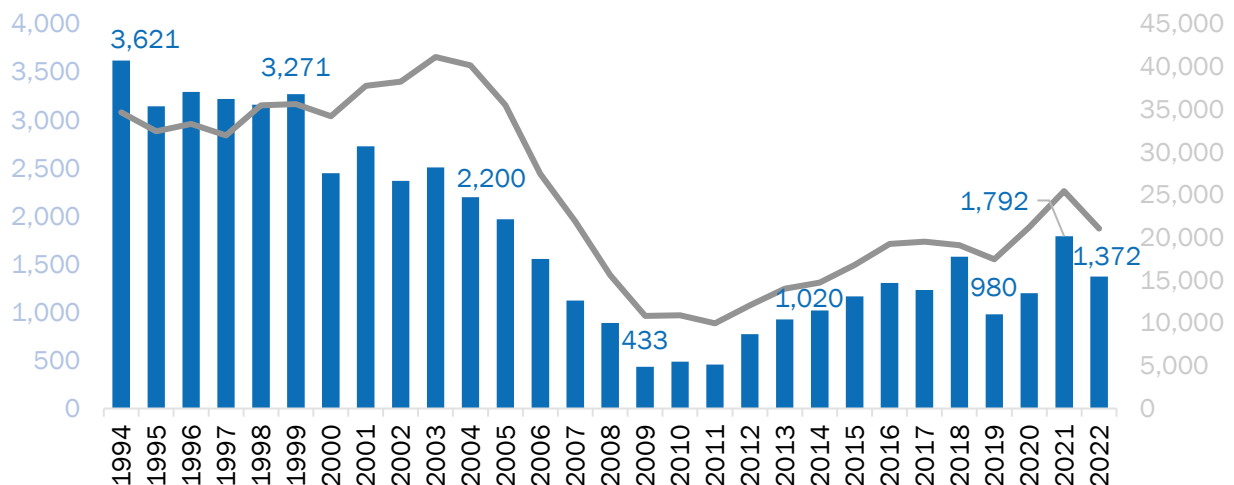
Both national and local data sources show that wages have gone up in many fields since the onset of the pandemic, including in some lower-wage occupations in the health care and food and beverage sectors. While this may have eased the cost burden for some households, housing prices also have increased at a relatively fast rate during that time, as previously shown, reducing or even overshadowing those gains.

Housing production overall – and affordable rental housing in particular – not keeping up with likely demand

Development activity influences housing affordability in multiple ways. Since the onset of the pandemic, the housing market’s limited supply has garnered a great deal of attention as a prime factor in rising home listing and rental prices in Wisconsin and nationally. While that is partially due to fewer owners listing their homes for sale (as previously shown in **Chart 7** on page 6), sluggish housing production is another factor.

Building permits for new housing. As shown in **Chart 16**, far fewer new housing units have been permitted in Waukesha County and Wisconsin since the Great Recession. In Waukesha County, after several years of historically low production activity leading up to and following the recession, 12,577 units have been permitted over the last 10 years (2013 to 2022). That compares with 29,760 units permitted in the 10-year period from 1994 to 2003. The statewide trend has been similar.

Chart 16: Total housing units permitted in Waukesha County (bars) and Wisconsin (line), 1994-2022

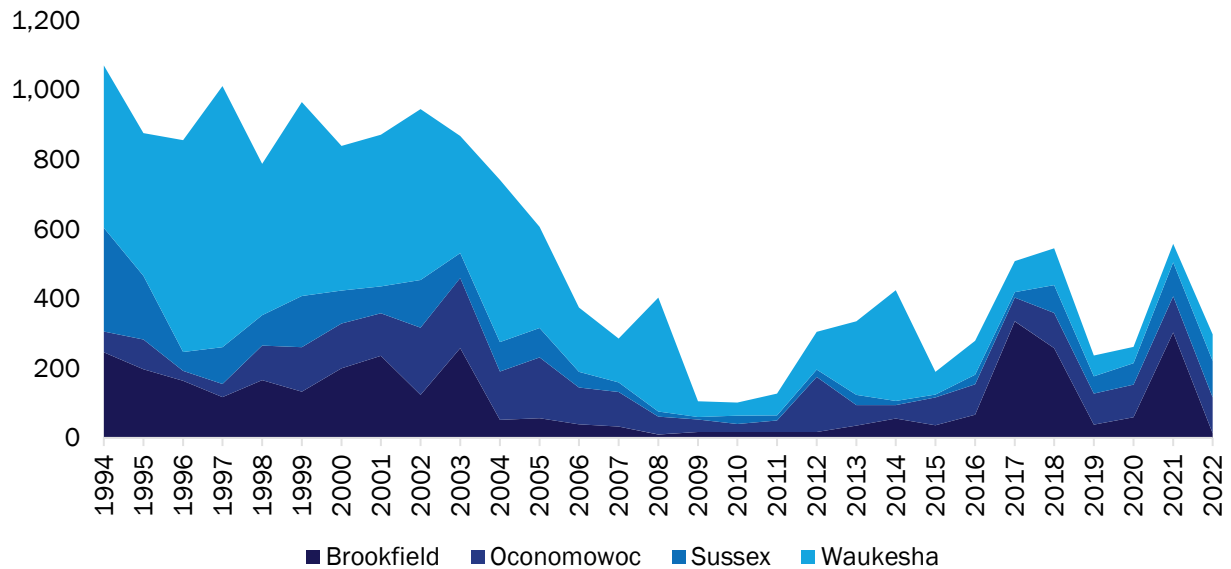


Source: U.S. Department of Housing and Urban Development – SOCDS Building Permits Database



From the 1990s until 2015, the number of housing units permitted in the city of Waukesha far exceeded the numbers permitted in the other selected Waukesha County municipalities (**Chart 17**). Since 2017, however, Brookfield has permitted the highest number of new units.

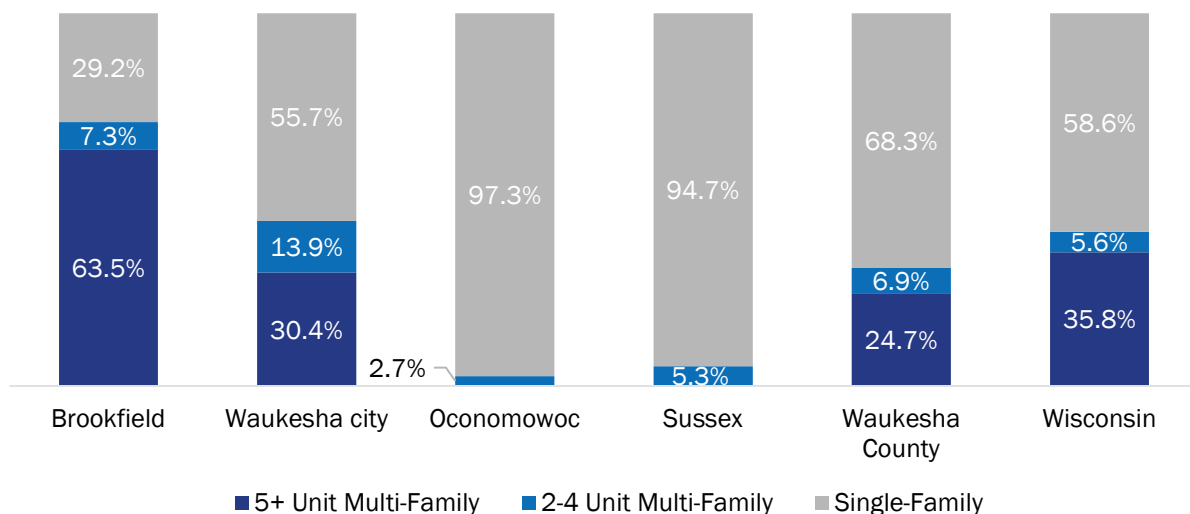
Chart 17: Total housing units permitted in selected Waukesha County municipalities, 1994-2022



Source: U.S. Department of Housing and Urban Development – SOCDS Building Permits Database

This change is likely driven by a number of high-end apartment developments in Brookfield in recent years. As shown in **Chart 18**, a majority of the new housing units permitted in Brookfield over the last 10 years have been in multi-family structures with five or more units. In Oconomowoc and Sussex, single-family homes have accounted for almost all new housing production during that time.

Chart 18: Single family and multi-family housing units as share of permitted units, 2013-2022



Source: U.S. Department of Housing and Urban Development – SOCDS Building Permits Database



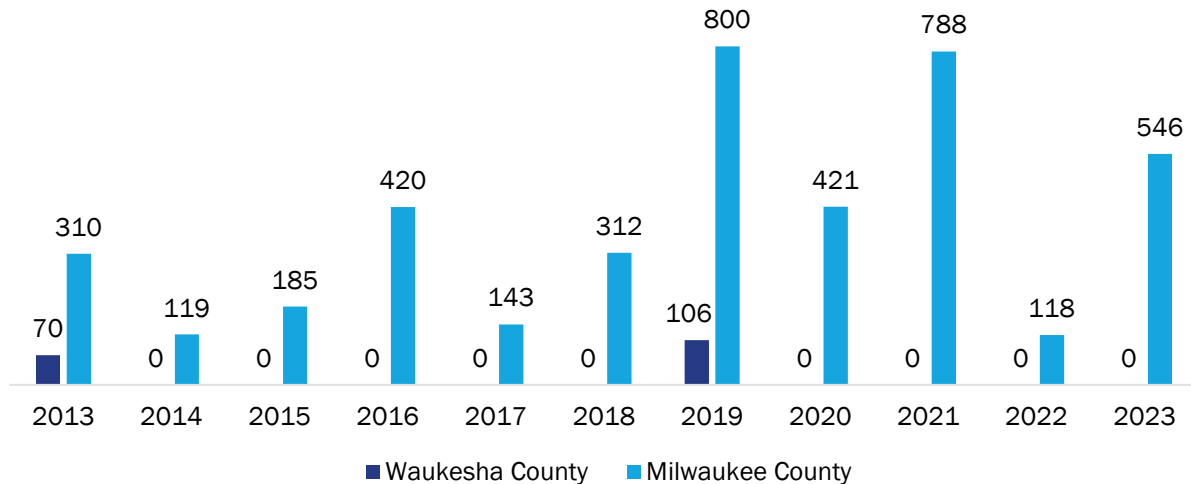
Affordable rental housing development. Very little affordable rental housing targeting low-income households has been developed in Waukesha County over the last decade. Those developments typically are supported with federal or state low-income housing tax credits (LIHTC) and other public funding sources.

Just three such developments (two in the city of Waukesha and one in Muskego) totaling 176 affordable units have been developed in Waukesha County over the last 11 years with the support of [9% federal or 4% state housing tax credits](#) (Chart 19). By comparison, 71 developments totaling 4,162 affordable units have been supported by LIHTC in Milwaukee County during the same period. These figures do not include projects supported with non-competitive 4% federal tax credits (and no state support) as WHEDA does not track them.

WHEDA does not award tax credits to every project that applies for them. No applications have been made for proposed developments in Waukesha County since 2019. In addition to those that received tax credit support, applications were made for six other projects between 2013 and 2019 that would have added a combined total of 190 affordable units. Of those, four developments would have been located in the city of Waukesha and two in Mukwonago.

Both of the affordable housing developments built in the city of Waukesha in the last decade primarily targeted lower-income families, while the one built in Muskego targeted a mix of seniors and families.

Chart 19: Affordable rental units supported with federal or state low income housing tax credits

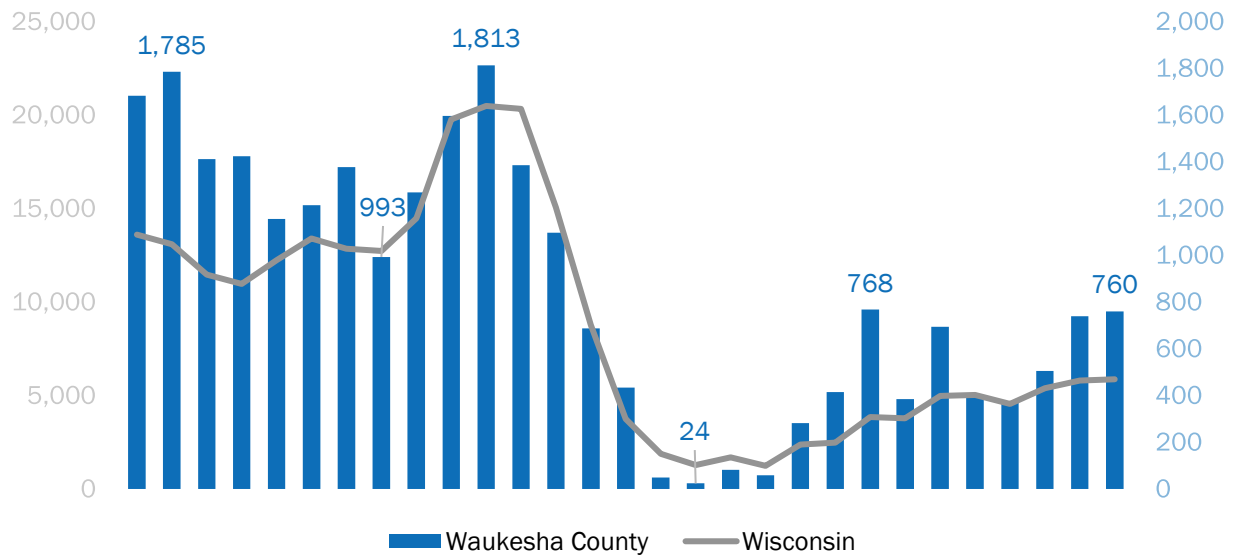


Source: Wisconsin Housing and Economic Development Authority

New lot creation. Given that fewer building permits are being issued for new housing and that single-family homes account for a majority of the new housing units developed in Waukesha County, it follows that fewer single-family houses are being developed than in the past. Indeed, state data show that far fewer lots are being created by subdivision in Waukesha County and statewide each year than prior to the Great Recession (see **Chart 20** on the following page). Just 5,316 lots were created by subdivision in Waukesha County over the last 10 years (2013 to 2022), compared with 13,909 in the 10-year period extending from 1994 to 2003.



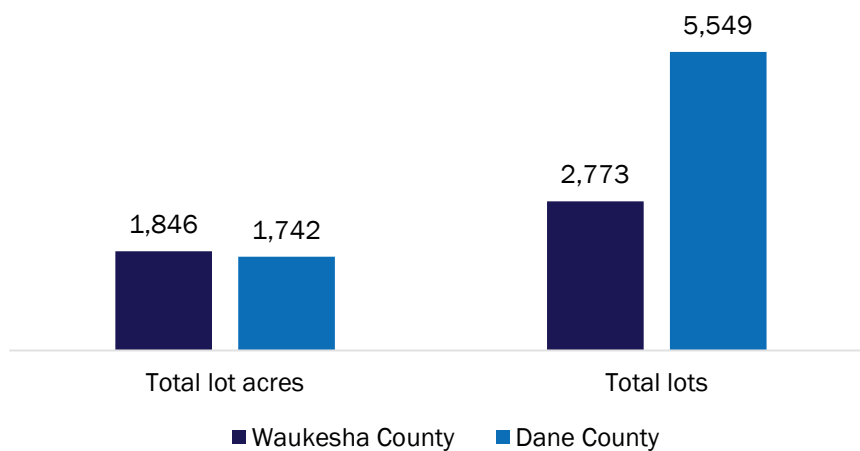
Chart 20: Lots created by subdivision in Waukesha County (bars) and Wisconsin (line), 1994-2022



Source: Wisconsin Department of Administration

The size of new lots also is an important factor in housing affordability, as larger lots drive up overall housing prices. We analyzed state data on all housing subdivisions created in Waukesha County over the past five years and found that new lots averaged two-thirds (0.67) of an acre. By comparison, the average size of lots created in Dane County was less than one-third (0.31) of an acre. As shown in **Chart 21**, Dane County thus was able to create more than twice as many new lots than Waukesha County on slightly less land. This has not prevented high housing costs in Dane County (its median home value and sales prices are also among the highest in the state), but housing there would likely be even more expensive with lots the size of those in Waukesha County. This also shows that smaller lots are common elsewhere and would be one way for Waukesha County to reduce housing costs.

Chart 21: Land used and lots created by subdivision in Waukesha and Dane counties, 2018-2022



Source: WPF analysis of Wisconsin Department of Administration data

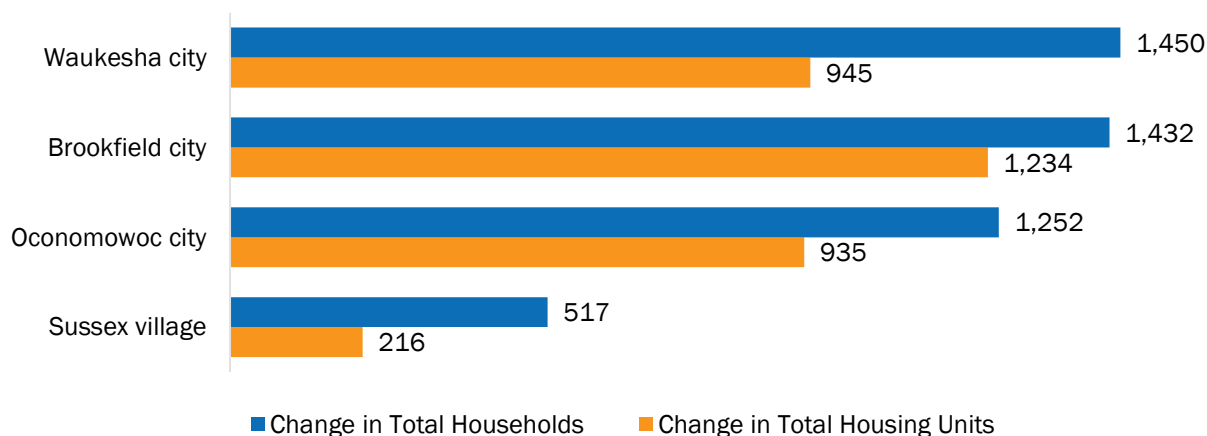
Growth in households versus housing units. Another way to assess the pace of housing production is to compare it with the pace of household creation. Between 2010 and 2021, nearly 1,200 more



households were added in Waukesha County (12,980) than housing units (11,789).⁹ Ozaukee County had a similar deficit during that period, while the number of housing units added in Milwaukee and Washington counties were closer to their pace of growth in households.

As shown in **Chart 22**, the city of Waukesha added 505 more households than housing units during that period, while the other selected municipalities in Waukesha County each added 200 to 300 more households than housing units. The underproduction of housing has contributed to declining vacancy rates, particularly in the owner-occupied market (as previously shown in **Chart 6** on page 6). It has also likely contributed to the sharper rise in home prices in recent years.

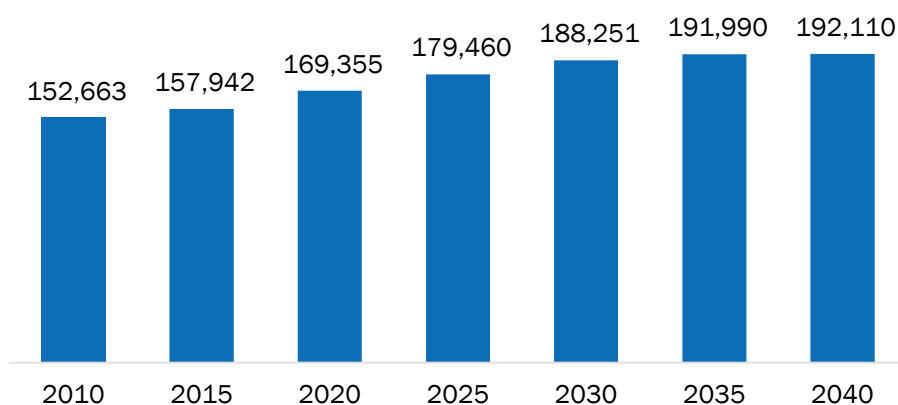
Chart 22: Change in total households versus change in total housing units, 2010-2021



Source: U.S. Census Bureau - ACS 5-year estimates (Files S1101 and DP04)

Projected growth. Looking to the future, the state department of administration projects a relatively fast pace of growth in new households in Waukesha County through 2030, at which point growth is expected to slow (**Chart 23**). This suggests a need for continued housing development at a strong pace for the next several years or longer.

Chart 23: Projected number of households in Waukesha County, 2010-2040

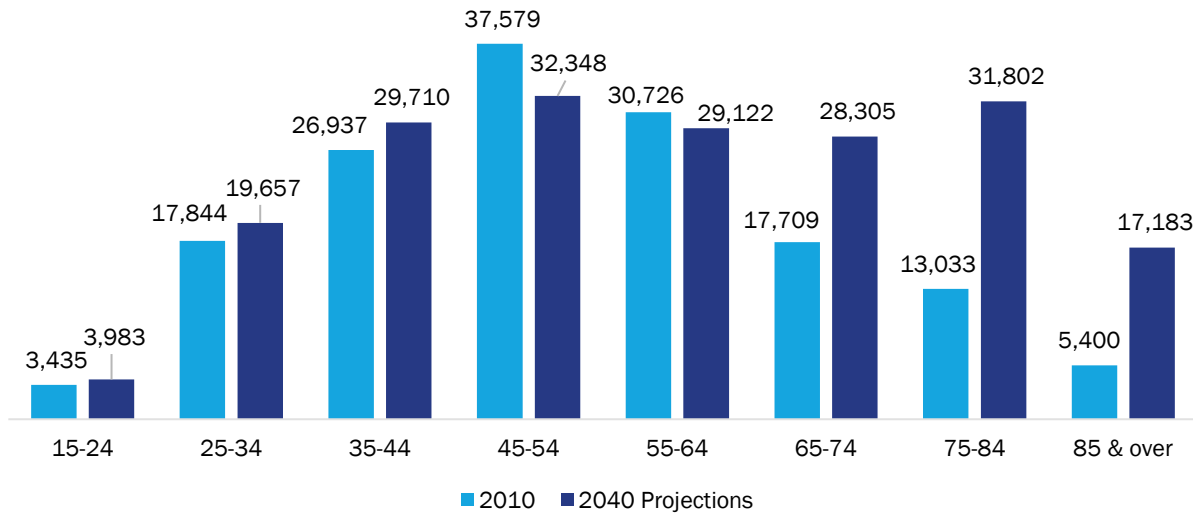


Source: Wisconsin Department of Administration



The projections also show that Waukesha County’s population is aging, with the number of households ages 65 and older growing much more rapidly between 2010 and 2040 than younger age groups (Chart 24 on the following page). The large and aging baby boomer population is driving this change, which may suggest a need for more housing designed for seniors. This need may be somewhat moderated by the fact that older households also may be staying in their homes longer than previous generations did. Yet that in turn may make it more difficult for younger prospective homebuyers to find starter homes they can afford.¹⁰

Chart 24: Projected number of households in Waukesha County by age, 2010-2040



Source: Wisconsin Department of Administration

Summary

Our analysis of Waukesha County’s housing market reveals a number of striking features and trends, highlighted by the following:

Housing costs are high and beyond the reach of many. The median value of homes in Waukesha County is the highest in Wisconsin, while the county’s median rent is second in the state only to Dane County. In both the rental and owner-occupied markets, the city of Waukesha is the most affordable of the selected municipalities, while Brookfield is the most expensive.

Many occupations that count large numbers of workers in manufacturing, healthcare, construction, and other sectors do not pay enough to afford the county’s median rent and in particular the median cost of buying a home. Meanwhile, rent burden is a relatively common issue, with 43.4% of renter households in Waukesha County spending at least 30% of their income on rent and utilities, exceeding the statewide rate.

Housing prices are rising faster than incomes. The median sales price of homes in Waukesha County increased by 41% between 2016 and 2021, while the median household income in the county increased by only 15%. Home prices have increased further since 2021, while interest rates have



risen. These conditions have made homeownership more difficult to achieve for many seeking to purchase homes in Waukesha County.

Homeownership rates and housing stock vary widely by municipality. At the county level, the homeownership rate is high (over 76%) and nearly 70% of housing units are single-family homes. A closer look, however, shows considerable variation by municipality. For example, the city of Waukesha has a lower homeownership rate (57.8%) but also a much more diverse market than the other three selected municipalities, with more rental and multi-family housing and more units with two bedrooms or fewer, which provides options for a wider range of household sizes and incomes. Brookfield has the least diverse housing market among the selected municipalities.

Vacancy rates and inventory are low. In both the rental and owner-occupied housing markets, vacancy rates are consistently lower in Waukesha County than statewide and nationally. In the owner-occupied housing market, the county's vacancy rate plunged to just 0.2% in 2021, which is the lowest it has been since before the Great Recession and possibly ever. Meanwhile, the number of homes listed for sale in Waukesha County has declined for the last several years and is quite low.

Housing production is not keeping up with demand. Between 2010 and 2021, Waukesha County added nearly 1,200 more households than housing units. This has contributed to declining vacancy rates and rising home prices. During that period, fewer housing units were permitted and fewer lots were created by subdivision than in the years preceding the Great Recession.

New homes are being built on relatively large lots. Between 2018 and 2022, the average size of new lots created for subdivisions was twice as large in Waukesha County (0.67 acres) than in Dane County (0.31 acres). Larger lots add to the total cost of a home.

Very little affordable rental housing is being developed. Only three developments in Waukesha County have been supported with federal or state low income housing tax credits since 2013, while 71 such developments have occurred in Milwaukee County. As a result, 4,162 affordable units were (or will be) developed in Milwaukee County, compared with just 176 units in Waukesha County.

Current conditions and projected growth suggest more housing is needed. Adding to the need for future housing, state projections show Waukesha County growing by nearly 19,000 households between 2020 and 2030. Older households are expected to account for a much higher share of the county's population in the coming years, potentially signaling a need for more housing targeted toward seniors.



LOCAL & NATIONAL RESEARCH SCAN

To complement our housing market analysis, we reviewed several local and regional housing plans and reports to learn more about previous recommendations and insights on affordable housing challenges in Waukesha County, as well as numerous studies on best practices for housing affordability that provided further insight into how to address those challenges. Our sources included both local and national organizations such as the Brookings Institution and the Wisconsin Realtors Association. The findings and recommendations of those publications are too extensive to summarize comprehensively, but we share several key points and common themes below.

Imbalances exist throughout Waukesha County between wages and housing costs. The Southeastern Wisconsin Regional Planning Commission's (SEWRPC) 2035 Regional Housing Plan¹¹ – published in 2013 – involved deep analysis of the projected supply of and demand for housing in the seven-county region in 2035. One important component of the plan was a comparison between the wages of jobs in each municipality and the cost of both rental and owner-occupied housing. The commission analyzed municipal land use plans and employment and wage data to produce a map of the “Job/Housing Balance” throughout the region.¹²

The projections showed a shortage of moderate-cost housing units relative to the number of moderate-wage jobs (those paying between 80% and 135% of the average annual wage for all jobs in the county) throughout much of Waukesha County, including in all four of our selected municipalities. In roughly half of the county, including Brookfield, Muskego, and New Berlin, the projections also showed a shortage of lower-cost housing relative to the number of lower-wage jobs (those paying less than 80% of the county average).

Many employers also believe affordable and workforce housing is a critical issue. Each year, Waukesha County, the Waukesha County Business Alliance, Waukesha County Center for Growth, and the workforce development board serving Waukesha, Ozaukee, and Washington counties conduct a survey of area businesses on a range of topics. On the 2021 survey, about 42% of respondents agreed or strongly agreed that “the availability of affordable housing is an issue in attracting and retaining employees,” while nearly 40% percent neither agreed nor disagreed.¹³ Less than one in five respondents disagreed with that statement.

Zoning changes are widely viewed as a promising means of improving housing affordability. SEWRPC's housing plan, Waukesha County's 2035 Comprehensive Development Plan,¹⁴ and many local and national reports we reviewed recommend zoning changes that can promote development of more affordable housing options. Those include:

- ***Allowing for greater residential development density.*** SEWRPC's plan recommended that local governments with sanitary sewer and other urban services provide areas that “allow for the development of new single-family homes on lots of 10,000 square feet or smaller, with home sizes of less than 1,200 square feet, to allow the development of housing affordable to moderate-income households,” and also “areas for the development of multi-family housing at a density of at least 10 units per acre, and 18 units or more per acre in highly urbanized



communities, to allow the development of housing affordable to lower-income households.” Waukesha County’s Comprehensive Development plan adopted these recommendations.

SEWRPC’s plan also recommended flexible zoning regulations (e.g. planned unit developments that allow for modifications to existing zoning) and density bonuses for affordable housing to facilitate affordable single-family and multi-family housing development. These strategies were particularly recommended for communities with imbalances between jobs and housing and little subsidized housing.

In 2019, a consultant produced an in-depth housing study and needs assessment for the city of Waukesha that recommended that the city allow for smaller lot sizes in residential zoning districts.¹⁵ It also recommended that the city of Waukesha create a new mixed-use zoning district outside of its downtown to allow for greater development flexibility.

Analysis by the Brookings Institution,¹⁶ Wisconsin Realtors Association (WRA),¹⁷ Wisconsin Institute for Law and Liberty (WILL),¹⁸ and others have recommended that municipalities reduce or eliminate zoning regulations that set a minimum lot size, lot width, floor area (size of the house or housing structure), and amount of space a house or housing structure must be set back from the street or from side or rear lot lines. Those regulations can prevent development of smaller houses on smaller lots that could be less costly for homebuyers.

- **Permitting “missing middle” housing types in more areas.** Many studies we reviewed suggest that very little development of “middle housing” is occurring in Wisconsin and nationally, and that zoning regulations should be amended to allow them in more areas currently zoned for single-family housing. Middle housing refers to everything other than detached single-family houses and large multi-family apartment and condo buildings. That includes attached single-family homes (e.g. town houses), duplexes, triplexes, fourplexes, and small multi-family buildings. These housing types are seen as having the potential to add more affordable options to the housing supply while being subject to less community resistance than often is the case when larger multi-family housing developments are proposed.¹⁹
- **Permitting “accessory dwelling units” (ADUs).** SEWRPC’s plan and numerous studies have recommended that municipalities consider allowing for the development of “accessory dwelling units” (ADUs) as another means of gently increasing density and housing options. ADUs “are independent housing units, typically (but not always) created on single-family lots through remodeling or expanding the existing home or constructed as a detached dwelling.”²⁰ One such study, “Enabling Better Places,” was published recently with the support of a diverse coalition that includes the League of Wisconsin Municipalities, AARP Wisconsin, the WRA, WHEDA, the Wisconsin Builders Association, and NAIOP Wisconsin.²¹

The city of Madison recently eased its regulations for ADUs by making them a permitted rather than conditional use in districts zoned for single-family residential uses.²²



- ***Allowing for more residential development in commercial districts.*** The “Enabling Better Places” report and others recommended allowing residential development, including multi-family housing, in commercial districts, including downtowns.
- ***Reducing or eliminating minimum parking requirements for multi-family developments.*** Several reports, including “Enabling Better Places” and those by WILL and the WRA said excessive parking requirements add to the cost of housing and should be reduced or eliminated. This strategy could be most feasible in communities with public transportation services or other alternative transportation options.

Expediting permitting and development approval processes also could reduce housing costs.

Regulations during the development of lots and during construction contribute to the total cost of each housing unit. According to a 2021 survey of builders and developers conducted by the National Association of Home Builders (NAHB), regulations at all levels of government contribute close to one-quarter of the total cost of an average priced home.²³ Another joint survey by NAHB and the National Multifamily Housing Council published in 2022 estimated that just over 40% of the cost of multi-family housing comes from government regulations.²⁴

While many of those costs are tied to health and safety needs, there may be opportunities to reduce or eliminate some regulations and shorten timelines in certain cases to facilitate housing development.

As WILL’s report discusses, developers must complete due diligence (surveying, environmental assessments, etc.), ensure that the project is consistent with the municipality’s comprehensive plan and zoning (or go through a plan amendment and rezoning process), and complete a public approval process (plan commission, public hearing in certain cases, and city or village council). The longer these processes take, the more they can add to a project’s cost.

Expediting the development process – particularly for projects that involve affordable or workforce housing – could help to reduce their costs modestly. The WRA’s report notes that some states require municipalities to make final determinations within 90 or 120 days on development applications that involve housing.

Tax increment financing (TIF) and affordable housing funds are two possible strategies for supporting affordable and workforce housing. To make affordable and workforce housing developments financially feasible, multiple funding sources are required. For affordable housing, low-income housing tax credits (LIHTC) are typically part of the mix, but financing gaps often remain. Depending on how it is defined, workforce housing may not qualify for LIHTC if its target is moderate-income households.

To help fill in gaps and facilitate workforce housing development, the WRA’s report recommended that communities use TIF to pay for infrastructure work needed to service the new developments. (TIF typically involves using the increase in property tax revenues generated from new development within a designated district to pay for upfront expenditures incurred for infrastructure development or for other project costs.) SEWRPC’s plan recommended that communities consider taking



advantage of a state law that allows them to extend TIF districts for one year and to use the tax increment generated to support affordable housing needs anywhere within the municipality.

The city of Waukesha's 2019 housing study recommended that the city evaluate the potential for current TIF districts to fund workforce and affordable housing construction and rehabilitation. Since then, the city has extended one of its TIF districts and its common council dedicated 75% of the funding it generates to an affordable housing fund designed to support new affordable housing development²⁵ and the remaining 25% to a housing rehabilitation program.

In fact, affordable housing funds – which are typically pools of public monies that can fill financing gaps in proposed affordable housing projects – are suggested in some studies as another important way to support affordable housing development, rehabilitation, and down payment assistance programs. For example, Dane County,²⁶ the cities of Milwaukee²⁷ and Madison,²⁸ and the village of Oregon²⁹ in Dane County have established affordable housing funds that are supported with property tax revenue, TIF revenue, borrowing, or other funding sources. As previously noted, the city of Waukesha also has established an affordable housing fund, which has been supported not only with revenue from extended TIF districts but also with federal pandemic funding from the American Rescue Plan Act (ARPA).



LOCAL POLICY ANALYSIS

Our housing market analysis and review of relevant plans and reports form a basis for examining municipal policies in Waukesha County. Given the common message we observed that zoning changes can help to increase housing supply and affordability, we largely focus on municipal zoning policies for insight into where modifications may be worth considering. This analysis involved reviewing the zoning regulations of our four selected municipalities and their annual housing affordability reports, which are required under state law for every municipality with a population of more than 10,000. While our analysis is limited to those four communities, the findings may be relevant for cities and villages throughout the county.

Lot size and width

The larger the lot, the more it will contribute to the total cost of a new home and its required infrastructure (water, sewer, electrical, sidewalks, etc.). Waukesha County municipalities regulate the size of lots in varying ways, with some requiring much larger lots than others.

For example, the city of Waukesha has three zoning districts (RS-1, RS-2, and RS-3) that it uses to designate areas for single-family housing. As shown in **Table 7**, its RS-3 district, which covers roughly 80% of the area of the city zoned for single-family housing, requires a minimum lot area of 8,000 square feet (0.18 acres). That is smaller than SEWRPC’s recommendation of lots for single-family housing of 10,000 square feet or smaller, though notably, the city’s 2019 housing study and needs assessment recommended it reduce the minimum lot size requirement for its RS-3 district from 8,000 to 5,000 square feet.³⁰

Table 7: Minimum lot size requirements for single-family housing districts in select municipalities

	Zoning District	Minimum Lot Area (in sq. ft.)	Minimum Lot Width (in feet)
City of Waukesha	RS-1	20,000	100
	RS-2	12,000	90
	RS-3	8,000	65
City of Brookfield	R-1	30,000	150
	R-2	25,000	130
	R-3	22,500	130
City of Oconomowoc	Traditional	No minimum	50
	Suburban	No minimum	70
	Rural	No minimum	150
Village of Sussex	TS-1	30,000	100
	RS-1	25,000	100
	RS-2	20,000	100
	RS-3	15,000	90
	RS-4	7,200	50
	SF-RD-3	20,000	120

Source: Municipal zoning ordinances



By comparison, the city of Brookfield requires a minimum lot size of 22,500 square feet (just over half an acre) for single-family homes, depending on the district. The village of Sussex has six different zoning districts for single-family housing with minimum requirements ranging from 7,200 to 30,000 square feet (village staff have noted that most newer subdivisions are in the RS-2 and RS-3 districts), while the city of Oconomowoc has eliminated minimum lot size requirements entirely. This shows the wide range of regulations that exist throughout Waukesha County.

In the city of Brookfield's 2022 Housing Affordability report, the city estimates that its lot size requirements have a financial impact of between \$211,200 and \$316,800 per lot in a new subdivision, depending on the zone.³¹ That is based on the city's median residential land value per square foot, as calculated by the city assessor. This does not mean that the city's regulations impose all of these costs but rather that these are the estimated minimum costs per lot based on the combination of current regulations and the market price for land.

All four selected municipalities have zoning ordinances regulating the minimum width of lots in single-family residential districts. Those requirements also vary by municipality, with more modest minimum widths of 70 feet or less for the city of Waukesha's primary single-family residential district (RS-3) and Oconomowoc's traditional and suburban single-family districts, and particularly wide lots of 130 to 150 feet required in Brookfield.

It is important to note that reducing or eliminating minimum lot size and width requirements could be especially effective in municipalities with more land available for new single-family housing. Cities like Waukesha and Brookfield are nearing a point where they will be fully built out, but other municipalities in the county are not. Prospective homebuyers in those communities may benefit the most from policy changes.

Setbacks, side yards, and rear yards

Municipalities also regulate how far a home must be set back from the street or sidewalk and how much land must be preserved as open space between a home and the property's side and rear lot lines. Those requirements can influence the ultimate size and cost of both lots and homes.

Minimum setback, side yard, and rear yard requirements also vary considerably by municipality, as shown in **Table 8** on the following page. Brookfield requires relatively large front and side yards, while Waukesha and Oconomowoc allow for those yards to be smaller and Sussex falls in between. Conversely, the city of Waukesha typically requires the deepest back yards among the four municipalities.

Reducing these requirements could allow for denser and less costly housing development to occur, as the same size home can be built on a smaller lot if less open space must be preserved around it.



Table 8: Minimum setback, side, and rear yard requirements for single-family zoning districts (in feet)

	Zoning District	Minimum setback (front yard)	Minimum side yard	Minimum rear yard
City of Waukesha	RS-1	35	15	50
	RS-2	35	10	45
	RS-3	25	10	40
City of Brookfield	R-1	50	25	25
	R-2	50	25	25
	R-3	50	20/25	20/25
City of Oconomowoc	Traditional	20	7	20
	Suburban	25	10	20
	Rural	30	15	50
Village of Sussex	TS-1	40	20	30
	RS-1	40	20	25
	RS-2	40	20	25
	RS-3	30	15	25
	RS-4	30	10	25
	SF-RD-3	30	30	25

Source: Municipal zoning ordinances

Home size

A home's size, or floor area, plays a major role in its total cost as well. Zoning regulations often require that homes in single-family residential districts meet minimum size requirements, which again vary by municipality and district (see **Table 9** on the following page.) The city of Waukesha allows for smaller homes to be built in its primary RS-3 single-family residential district (800 square feet on the first floor and 1,000 square feet total), while Brookfield requires that homes are at least 1,400 square feet and Sussex offers more widely varying requirements by district. Meanwhile, Oconomowoc has eliminated minimum floor area requirements entirely, which allows for houses of any size to be developed provided they comply with setback, side yard, and rear yard requirements.

To illustrate the impact of these requirements, the city of Brookfield recently estimated that its minimum floor area requirements have a financial impact of between \$125,032 and \$312,580 per home, depending on the district and number of bedrooms.³² These estimates were made assuming an average cost for new residential home construction of \$156.29 per square foot, which was the Midwest average in 2021. When combined with minimum lot size requirements, these two regulations have a total financial impact ranging from \$336,232 to \$629,380 per home in Brookfield. Again, the city's regulations do not impose all of these costs, but rather these are estimated minimum costs for new homes based on current regulations and market prices for land and construction.



Table 9: Minimum floor area for single-family residential zoning districts (in square feet)

	Zoning District	Minimum Floor Area (total)	Minimum Floor Area (first floor)
City of Waukesha	RS-1	1,600	1,000
	RS-2	1,300	900
	RS-3	1,000	800
City of Brookfield	R-1	1,800	
	R-2	1,600	
	R-3	1,400	
City of Oconomowoc	Traditional	No minimum	
	Suburban	No minimum	
	Rural	No minimum	
Village of Sussex	TS-1	2,200	1,500
	RS-1	1,800	1,100
	RS-2	1,600	1,200
	RS-3	1,400	1,000
	RS-4	1,200	800
	SF-RD-3	1,000/unit	

Source: Municipal zoning ordinances

Two-family and multi-family housing

Our research on best practices for housing affordability suggests that allowing for increased density helps to produce more affordable options. That includes allowing for two-family (duplexes and twin homes) and multi-family housing to be developed in more places. Examples include permitting two-family housing in single-family residential zoning districts, and permitting multi-family housing in areas zoned for commercial development.

All four of our selected municipalities have at least one zoning district for multi-family housing, while all but Oconomowoc also have at least one district primarily designed for two-family houses. Duplexes and twin homes are typically not allowed in single-family residential zoning districts, though **Table 10** on the following page does note some exceptions. For example, although Oconomowoc does not have a two-family zoning district, it permits two-family residential development as a “conditional use” in all three of its single-family housing districts. That means if duplexes or twin homes are proposed in those areas, then they may be approved but must first go through a public review process. This is an option that other municipalities in the county could consider.

The city of Waukesha also permits two-family residential development as a conditional use within its main single-family residential zoning district, but only on lots “adjoining or within 100 feet of a less restricted district, or on a lot abutting a primary or secondary thoroughfare.”³³ Sussex has a district (SF-RD-3) for attached single-family housing, which allows not only duplexes or twin homes, but also housing developments with up to four attached single-family homes (e.g. townhouses), provided each unit has an attached garage. These are other models that could work to allow for a modest increase in density in other Waukesha County municipalities.



Table 10: Zoning for two-family and multi-family housing in single-family residential zoning districts

	Zoning District	Allows 2-family dwellings?	Allows multi-family developments?
City of Waukesha	RS1	No	No
	RS2	No	No
	RS3	Conditional use for select lots	No
City of Brookfield	R-1	No	No
	R-2	No	No
	R-3	No	No
City of Oconomowoc	Traditional	Conditional use	No
	Suburban	Conditional use	No
	Rural	Conditional use	No
Village of Sussex	TS-1	No	No
	RS-1	No	No
	RS-2	No	No
	RS-3	No	No
	RS-4	No	No
	SF-RD-3	Yes	Yes (up to 4 units)

Source: Municipal zoning ordinances

Some research also suggests that municipalities could facilitate more affordable housing by allowing for multi-family residential development within commercial districts. All four communities have districts that allow for multi-family housing within mixed-use developments, often within their central business districts. Waukesha also permits multi-family housing in its main commercial districts as a conditional use, and Sussex permits studio and one-bedroom apartments to be built on top of businesses in its main commercial district. Still, this leaves room for all communities to consider allowing multi-family housing or mixed-use development as a permitted use in some or all of their commercial areas.

Accessory dwelling units

National research suggests that accessory dwelling units (ADUs) can be another way to provide more affordable housing options with a modest increase in residential density. None of our selected municipalities permit ADUs. As previously mentioned, the city of Madison is one Wisconsin municipality that allows for ADUs as a permitted use in its single-family residential zoning districts.

Parking requirements

Municipalities also use zoning to regulate the amount of parking required for single-family, two-family, and multi-family housing. While resident demand for parking is a key driver of what gets built, there may be opportunities to reduce the amount of required parking in some cases to lower the cost of housing. This may be more the case now as many younger households are opting to own fewer (or no) vehicles than previous generations.³⁴



Required parking can increase the per-unit cost of housing considerably. For multi-family housing, surface parking spaces cost roughly \$5,000 to \$10,000 to construct when including the value of the land used, while spaces in parking structures cost between \$25,000 and \$50,000, according to 2016 estimates by City Observatory, a national think tank.³⁵

The city of Waukesha requires a minimum of between one and two parking spaces per unit in multi-family developments, depending on the number of bedrooms each unit contains (**Table 11**). Oconomowoc is similar, though it sets the minimum for smaller units higher, at 1.5 spaces. Sussex requires two spaces per unit regardless of number of bedrooms.

Brookfield requires one space per bedroom in multi-family residential buildings, resulting in a low minimum for smaller units but a high minimum for larger units with three bedrooms or more. Brookfield and Sussex also require that some or all of the parking for residents is enclosed (e.g. in a parking structure), which is more expensive to build.

By comparison, the city of West Allis has eliminated its minimum parking requirements and set parking maximums instead,³⁶ and the village of Shorewood requires just one parking space per unit in multi-family developments, regardless of the number of bedrooms.³⁷

Table 11: Parking requirements for residential zoning districts

	Zoning District Type	Parking Spaces Required
City of Waukesha	Single-Family Residential	2 per unit
	Two-Family Residential	2 per unit
	Multi-Family Residential	1-2 per unit depending on number of bedrooms, plus 1 for visitors per 10 units
City of Brookfield	Single-Family Residential	1 space
	Two-Family Residential	1 space per bedroom (including 1 enclosed) plus 0.5 per unit for visitors
	Multi-Family Residential	1 space per bedroom (including 1 enclosed) plus 0.5 per unit for visitors
City of Oconomowoc	Single-Family Residential	2 per unit
	Multi-Family Residential	1.5 per unit for 1BR units; 2 per unit for all others, plus 0.25 per unit for visitors
Village of Sussex	Single-Family Residential	2 spaces
	Two-Family Residential	2 per unit
	Multi-Family Residential	2 per unit (enclosed), plus 1 for visitors per 5 units

Source: Municipal zoning ordinances



Brookfield's parking policies for two-family residential districts also stand out among the selected municipalities. The city applies the same policy to two-family housing as it does to multi-family developments. So, for example, if a duplex is developed in Brookfield with three bedrooms in each unit, a total of seven parking spaces would be required, including three spaces for each unit for the residents and one space for visitors. At least two spaces would need to be enclosed. By comparison, all three of the other selected municipalities require a total of two spaces per unit in two-family residential districts, for a total of four spaces.

In examining parking policies, municipalities could also review their regulations for on-street parking, how those influence the amount of off-street parking needed, and whether changes to policies that regulate on-street parking may be another potential strategy.

As previously noted, reduced parking may be more feasible in communities with public transportation services or other alternative transportation options, such as reliable ride-hailing (e.g. Uber, Lyft), bicycle-sharing, or electric scooter services.

Planned unit developments

With the exception of a few “conditional uses” noted above, which require additional public review, most of the zoning regulations we have described reflect what developers are permitted to build “by right” in various zoning districts. Being permitted “by right” means a proposed development complies with zoning and building codes and theoretically may proceed without the need for discretionary approval, though building permits are still required as are approvals for things like engineering and design (many municipalities have design review boards that examine proposals for their architectural style, materials, signage, etc.)

When proposed developments do not align perfectly with municipal zoning ordinances, zoning changes are an option and “planned unit developments” (PUD) are one common approach. Under a PUD, a developer and a municipality negotiate an agreement over what will be developed in a designated area, which then must go through a public review and approval process. With a PUD, many requirements can be modified, including approved land uses, lot sizes, building heights, and parking requirements. All four of our selected municipalities allow for and have established PUDs.

While PUDs provide an opportunity for developers to diverge from existing zoning requirements, which in some cases may result in denser and less expensive housing options, it generally takes more time and money to create a PUD and get it approved than it would for the same proposal if less restrictive zoning regulations existed.

Summary

Our review of zoning ordinances in the selected municipalities reveals great variation in how municipalities regulate the size of new lots and houses and the amount of parking required in residential areas. In many cases, these and other municipalities in Waukesha County could consider reducing or eliminating some of these requirements as a means of allowing for denser and less costly housing development, as the city of Oconomowoc already has done in eliminating its minimum lot size and floor area requirements and as nearby West Allis has done in eliminating its minimum parking requirements.

We also find that none of the selected municipalities allow for accessory dwelling units, all could consider allowing multi-family housing and mixed-use development as permitted uses in more of



their commercial districts, and only two of the four (Oconomowoc and Waukesha) permit two-family housing on at least some lots in single-family residential districts. While changes to these policies would not be a silver bullet to improving housing affordability, they could open up additional ways of producing denser and more affordable housing options.



INSIGHTS FROM INTERVIEWS

To add on-the-ground perspectives on Waukesha County's housing challenges and potential solutions, we conducted a series of 16 interviews with local government officials, housing developers, and area employers. This provided a rich source of input on these issues, and while there was not universal agreement, we were able to glean several common themes that ran through multiple interviews, many of which reinforce key points from previous sections of this report. We present those themes below and then provide brief summaries of other important comments raised in our interviews with each set of stakeholders.

Common Themes

- **Additional workforce housing is needed for both new owner-occupants and renters.** Several communities have a strong preference for owner-occupied housing, but there is also a need for more low- and moderately-priced rental housing in Waukesha County. This is largely due to the county's limited supply and high cost of both existing and new homes for sale, but also because many (particularly young and older) households prefer to rent for the flexibility it provides or for other reasons.
- **There is no "silver bullet" to address housing affordability.** Many factors contribute to high housing costs, including some that are largely beyond local control (e.g. interest rates, building materials) and some tied to quality of life that communities want to preserve (e.g. school district quality, which attracts many families to the county but also may make the housing market more competitive, potentially raising costs). To the extent that local action can help to improve housing affordability and facilitate workforce housing development, multiple strategies are needed.
- **NIMBYism poses a major hurdle for housing development in general, and especially for affordable housing.** Developers often want to build denser and more mixed-income housing, but community opposition almost always emerges. This is especially the case for multi-family and affordable rental housing. Concerns often are raised about potential impacts on traffic, parking, and property values, as well as about the level of investment renters have in the community. Smaller, "missing middle" housing types might face less opposition, but developers say they need to build larger buildings to make projects work financially. Public opposition often filters up to elected officials and can delay projects, increase their costs, or derail them entirely. New or expanded efforts may be needed to raise awareness among local policymakers and communities about the need to provide more housing to accommodate current and prospective residents and workers for the sake of the local economy.
- **Zoning changes could help to produce more varied and affordable housing options.** There was widespread agreement that changes that allow for smaller homes on smaller lots could help to reduce costs for new single-family home buyers. Relaxing requirements for things like landscaping, materials, and infrastructure also could help. At the same time, many acknowledged that the potential impact of these changes would vary by municipality based on how much undeveloped land is available for new subdivisions.



Zoning changes that allow for multi-family housing development in more areas also could help to produce more affordable options. This could include making multi-family housing a permitted use in commercial districts, creating new mixed-use districts, permitting duplexes in single-family zones, and proactively rezoning publicly-owned properties to allow for multi-family housing.

- **Funding strategies are needed to help fill in gaps in affordable and workforce housing project budgets and to pay for needed infrastructure and utility modifications and extensions.** Multi-family affordable and workforce housing developments typically need gap financing to be viable. Meanwhile, a number of land and infrastructure challenges complicate efforts to develop both single-family and multi-family workforce housing, including the need to build or modify infrastructure (e.g. sewer and water). Several individuals suggested that municipalities expand their use of TIF for gap financing and/or infrastructure, while some suggested other local funding sources or a state-level solution may be needed.
- **New or expanded use of alternative building methods and models may be needed.** One common suggestion was to expand the use of prefabricated housing or other technologically innovative building solutions that reduce the cost of new homes. Another was to pursue new models of higher-density housing development, such as expanded use of attached single-family townhouses.

Local Government Officials

We first interviewed the development directors of the four participating municipalities, some of whom were joined by their planning administrators. In this and subsequent sections, we summarize additional points made by those leaders, focusing primarily on comments not captured in the “common themes” above and on unique housing needs, efforts, and challenges they noted.

City of Waukesha

A big challenge in Waukesha is the city’s limited supply of undeveloped land. In light of that limitation, increasing density through redevelopment is Waukesha’s leading strategy, including more multi-family rental housing and duplex and small multi-family condo buildings for sale to homebuyers. The challenges are finding places where this can work and making those units affordable.

Multiple factors often pose hurdles to affordable housing development in Waukesha. For example, the city is currently working with the affordable housing developers to review sites that city leaders believe are ideal for additional affordable housing. There are significant hurdles to redevelopment, however, including the need to acquire properties from multiple owners and the cost of razing houses and preparing sites for redevelopment.

Habitat is the only developer of affordable homes for sale in Waukesha, and they have limited capacity. Cornerstone Development is working on a project that includes two-family and four-family condos, but when monthly condo fees are included they are unlikely to be more affordable than



single-family homes. The city also would like larger multi-family condo buildings closer to downtown, but developers say they are difficult to finance because it takes time to sell units, leaving banks and investors concerned that the economy could take a downturn before the project is completed and sold.³⁸

City of Brookfield

City staff have made efforts to identify areas within the city that would be strong candidates for affordable and workforce housing. One challenge in doing so is aligning support for such development with sites that have the underlying infrastructure needed to serve residents well (e.g. access to transit). Even when the city sets up the right parameters for workforce housing, the market tends to produce high-end housing instead.

Brookfield has a sanitary sewer challenge that poses a barrier to higher-density housing development. A majority of its sewer system was designed and installed for lower-density housing and land use based on regional and local long-range plans and zoning at the time. Modifying the size and capacity of the sewer system to meet the needs of multi-family housing and increased density can be expensive in many areas of the city.

Public opposition often is an obstacle to multi-family housing development in Brookfield. For example, the city's Common Council rejected a recent proposal to redevelop a bicycle shop and former car repair shop into improved retail space and apartments.³⁹ The apartments on the upper floors would have been market rate but mostly smaller and less expensive than what is typical in Brookfield. The housing component would have helped pay for updates to the retail space, while TIF funding was requested to pay for cleanup of the contaminated car repair shop. The proposal was rejected because community members objected to its density and potential impact on traffic.

Another proposed development, The Flat's at Bishop's Woods, also faced public opposition but was approved.⁴⁰ The project, which will bring over 200 units of workforce housing to Brookfield, benefited from support from city staff and many community residents and business owners adjacent to the development. It faced some opposition, however, due to concerns about parking, traffic, and other issues, which created hurdles along the way that slowed the project down.

City of Oconomowoc

City staff produced a study in 2022 analyzing Oconomowoc's housing supply relative to its goal of having a 60% to 40% split between owner-occupied and rental units.⁴¹ The study shows a need for more rental housing to achieve that goal.

Life cycle housing also is needed. Older homes are more affordable as starter homes, but there are not enough new housing units being built to open up those older homes for younger households, and what is being built is not affordable for many current homeowners.

One thing that adds to the cost of buying a home in Oconomowoc is that the city charges impact fees to help pay for parks, roads, public safety, etc. That adds around \$8,000 to the cost of buying a new



home. The fees put the cost burden of added housing on buyers rather than existing homeowners. This policy is not unique to Oconomowoc.

As previously noted, Oconomowoc has made a number of changes that allow for denser housing development. For example, it eliminated its minimum lot size and floor area requirements. The city has approved many lots that are less than 10,000 square feet and has approved homes as small as 400 square feet.

Village of Sussex

Several subdivisions are being developed in Sussex. The village issues building permits for roughly a dozen houses every month, but they typically cost \$500,000 or more and are not starter homes. Most are in districts that have a minimum lot size of 15,000-20,000 square feet but often involve a planned development overlay that allows for negotiated modifications to zoning regulations.

So much has been built in Sussex recently that there has been a push to slow down development in general and not much support for apartment developments, even if they are market rate. There is more openness to duplexes and small townhouse developments. The duplexes being developed in subdivisions currently are selling, but more slowly than single-family homes and at almost the same cost. The townhouses being developed seem to be selling well.

With regard to affordable rental housing, gaining the support of elected officials is a roadblock. There is a perception that renters are not as invested in the community and that affordable housing will bring crime. Placement also is an issue. Village staff would like affordable rental housing to be developed downtown rather than on the outskirts, but land currently is not available downtown.

Housing Developers

Next, we interviewed leaders from five development companies (and one regional association) that build or have proposed building a range of housing types in Waukesha County, including both affordable and market rate multi-family rental housing, and single-family homes, duplexes, and townhouses for sale to homebuyers. Below, we provide brief descriptions of those organizations and then summarize key points their leaders made, focusing primarily on those not included in the “common themes” at the beginning of this section.

- **Gorman & Company** develops many types of housing in Wisconsin and nationally and has attempted (unsuccessfully) to build affordable rental housing in the city of Waukesha.
- **Habitat for Humanity of Waukesha County** is the only developer of affordable homes for sale in Waukesha County. It has built 45 homes to date, mostly in the city of Waukesha, and currently is building 11 more on one city block. Volunteers complete about 80% of the work, and the rest is done by subcontractors. Mortgages for Habitat homes are usually in the \$180,000 to \$225,000 range. Habitat hopes to expand its operations in the future, including to other municipalities in the county.



- **Lincoln Avenue Capital** develops workforce and affordable rental housing nationally and currently is working on a proposed affordable housing development in Brookfield called the Flats at Bishop's Woods. The Flats project is supported with federal 4% LIHTC tax credits.
- **Metropolitan Builders Association of Greater Milwaukee** represents over 600 developers, subcontractors, remodelers, and related companies throughout the region.
- **Neumann Developments** is one of the largest home builders in southeastern Wisconsin. The company sells about 400 lots per year, primarily to its sister companies, Tim O'Brien Homes, Harbor Homes, and Halen Homes, which develop single-family houses, condo duplexes, and townhomes.
- **Wangard Partners** develops multi-family housing, industrial, retail, office, and mixed-use projects throughout southern Wisconsin. In Waukesha County, Wangard has developed about 450 units of multi-family housing in Oconomowoc.

Key challenges and impacts

Labor shortage – The developers we spoke with said that labor is tight and labor costs have risen. Some noted that few new home construction companies have been created in recent years and suggested that an aging workforce and reduced immigration are contributing to the worker shortage. Transportation also was cited as a workforce barrier.

High land costs – The cost of land was cited as a major challenge for workforce housing development. Whereas the city of Milwaukee owns many foreclosed properties and will sell them under certain conditions for \$1, some developers noted that municipalities in Waukesha County do not own many properties, making those opportunities rare.

High community standards and resident expectations – In addition to limits on density, many developers said Waukesha County municipalities have high standards for things like building materials, architectural design, infrastructure, and other components that add costs to new housing. They also said renters expect more amenities (e.g. a gym and a gathering space) now than in the past, which can be difficult to accommodate while keeping prices down.

Few qualified census tracts – One challenge that may limit development of affordable rental housing is that Waukesha County does not have many qualified census tracts (QCTs), which are places with higher percentages of low-income households. QCTs get a boost in how the Wisconsin Housing and Economic Development Authority (WHEDA) scores affordable housing proposals, so projects in those areas are more competitive and can qualify for more in tax credits. Some suggested that WHEDA's formula should be revised to allow for more affordable housing in areas that currently lack it.

Potential strategies

Shorten the development approval process – Developers said housing developments take many months, if not years, to put together. The longer the timeline, the greater the cost. They said certain



parts of the approval process could be expedited, such as by limiting the time municipalities can take to approve engineering, which often takes many months currently.

Modify zoning proactively to facilitate workforce housing – For municipalities that own land, instead of waiting for a developer to come with a proposal and then work through rezoning, the city could choose publicly-owned parcels where they want to encourage workforce housing development and proactively rezone to permit it. They noted that sometimes a community’s comprehensive plan calls for multi-family housing, but the zoning must match or it remains a barrier.

Provide more down payment assistance – Down payments are a big challenge for many first-time homebuyers. Developers noted that Waukesha County and the Federal Home Loan Bank have increased their down payment assistance somewhat but said more could be done.

Use TIF to allow affordable housing to help pay for itself – While some municipalities have supported affordable housing with funding from one-year TIF district extensions, developers said they could also create new TIF districts that directly support affordable housing development. Municipalities would not need to make upfront investments. Instead, new taxes generated by the development could be returned to the developer as a way of paying off project expenses. That approach also could help the project qualify for a bigger loan.

Area Employers

For input on how Waukesha County’s housing market affects the workforce attraction and retention efforts of employers, we interviewed leaders from six local companies: Eaton Corporation, Generac, Milwaukee Tool, ProHealth Care, Syslogic, and Trace-A-Matic. These businesses cover a range of industries – including engineering, health care, manufacturing, and technology – and collectively employ thousands of workers whose occupations and wages vary widely. Below, we summarize important points cited by multiple employers, which largely reinforce other parts of our analysis.

Key challenges and impacts

Tight labor market – The labor market is highly competitive and workforce attraction and retention is a top concern. Some businesses are quickly growing, which makes finding and hiring needed workers especially challenging.

Low inventory – The inventory of homes for sale in Waukesha County is insufficient at all price levels. For some employers, the primary concern is a lack of starter homes that are affordable for entry-level and moderate-wage workers, such as those in manufacturing and health care support occupations. Others who hire professional staff from outside the region said those employees have struggled to find and purchase homes that meet their needs, with one noting a rise in individuals asking for extensions to the company’s policy of requiring new hires to relocate to the area within one year.

Some also said more affordable and moderately priced rental housing is needed, including options people can access regardless of their credit. They cited many reasons why people rent rather than own, including the high cost of homes for sale and a preference for greater flexibility.



High housing costs – All six employers expressed concern about housing costs in Waukesha County. For entry-level and moderate-wage workers, multiple employers provided examples of employees who have moved from Milwaukee neighborhoods to Waukesha County and the positive impact it has had for them and their families. They would like those opportunities to be available to more employees but believe home prices are too high. Some also noted that first-time homebuyers often struggle with down payments. Multiple employer said that even professional employees who are single and earn relatively high wages struggle to afford both rental housing and homes for sale in certain Waukesha County municipalities.

Limited housing options – Some employers noted that not as many people want large homes on large lots as in the past and that more varied housing options are needed. One comment was that suburban communities in other parts of the metro area, like Glendale, have developed higher-density, mixed-use “live-work-play” communities, and that Waukesha County could benefit from developing similar options.

Potential strategies

Information and education – One common proposal was for new or expanded efforts to raise awareness among policy makers and the broader community that affordable and workforce housing is needed and will not necessarily have the negative effects that some fear it may.

Higher density housing – Several employers said smaller homes on smaller lots and more multi-family housing are needed in Waukesha County. Some noted that younger households want to live in walkable communities with access to amenities. One specifically said that many professional employees who move here from other metro areas do not care to have large yards to maintain.

Political and business support – Another common theme was the importance of support for affordable and workforce housing from elected officials and the business community. On the business side, one specific idea was for companies to help underwrite housing developments as is being done in the Sheboygan area by companies like Bemis and Sargento.

Prefabricated housing also was suggested as a solution by more than one employer as a means of reducing the cost of new houses.

Need for a fully integrated plan – Employers echoed the comments of developers that multiple solutions are needed to address the county’s workforce housing challenges. One specific idea was to develop a plan that supports the development of both more affordable rental options and more modestly priced starter homes for sale to new homebuyers.



CASE STUDIES FROM SIMILAR COUNTIES AND STATES

In this section, we provide additional context for Waukesha County governmental and private sector leaders by exploring how local and state governments are addressing housing affordability challenges in communities that are somewhat similar to Waukesha County in terms of their suburban nature and affluence. We briefly describe efforts to develop attainable starter homes for first-time homebuyers, create affordable housing funds to support housing development and renovation, and modify zoning regulations to permit higher-density residential construction. We also include examples of businesses playing a role in addressing housing affordability gaps.

Next Generation Housing Initiative in Washington County, WI

In fall 2021, Washington County (population 137,175; median household income \$83,384) launched its Next Generation Housing Initiative, which aims to support the development of 1,000 starter homes by 2032.⁴² The rationale for creating the initiative was concern that the county's population is aging faster than the state's and nation's and that very few homes on the market in recent years have sold at prices that first-time homebuyers can afford. There was also an acknowledgement that local regulations were part of the problem – particularly zoning requirements that prevented the development of starter homes.

The goal of the initiative is to develop a mix of smaller owner-occupied single-family houses on smaller lots, duplex condominium units, and town houses such that at least 75% of the units can be sold for under \$320,000 and all can be priced below \$420,000. The county dedicated \$10 million to the effort, with \$6.75 million dedicated to providing partial funding for three pilot subdivisions, including one in the village of Jackson.⁴³ Of that total, \$2.5 million is federal funding from the American Rescue Plan Act (ARPA) and the remaining \$7.5 million is from the county's general fund, though that also would not have been possible without the county's receipt of ARPA funds.

Washington County's support for the pilot subdivisions will provide up to \$20,000 per owner-occupied unit for a range of eligible expenses, including engineering and planning services, land acquisition, and infrastructure development. The county's support functions as a 0% loan for local governments, with funds returned to the county as part of each home's closing, satisfying a property lien to be reused to support future Next Generation Housing developments and program expenses.

Another \$2.5 million is dedicated to the initiative's Down Payment Incentive program, which will provide home buyers with up to 10% of the total purchase price of a home or \$20,000, whichever is less. The county will allow homebuyers to earn this incentive through volunteer service or financial giving to participating organizations for the first five years after purchasing a home.⁴⁴ Any portion of the incentive not earned during that period becomes due to the county upon sale of the home, deed transfer, or other specified circumstances.



The remaining \$750,000 in county funds will be used to provide “start-up funds” to help non-pilot developments take the first steps of preparing priority sites for future housing that meets the initiative’s affordability thresholds.

To meet the Next Generation Housing goals, municipalities have made zoning changes that allow for smaller homes to be built on smaller lots. The village of Jackson, for example, created a planned unit development (PUD) for the Oaks of Jackson pilot development that reduced the underlying zoning district’s minimum lot size requirement to 4,000 square feet and reduced other requirements for lot width, setbacks, and floor area.⁴⁵

Given all Next Generation homes will be sold to buyers at prices that are below full market value, pilot leaders are currently developing a potential deed restriction and considering other options to prevent homes from being flipped for profit while still allowing owners to earn equity based on their home’s full market value.

Affordable housing funds in Johnson County, IA and Olmsted County, MN

Hundreds of U.S. cities and counties have established housing trust funds to support the development and preservation of housing that meets the needs of their residents.⁴⁶ We highlight two examples from other Midwestern states below.

Johnson County, IA (population 154,748; median household income \$67,134) – the county’s nonprofit housing trust fund supports housing production and rehabilitation for households earning up to 80% of the area median income. Since 2005, the trust fund has awarded over \$10 million in loans and grants to area nonprofits and businesses to help finance land acquisition, housing development and rehabilitation, and down payment assistance, supporting over 1,000 housing units and households.⁴⁷

The Housing Trust Fund of Johnson County’s (HTFJC) Revolving Loan Program supports affordable rental and owner-occupied housing developments with no- or low-interest loans. Its Housing Rehabilitation program offers grants of up to \$15,000 to eligible homeowners for needed home repairs, with assistance provided in the form of a five-year forgivable loan that recedes at a rate of 20% each year.

The housing trust fund is supported with funding from almost 20 public and private sector organizations, including Johnson County and several municipalities within the county, financial institutions, a community foundation, and area realtors and homebuilders’ associations.

The flexible nature of the housing trust fund allows its board and staff to analyze local housing needs and provide support to projects and services accordingly. In addition to owner-occupied and rental housing, the fund also supports transitional housing and shelters.

Olmsted County, MN (population 162,847; median household income \$83,070) – responding to economic growth that was outpacing the region’s “ability to provide housing for the people that fuel that growth,” the Coalition for Rochester Area Housing was created in 2017.⁴⁸ Partner organizations



involved in the coalition include Olmsted County, Mayo Clinic, the city of Rochester, Rochester Area Foundation, and Destination Medical Center.

In 2020, the coalition completed a comprehensive needs assessment for housing in Olmsted County, which identified the county's housing challenges and made recommendations to address them.⁴⁹ In late 2021, it introduced a multi-year plan and \$15 million in commitments to produce and preserve affordable owner-occupied and rental housing in Olmsted County.⁵⁰ The plan aims to assist homebuyers on the path to homeownership, boost the availability of affordable rental housing, and support innovative housing initiatives to reduce risk for local developers.

Zoning changes in Arlington County, VA

In March 2023, **Arlington County, VA** (population 232,965; median household income \$125,651) passed a series of zoning and land use plan changes that make development of small, multi-family residential buildings with up to six units permitted uses in all areas of the county previously zoned exclusively for single-family homes.⁵¹ Though politically contentious, the proposal was approved with unanimous support. Arlington is an affluent suburban county outside of Washington D.C.

The zoning changes came after years of analysis and debate regarding how to address the county's high and rising housing costs, including a "missing middle" housing study that was completed in 2022. The county board's approval also changes requirements for lot coverage, floor area, parking, and other development criteria. To ensure that the character of the community does not change too rapidly, the ordinance change sets annual caps on new development that sunset after five years.

Business support for workforce housing in Sheboygan County, WI and Sarpy County, NE

Sheboygan County, WI (population 117,747, median household income \$62,188) – having identified a shortage of affordable housing as one of the county's key barriers to growth, the nonprofit Sheboygan County Economic Development Corporation (SCEDC) created the Forward Fund in 2022. It set a goal of raising \$16 million to address short- and long-term workforce needs, with an initial focus on supporting the construction of entry-level homes. So far, \$10 million has been raised through \$2 million contributions from four major businesses (Kohler, Johnsonville, Masters Gallery Foods, and Sargento) and Sheboygan County.⁵²

In May 2023, the SCEDC and Forward Fund broke ground on the Founders' Pointe Subdivision in Sheboygan Falls. The project will build 54 single-family homes that each will be priced under \$250,000.⁵³ The average lot size in the subdivision is under 9,000 square feet and houses will be in the 1,300 to 1,500 square foot range. The new homes will be completed by the end of 2024.

Sarpy County, NE (population 190,604; median household income \$87,979) – an affluent suburban county outside of Omaha, Sarpy County is home to Streck, a biotechnology company that developed a \$15 million, 84-unit apartment building called "The Nest" in 2022 and is discounting the rents for their employees based on financial need.⁵⁴ The company pursued this project because hiring was



getting more competitive and because housing in Sarpy County is among the most expensive in Nebraska.

State-level solutions in Florida, Montana, and Washington

Responding to concerns that housing costs have risen far faster than incomes over the last several years, several states have passed new laws designed to facilitate affordable and workforce housing development through incentives and regulatory changes. We summarize state action in Florida and Montana below.

Florida – In March 2023, Governor Ron DeSantis signed the bipartisan \$711 million Live Local Act into law.⁵⁵ As the state’s population continues to grow, the new law aims to support development of “attainable” workforce housing for both renters and homebuyers in several ways.⁵⁶

New or expanded funding will support the development and preservation of workforce housing and down payment assistance for homebuyers, including:

- Increased funding for programs that offer loans to developers of affordable rental housing and incentives to local governments to create partnerships that preserve affordable homeownership and multi-family housing for low- and moderate-income households;
- Incentives for new workforce housing developments that can spur renovations in older nearby rental units;
- New tax exemptions for developments that set aside at least 70 units for affordable and workforce housing;
- Expansion of a homeownership program to provide down payment assistance for “hometown heroes,” including teachers, health care workers, and law enforcement; and
- Additional gap financing for workforce housing projects already in the pipeline.

Other parts of the new law establish policies that reduce regulatory barriers and support affordable and workforce housing development by:

- Reducing regulations for proposals to build multi-family workforce housing or mixed-use developments in commercial, industrial, and mixed-use areas;
- Allowing counties and municipalities to offer a property tax exemption to property owners who dedicate units for extremely-low-income or very-low-income households;
- Creating a sales tax refund for building materials; and
- Requiring local governments to maintain a public written policy outlining procedures for expediting permits and development orders for affordable housing projects.

Florida’s new law also includes provisions designed to boost business support for workforce housing



by increasing tax credits available for businesses that make donations toward affordable housing, and by creating a new corporate tax donation program to help fund workforce housing development.

Montana – Facing similar challenges of rapidly rising housing costs, the state of Montana recently passed six new laws that will make it easier to develop workforce housing and more difficult for local governments to block it. Republicans hold supermajorities in both legislative chambers in Montana, but the laws were passed with bipartisan support.⁵⁷ All were signed into law by the state’s Republican governor in May 2023.

In contrast to Florida, Montana has made policy changes while not increasing funding for housing programs or initiatives. One new law requires municipalities with populations of at least 5,000 to allow for duplexes to be developed in districts zoned for single-family housing.⁵⁸ Another requires municipalities to revise their zoning laws to allow for a minimum of one accessory dwelling unit on lots that contain a single-family home,⁵⁹ while a third requires municipalities to allow for multi-family housing and mixed-used development on parcels in commercial zones that meet specified criteria.⁶⁰

Another sweeping new law eases local housing approval processes for projects that comply with local comprehensive plans and requires municipalities to adopt land use reforms from a menu of options, such as increasing allowable building heights or reducing parking requirements.⁶¹ To limit design review to items that affect public health or safety, another new law prohibits municipalities from using an external board (beyond city staff) when reviewing applications for a zoning permit or variance.⁶² A sixth new law prohibits local governments from adopting building codes that are more stringent than state building codes.⁶³

Washington – In May 2023, Governor Jay Inslee signed a number of bipartisan bills that aim to produce more affordable housing by permitting more “missing middle” housing types like duplexes and fourplexes in most cities in areas previously dedicated to single-family detached housing, legalizing accessory dwelling units, streamlining local permitting and design review processes, and more.⁶⁴ Governor Inslee is a Democrat, and both chambers of the state’s legislature are controlled by Democrats, but Republican support for these bills was critical to their passage.

Summary

While not a comprehensive analysis of the national landscape, the examples presented in this section show the range of actions being taken in counties across Wisconsin and the U.S. in response to concerns about rapidly rising housing costs. Many case studies involve the public or private sectors – and often both – providing gap financing to make owner-occupied or rental housing attainable for the local workforce or other targeted populations. Others involve changes to zoning or other policies designed to reduce barriers to development of affordable and workforce housing. Some, like Washington County’s Next Generation Housing Initiative, involve aspects of both. We also find both “red” and “blue” states passing sweeping bipartisan legislation designed to reduce barriers to higher-density single-family and multi-family housing development.



OBSERVATIONS & CONCLUSION

Over the last several years, Waukesha County's high and rising housing costs have become an increasingly prominent issue of concern among local government and business leaders and community residents. Our analysis of the county's housing market, relevant policies, and stakeholder input reveals a number of affordability challenges and barriers to developing housing for both renters and buyers. Many of these issues are common statewide or nationally, as the data and our case studies show, though some are most pronounced in certain municipalities.

Key challenges and barriers identified in our analysis include the following:

- **High housing costs are already out of reach for many and rising faster than incomes.** The median value of homes in Waukesha County is the highest in Wisconsin, while the county's median rent is only exceeded in Dane County. Rent burden affects 43.4% of renter households in Waukesha County, which is higher than the statewide rate. Many common and growing occupations do not pay enough to afford the county's median cost of owning a home, and these difficulties have intensified as the county's median home sales price increased by over 41% between 2016 and 2021, while its median household income grew by only 15%.
- **Inventory is low and housing production is not keeping up with demand.** Limited inventory is a major factor behind the county's rising home prices. The number of homes listed for sale in Waukesha County has declined for several years, while the vacancy rate in the owner-occupied market was just 0.2% in 2021 – the lowest it has been in at least a decade. Waukesha County added nearly 1,200 more households than housing units between 2010 and 2021, as fewer units were permitted and fewer lots were created than in the years preceding the Great Recession.
- **Very little affordable rental housing has been built in the last decade.** Between 2013 and 2023, only three developments in the county totaling 176 affordable units were supported with federal or state low income housing tax credits (LIHTC), which typically are needed to finance affordable rental housing developments. No LIHTC applications have been made for projects in the county since 2019. By comparison, 71 such developments were awarded tax credits in Milwaukee County in the last decade, supporting more than 4,100 affordable units.
- **Zoning regulations limit the variety of housing that can be produced and impact housing costs.** Some Waukesha County municipalities restrict developers from building smaller homes on smaller lots. Though zoning regulations are not the sole driver of lot size, new lots in Waukesha County tend to be large, adding to the total cost of homes. Between 2018 and 2022, the average size of new lots created by subdivision was twice as large in Waukesha County (0.67 acres) as in Dane County (0.31 acres). Many Waukesha County municipalities also prohibit duplexes and multi-family housing development in most areas of their communities, bar the construction of accessory dwelling units (ADUs), or impose excessive parking requirements on multi-family housing that add to the cost of each unit.



- **The cost of infrastructure and utility extensions and expansions are additional barriers.** When subdivisions are created, water and sewer services, private utilities, roads, and sidewalks must be built or extended. For multi-family housing, modifications to infrastructure and utilities often are needed to accommodate more intensive usage. Local government leaders and area developers said these costs can be prohibitive.
- **Community opposition poses a major obstacle to affordable and workforce housing development.** There is frequently a disconnect between market demand and community preference. Developers often propose denser, mixed-income housing because they want a variety of products to sell to potential buyers or because larger multi-family buildings are needed to make projects work financially. Community members very frequently oppose such developments, however, due to concerns about potential impacts on traffic, parking, property values, or other factors. Affordable housing typically faces the greatest opposition. This can delay projects, increase their costs, or derail them entirely.
- **Many other factors that local communities cannot or do not wish to change contribute to high housing prices and construction costs.** These include inflated building material prices, delays stemming from supply chain issues, rising interest rates, and limited innovation in housing construction. Others are assets communities wish to preserve, such as school district quality, which makes many Waukesha County communities attractive for families with children but also may raise housing costs due to strong market competition.

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

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

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



- **Funding strategies are needed to support affordable and workforce housing developments and associated infrastructure.** Multi-family housing developments designed for low- and moderate-income households typically need some public funding support to work financially. For both multi-family and single-family housing developments, associated infrastructure often poses a challenge, including the need to build or modify sewer and water connections. Municipalities could consider using TIF or other funding sources or could create affordable housing funds to help cover infrastructure costs or support housing developments directly, as case studies in Washington County, Olmsted County, MN, and elsewhere demonstrate.
- **New or expanded use of alternative building methods and models could help to lower costs.** For example, many stakeholders we interviewed suggested expanding the use of prefabricated housing, which may also require changes to building codes. Another common suggestion was to expand the development of attached single-family townhouses and to consider new models of higher-density housing development that are common in other parts of the country.
- **New or expanded public education efforts may be needed to raise awareness about the need for additional housing to accommodate current and prospective residents and workers.** Given the frequency of community opposition to proposed housing developments in general – and affordable housing developments specifically – stakeholders we interviewed said more public education is needed about the county’s rising housing costs, the challenges current and prospective residents face, and how this issue is impacting area employers and the county’s overall economic health.

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

For example, three of the signed bills create zero- or low-interest loan programs to support building, renovating, and making infrastructure improvements for affordable, workforce, and senior housing developments.⁶⁵ State legislators have proposed directing a combined \$525 million to these programs through the next state budget.⁶⁶ A fourth bill requires local governments to approve proposed housing developments provided they align with existing regulations (rather than treating all building permit applications as discretionary). It also pushes back on opposition by local residents by limiting who can challenge a proposed housing development’s approval through legal action and by requiring municipalities to make zoning changes based on a simple majority (rather than supermajority) vote.

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



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