



# LIBRARIES

UNIVERSITY OF WISCONSIN-MADISON

## **Isthmus area housing study: Madison, Wisconsin. A report to the city of Madison and the Central Madison Committee. July 1978**

Landmark Research, Inc.

[s.l.]: [s.n.], July 1978

<https://digital.library.wisc.edu/1711.dl/MEQWNSDOWJ6JH8V>

<http://rightsstatements.org/vocab/InC/1.0/>

The libraries provide public access to a wide range of material, including online exhibits, digitized collections, archival finding aids, our catalog, online articles, and a growing range of materials in many media.

When possible, we provide rights information in catalog records, finding aids, and other metadata that accompanies collections or items. However, it is always the user's obligation to evaluate copyright and rights issues in light of their own use.

Free

---

# Isthmus Area Housing Study

---

Madison, Wisconsin

Raymond, Parish, Pine & Weiner, Inc. Tarrytown, N.Y.  
Frank M. Goldsmith, Associated Consultant, White Plains, N.Y.

---

ISTHMUS AREA HOUSING STUDY

Madison, Wisconsin

A report to the City of Madison and  
the Central Madison Committee

July 1978

Raymond, Parish, Pine & Weiner, Inc.  
Tarrytown, New York Washington D.C.

Frank M. Goldsmith, Associated Consultant  
White Plains, New York

## ISTHMUS AREA HOUSING STUDY

### Steering Committee

Keith Yelinek, Senior Vice President, Verex Assurance, Inc.

Andre Blum, Director, City of Madison, Department of  
Administration

Michael J. Briggs, Alderman, City of Madison, 11th District

James Burkhard, President, Burkhard Development Corporation

A. S. Frey, Principal Planner, Planning Department, City of  
Madison

John C. Mattes, Alderman, City of Madison, 4th District

Dale Nordeen, President, First Federal Savings and Loan

Jack Slater, Executive Vice President, First Wisconsin  
National Bank of Madison

### Consultants

Raymond, Parish, Pine & Weiner, Inc.

Edith Landau Litt, Vice President, Project Director

David E. Shikles, Economic and Housing Market Analysis

Frank M. Goldsmith, Public Opinion/Market Research



Among the many officials and organization members who gave generously of their time and knowledge are Mr. A. S. Frey, Principal Planner, Madison Planning Department, who served as the Steering Committee's liaison for this Isthmus Area Housing Study, and the following:

City of Madison

Paul R. Soglin, Mayor  
Michael Christopher, Alderman, 6th District  
Bonnie Gruber, Alderwoman, 13th District  
Mark Koppelkam, Alderman, 9th District  
Sol Levin, past Director, Department of Housing and Community Development  
Charles R. Dinauer, Director, Planning Department

University of Wisconsin

Prof. James Grasskamp, Department of Real Estate  
Newell Smith, Director of University Housing

Real Estate Agents and Developers

James Burkhard, President, Burkhard Development Corp.  
James Carley, President, Carley Capital Group  
Gary J. Divall, Divall Realty  
Donald Hovde, Hovde Realty, Inc.  
John Kashou, Developer  
Robert H. Keller, Robert H. Keller Co.  
Jerome S. Mullins, Jerome S. Mullins & Associates  
Martin F. Rifkin, Rifkin Realty Corp.

Financial, Lending, and Mortgage Insurance

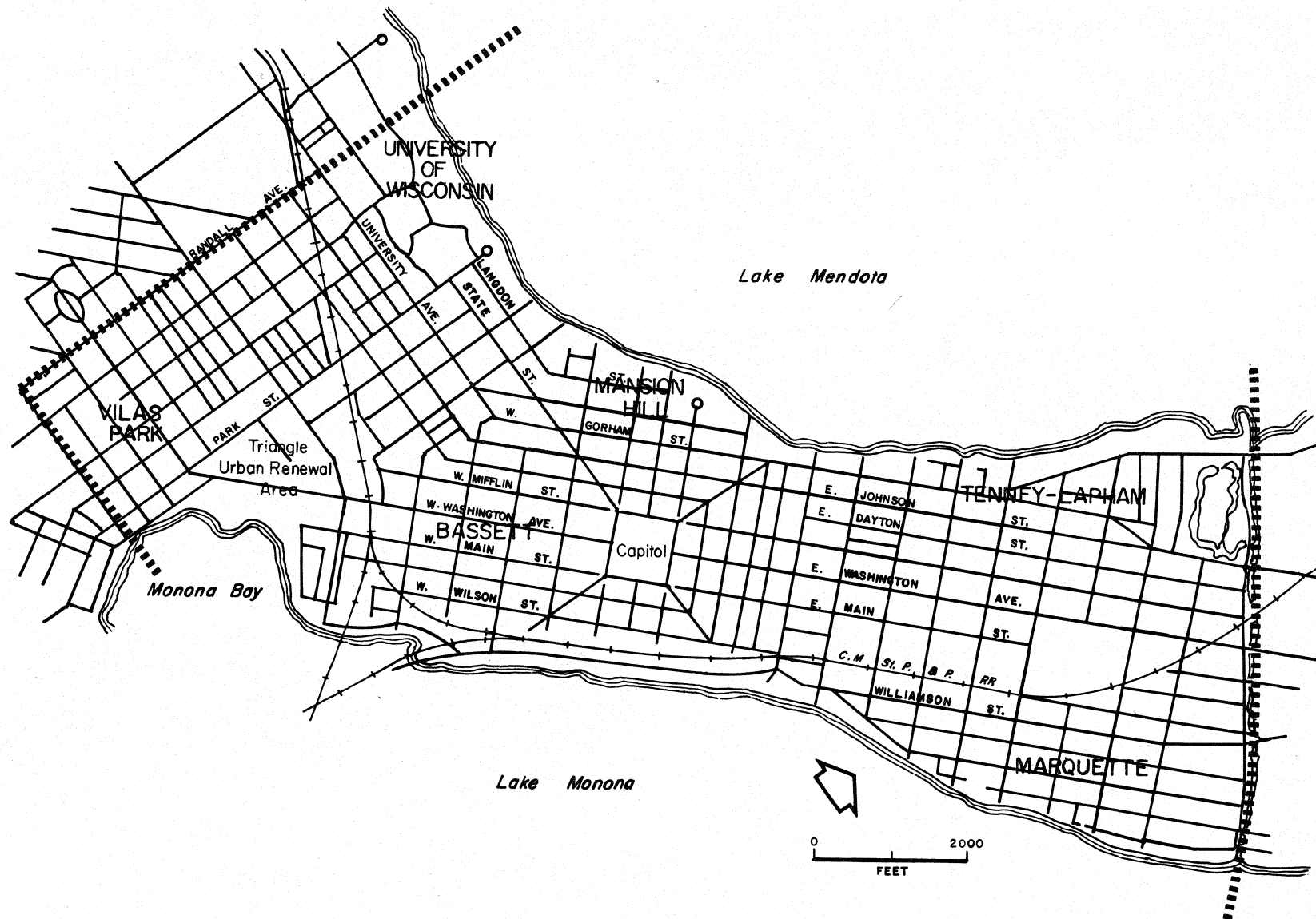
Dale Nordeen, President, First Federal Savings & Loan  
Harold Scales, President, Anchor Savings and Loan  
Roth Schleck, President, First Wisconsin National Bank of Madison  
Keith Yelinek, Senior Vice President, Verex Assurance, Inc.

Central Madison Committee

Susan A. Springman, Executive Director

Neighborhood Associations

Judith Blank, Tenney-Lapham Neighborhood Association  
(recently elected to the Dane County Commission)  
John Brown, Bassett Neighborhood Association  
David Harris, President, Bassett Neighborhood Association  
Leigh and David Mollenhoff, Marquette Neighborhood Association



Study Area

# Isthmus Area Housing Study MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York

## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	i
PREFACE	1
MADISON AND THE ISTHMUS AREA	2
Total Population	2
Isthmus Area Population	3
Age Distribution	4
Household Characteristics	5
Occupancy Characteristics	6
Vacancy Rate	7
College Students	9
THE OPINION SURVEY	13
ISTHMUS AREA NEIGHBORHOODS	17
Marquette	17
Tenney-Lapham	19
Capitol-University	21
Bassett	22
Vilas Park	25
PLANNING AND ZONING	27
FEDERAL, STATE, AND CITY PROGRAMS	29
The City as Developer	29
The Housing and Community Development Act of 1974	30
Community Development Block Grants	30
Madison's Community Development Program	32
Housing Assistance Plan	35
Section 8	35
FHA Section 202	37
Wisconsin Housing Finance Authority	37
The Wisconsin Neighborhood Reinvestment Act	39
Madison's Housing Rehabilitation Services Program	40
Tax Increment Financing	41
MARKET DYNAMICS	44
Lending Characteristics	44
Development Constraints	47
Recent Development Proposals	49
Characteristics of Existing Competitive Developments	50

	<u>Page</u>
DEMAND FORECASTS	53
Maximum New Demands	54
Prime Development Opportunities	56
Building Configuration	57
Age Distribution	60
Household Size	60
Locational Preference	61
CONCLUSIONS	63
Neighborhood Conservation Strategy	63
Leveraging	65
Split Equity Arrangements for Elderly Homeowners	66
Tax Abatement or Moratorium on Increases	67
Using Rehabilitation to Increase Permanent Population	68
Planning and Zoning	69

#### Maps

The Isthmus Area Study Area

Frontispiece

Following Page

Persons per Household, Madison	4
Index of Household Income, Madison	6
Retired Household Heads, Madison	6
Jobless Household Heads, Madison	6
Renters, Madison	8
Two-Canvass Vacancies, Madison	8
Student-Headed Households, Isthmus Area	10
Retired Household Heads, Isthmus Area	17
Renters, Isthmus Area	22

## SUMMARY

This summary condenses into a few pages the findings and recommendations of the Isthmus Area Housing Study - findings and recommendations which are based on the detailed evidence presented in the body of the report.

### Madison and the Isthmus Area

The population of Madison is no longer growing; the population of the Isthmus Area, except for the Bassett and University neighborhood, has declined. Nevertheless, there is sufficient demand in all parts of the Isthmus Area to keep vacancy rates extremely low in both rental and homeowner housing.

One quarter of the city's population was 18-24 years old in 1974; sixty-eight percent of the Isthmus Area population was in this age group. The Isthmus Area had fewer young children but nearly as many elderly persons as in the city as a whole. The Isthmus Area also has very small households with, on the average, fewer than two persons per household.

Some 14,000-15,000 University of Wisconsin students live in the Isthmus Area. Typically, they move frequently, have an income of approximately \$4,000, and share an apartment with each person paying a rent of \$100 monthly. The University has no plans to build more student housing. Some 800 Madison Area Technical College students also live near the main MATC buildings north of the Capitol. MATC needs a central campus. One of the sites under consideration, and favored by the city, is on East Washington Street. If this site is chosen, it will increase traffic and housing pressures on the Tenney-Lapham neighborhood and, to a lesser extent, Marquette.

Whereas the city is evenly divided between owner-occupied and rental housing, less than one-fifth of Isthmus Area housing is owner-occupied and, in parts of the Isthmus Area, less than five percent is owner-occupied. In terms of public policy, this has serious ramifications, since it is generally easier to induce owner-occupants to participate in upgrading efforts than to gain the cooperation of investor-owners.

### The Isthmus Area and Its Neighborhoods

Traffic, noise, lack of parking, and a somewhat rundown condition are seen as problems of the Isthmus Area, dampening its appeal to non-Isthmus residents. Neighborhood commercial services, particularly food stores, are also needed. Although Isthmus Area residents and community leaders perceive that the area is really improving, non-Isthmus residents do not fully appreciate the future benefits of the Mall and Con-

course and are annoyed by the noise and congestion created by the construction. Isthmus Area residents, no matter where they live, like the area; to non-Isthmus residents, the eastern portion (Marquette and Tenney-Lapham) is the most attractive, and Bassett the least attractive.

Tenney-Lapham, despite its favorable location and many assets, is beset by extremely heavy through traffic and fears greater student incursions, particularly if MATC locates on East Washington Avenue. Vilas Park also fears greater student incursions. In Marquette, which was experiencing high turnover and an increase in renter occupancy a few years ago, these problems were addressed: the heavy through traffic was forced off of residential streets and onto Williamson Street; and the zoning was changed to R4A, discouraging students in the eastern half of the neighborhood. Marquette at the present time appears to be experiencing a turnaround. Of all the Isthmus Area neighborhoods, it seems to be changing the most towards increased stability.

Bassett not only has heavy traffic and high proportions of students, but it has high residential densities, somewhat rundown buildings, and, with few exceptions, its residents are almost all renters. In the foreseeable future, it may be unrealistic to expect either new families (as opposed to singles) and owner-occupants to move to Bassett or to have the neighborhood scale remain the same. In general, the portions of the Isthmus Area closest to the University, where students predominate, are not productive areas in which to try to increase the non-student population, except on an individual case-by-case basis.

### Planning and Zoning

The zoning ordinance of Madison is unusual in its emphasis on conditional uses. In particular, multi-family housing (new construction or conversion) is not permitted anywhere in the city as of right. Where it is permitted, it is as a conditional use. Developers, to whom time is money, can never be confident that even after a lengthy negotiation process they will receive their building permits for multi-family construction.

The zoning ordinance now permits extremely high densities downtown and favors efficiency apartments. Many of the available lots are small, however, a factor which both limits densities and makes attractive development difficult. The master plan proposes to cut the permitted densities to levels

approximating those of existing development and to stop favoring efficiencies.

Although off-street parking is not required in the "central area," most residents have cars and therefore require parking.

#### City's Use of Available Programs

Madison's programmed use of community development block grant funds and its Housing Rehabilitation Services Program show widespread rather than concentrated efforts towards neighborhood conservation and housing rehabilitation. Its low interest loan and grant programs are available throughout the Isthmus Area and far into south and east Madison. Unfortunately, response to these programs has been so lukewarm that substantial funds allocated to them in fiscal year 1977 were not used and were carried over to fiscal year 1978.

Although the federal Section 8 housing program is the deepest, most effective subsidy available to lower housing costs for lower income households, it is currently underfunded and cannot be counted upon to increase the supply of good quality low rent housing in the Isthmus Area to any significant extent.

The most promising unused intervention mechanism for strengthening and expanding housing opportunities in the Isthmus Area is the Wisconsin Tax Increment Law.

#### Market Dynamics

Since 1974, no new multi-family housing has actually been built in the Isthmus Area itself. This may be changing: at the present time, several multi-family projects are being discussed for the Isthmus Area.

Costs of new housing or conversions are high. Even with the benefits of tax increment financing, the planned monthly rents in the East Wilson Street redevelopment proposal are \$375 and up for one-bedroom units of 930 square feet, or \$.40 per square foot. Existing good quality one-bedroom units rent for \$135 to \$245 per month, and two-bedroom units are \$300 per month or less - a significant difference.



The supply of new housing in the Isthmus Area is influenced by the fact that existing older housing is still profitable -- that is, students doubling and tripling up in older housing keeps rents from falling to levels where a developer would consider clearance and reconstruction of new housing. This cost phenomenon holds the price of land at high levels, which makes it difficult to develop new housing feasibly.

#### Demand Forecasts

The estimates of potential new demand are divided into two sections: (1) projections of a maximum upper limit which assumes full capture of prospective new residents, and (2) projections of prime development opportunities, which is a more realistic forecast of feasible new growth, but which also assumes an active role on the part of the city to solve the problems (and perceived problems) as identified in the survey.

	<u>Number of Households</u>	
	<u>Prime Development Opportunities</u>	<u>Maximum Demands (with subsidies)</u>
Current Potential Demands (within 2-3 years)	650-700	1,500-2,000
Long Range Demands (4-12 years)	1,750-1,800	3,000-3,500
Total	2,400-2,500	5,000

Among non-Isthmus Area residents, the demand for housing in the Isthmus Area is strongest among those who are younger, but have no children, and have incomes of \$9,000 or less. There is significant, although lesser, interest among households with incomes of \$15,000 and over, most of which could afford market housing. Families with children, who are likely to be living in and to like the traditional house and lawn, are not prime prospects for the Isthmus Area; this is true of empty-nesters, also.

The demand for housing in the Isthmus Area is highly price-elastic. Non-Isthmus Area residents are considerably more interested in rehabilitated and conventional multi-family housing than in condominiums and row dwellings, which are more expensive. However, interest increased substantially in all housing types when a reduced price was offered. This offers a major opportunity to Madison. If as a matter of public



policy the city decides it wants to increase permanent population and is willing to assist in lowering housing prices through tax increment financing, interest subsidies, or any of the other techniques discussed in this report, it can significantly increase the market for Isthmus Area housing.

Considering only those with the financial capability to support new housing, these preferences are translated into potential new demands below:

	<u>Current Demands</u> (2-3 years)	<u>Demands With Lower Price</u> (2-3 years)	<u>Long Range Demands</u> (4-12 years)
Luxury Condominium	-	-	200-225
Multi-Family Apt.	225-250	400-450	450-475
Row/Townhouse	75-100	300-400	400-425
Rehabilitated House	<u>300-325</u>	<u>400-450</u>	<u>600-650</u>
Total Households	600-675	1,100-1,300	1,750-1,850

In order to realize this potential, recommendations for city and combined city-private efforts towards conservation of existing housing and neighborhoods, construction of new housing, and "selling" the Isthmus Area to non-Isthmus Area residents include:

A public relations campaign to "sell" the Isthmus Area can be a major effort of the private sector as well as the city. The Opinion Survey indicates that this will be most effective if it stresses the Isthmus Area's proximity to cultural and educational facilities and the opportunity it offers people to do without a car or to reduce greatly their automobile expenses; it should also emphasize the improvements being brought about downtown by the construction of the Capitol Concourse and State Street Mall.

A neighborhood conservation strategy should be initiated which will concentrate community development and other rehabilitation funds into a few neighborhoods in the Isthmus Area, and combine rehabilitation funding with concentrated neighborhood improvement efforts, including code enforcement, traffic improvements, and consideration of street trees and small scale parking lots on crowded residential streets. Early city efforts should be highly visible.

These concentrated efforts should be initiated in neighborhoods where there is a high proportion of owner-occupants. First priority should be given to the Vilas Park portion of the Isthmus Area and the northeastern portions of Tenney-Lapham.

Lower priorities should be given to Marquette and Bassett (the one because it is showing signs of improvement and already has considerable city and private efforts directed towards it; the other because of the extremely low proportion of owner-occupants).

The city's funds for rehabilitation loans should be leveraged so as to increase greatly the amount of housing which can be so rehabilitated. Currently, only public funds are available for rehabilitation loans. By ignoring the much greater resources available from private financial institutions, the city is limiting the potential impact of the program. By matching private funds with public funds, using public funds as an insurance pool for high risk loans, or any number of other ways of leveraging public funds to attract private resources, the impact of the rehabilitation loan program can be substantially increased. The city should also use all available federal and state programs, and investigate techniques such as split equity arrangements for elderly homeowners and the possibility of a tax moratorium or deferral on rehabilitation.

To attract permanent residents, rather than to increase the supply of student housing, it is recommended that the city investigate ways of tying rehabilitation loans and grants in other than owner-occupied single family homes to a requirement that tenants sign two or three year leases.

It is also recommended that the city extend the more restricted zoning definition of "family" (permitting only one roomer rather than four per dwelling, except in the case of owner-occupied single family homes) to as many Isthmus Area blocks as possible, by (a) rezoning selected R4 areas to R4A, and (b) perhaps also by changes to the text as well as the map of the ordinance, creating "R5A" or similar new districts.

To encourage redevelopment and desirable conversions, it is recommended that the city consider establishing performance standards for new multi-family use. Apartment houses could be permitted as of right in certain mapped areas, at a relatively low density and with a minimum lot size considerably larger than the present ubiquitous 33 foot lot. Bonuses in the form of extra density could be granted for providing larger lots, amenities which create a sense of tranquility and space, enclosed off street parking, and sites adjacent to commercial or higher density districts. The appearance of a development - its site layout, landscaping, etc. - could continue to be regulated through site plan review.

Traffic solutions are most important if the Isthmus Area is to begin to realize its potential. The most effective solution would be to utilize the rail corridor to remove most of the through traffic from both the Gorham-Johnson Streets and various streets in the Bassett neighborhood. This need not run counter to the city's policy of wishing to discourage automobile traffic downtown. Extra traffic generated by new traffic lanes could be effectively removed from residential streets by creating extra and sorely needed parking and with such devices as stop signs and diversions.

Housing could also be built in the rail corridor--for example, for MATC students--if the college chooses the East Washington Avenue location. Only if a sufficiently large new development is created, however, is it likely that middle and upper income households will be attracted to market housing in what is now the rail corridor.

Use of the rail corridor is a long range solution and an expensive one. Considering the extent to which traffic, parking, congestion, etc. create a negative image of the Isthmus Area, it is hoped that the city (which has an "Isthmus Area Traffic Redirection" study and a major parking study both underway) will actively seek short term as well as long term solutions.

## PREFACE

The Isthmus Area Housing Study, sponsored by the city of Madison in cooperation with the Central Madison Committee, addresses current and future housing demands in the central area of the city. As shown in the frontispiece, this area includes the central business district, the Wisconsin State Capitol, portions of the University of Wisconsin campus, and many of the older central residential districts. The specific stated purpose of the study is to "assist the city and the business community in taking actions which will lead to an increase in the number of permanent residents in the central city."

The study differs from the traditional housing market analysis by including as a major element an opinion survey -- telephone interviews of Isthmus Area residents and in-depth personal interviews of those living elsewhere in the city. The findings of the opinion survey (reported in detail in a separate volume) formed a strong foundation for the rest of the study, as well as a richly detailed data base.

Another important part of the research was the extensive interviewing of city officials, representatives of the University of Wisconsin, bankers, builders, real estate agents, and members of various neighborhood organizations. Secondary sources were used as well: publications, reports, maps, memoranda, computer print-outs from the city's extensive data base, etc.

It is a sign of Madison's vitality that the city and the business community cooperated in the housing study. The problems of the Isthmus Area are very real but, seen in the perspective of the abandonment and extreme poverty plaguing many cities of similar size, the Isthmus Area can be seen as a challenge. It has great vitality and a superb location; some of its weaknesses can be overcome, and the adverse affects of others can be mitigated.

The most important finding of the Isthmus Area Housing Study is the elasticity of the market. This elasticity is important because it means that efforts by the city and the business community are likely to be rewarded; that if the perceived problems are addressed and the supply of housing is increased, the result should be an increased interest on the part of permanent residents in living in the Isthmus Area.

## MADISON AND THE ISTHMUS AREA

### Total Population

Madison is a state capital, the home of a major university, and a city with no large ghettos and no extensive slums. It is financially healthy, with an AAA bond rating; there is little unemployment.

Despite the absence of the type of serious problems that are plaguing most large American cities, in the past few years Madison has ceased to grow, and may be experiencing a declining population. From 1960 to 1970, the population of the city grew by more than one-third, from 128,706 to 171,769. (This growth was due in part to annexations.) From 1970 to 1974, however, the population declined slightly, by 3,098 persons, to 168,671. This population was almost entirely white--non-whites accounted for only 3.6 percent of the total. There has been no census since 1974, although the Wisconsin Department of Administration, utilizing certain income tax and motor vehicle information, has estimated the 1976 population at 172,063. If this estimate is accurate, the increase of 3,392 persons would make up the 1970-74 loss, leaving, however, a zero growth rate since 1970.

Neither the 1970-74 loss of population nor the possible gain from 1974-76 can be attributed to changes in enrollment at the University of Wisconsin (nearly all students live in Madison, and they account for more than one-fifth of the city's population): enrollment rose steadily during the period, from 34,388 in the fall of 1970 to 36,355 in the fall of 1974 and again to 37,552 in the fall of 1976. The population changes cannot be attributed to annexation either, since minor annexations during these years added only about 400 persons to the total population.

The increase in University enrollment suggests a loss of permanent population from 1970 to 1974 that is greater than the census reported. As for the 1974-76 estimated increase in population--the University gained some 1,217 students during this period, equivalent to one-third of the increase--but during this period there was no spurt of housing or dramatic increase in the birth rate or other verification of the rest of the estimated increase, amounting to more than 2,000 persons. In fact, Madison's public school enrollment has been dropping since 1970, but how much of the drop can be

attributed to out-migration rather than a falling birth rate is not known.

Although Madison's population has ceased to grow, its suburban areas have been experiencing considerable growth, particularly those just beyond Madison's three mile area of extraterritoriality. It seems clear that there has been outmigration, and the city has recently asked for an opinion survey to ascertain from those who have moved out their reasons for so doing. Madison's tax rate is some 30 percent higher than the suburban Dane County rate. The city provides more services than the suburbs, which accounts for part of the difference. Madison residents must, nevertheless, pay some county taxes for which they reportedly receive no benefit.

### Isthmus Area Population

From 1960 to 1970, while Madison as a whole gained in population, the central portion of the city--an area somewhat larger than the Isthmus Area--lost population, as shown in Table 1. In 1960, census tracts 11,12,16,17,18 and 19 had a population of 45,921; in 1970, 43,437--a decline of 2,484. Four years later, the Special Census reported another decline of 2,375 persons, or more than three-quarters of the entire city loss of 3,098 during this period. Except for census tract 16, which includes the Bassett neighborhood, every Isthmus Area tract lost population.

Table 1

#### Population Change, 1960 - 1974

##### Madison and Center City

	1960	Change 1960-1970 No.	1970	Change 1970-1974 No.	1974	Change 1960-1974 No.	%
Census Tract							
11*	7528	- 990	6538	- 769	5769	- 1759	- 23.4
12*	7819	- 1368	6451	- 65	6386	- 1375	- 17.6
16	10362	2416	12778	529	13307	2945	28.4
17	5637	- 171	5466	- 653	4813	- 824	- 14.6
18*	5835	- 637	5198	- 465	4733	- 1102	- 18.9
19*	8740	- 1899	6841	- 787	6054	- 2686	- 30.7
Center City							
Total	45921	- 2649	43437	-2210	41062	- 4859	- 10.6
Madison							
Total	126706	45063	171769	-3098	168671	41965	33.1

\*Partly outside Isthmus Area.

Source: U.S. Census 1960, 1970, Special Census 1974

## Age Distribution

As expected, given its large college population, the age composition of the city is heavily weighted by young adults. Persons 18-24 years old account for one-quarter of the population (see Table 2). Between 1970 and 1974, there was a decline in the proportion of persons under 18, a steep decline in the birth rate--in line with national trends--and a slight increase (numerically as well as proportionately) in those 65 and over.

Table 2  
Population by Age Groups, 1970-1974  
Madison

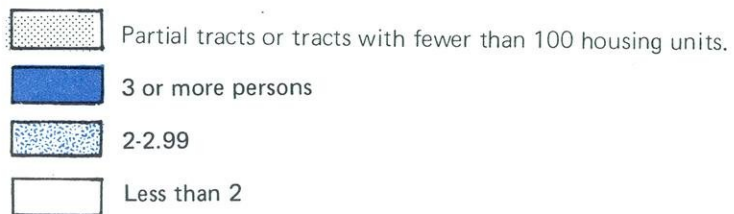
<u>1970</u>			<u>1974</u>		
<u>By Number</u>			<u>By Percent</u>		
Under 5	13,901	10,520	Under 5	8.0	6.2
5-17	37,400	33,113	5-17	21.6	19.6
18-24	42,191	42,546	18-24	24.4	25.2
25-44	41,098	43,915	25-44	23.7	26.0
45-64	26,219	23,643	45-64	15.1	15.2
65 & over	12,449	12,934	65 & over	7.2	7.7
TOTAL	173,258*	168,671	TOTAL	100.0	100.0

\*Based on Census Tracts PHC (1) -123, which reported Madison's total population as 173,258. This total was later corrected to 171,769, but the detailed breakdowns were not corrected.

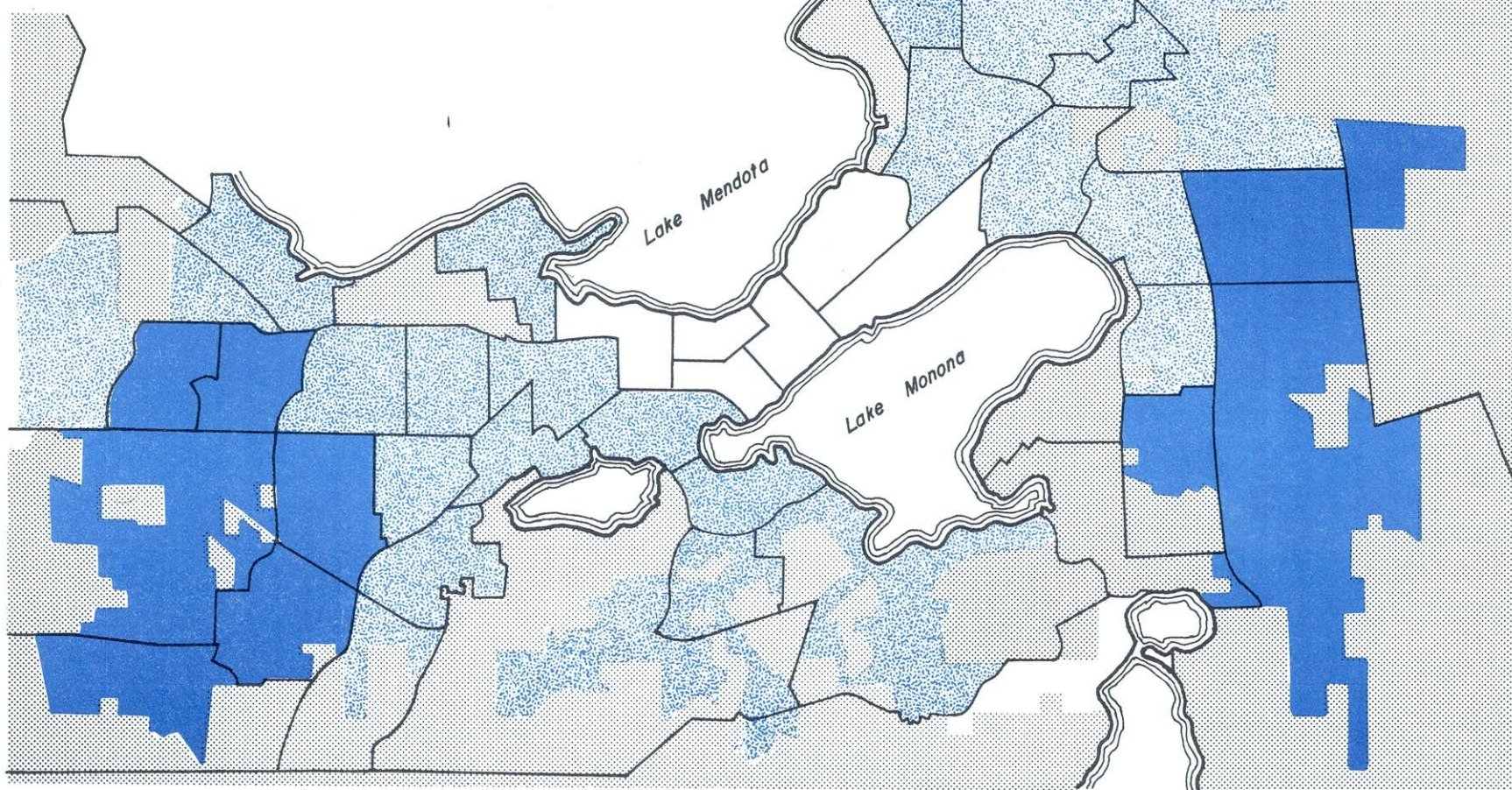
Source: U.S. Census, 1970; Special Census, 1974.

The Isthmus Area has, proportionately, more than twice as many student-aged residents as the city as a whole. (It is possible to approximate closely the Isthmus Area population in 1974, using the Special Census, since the data, although limited, are given for small areas called enumeration districts.) Of the total population in the Isthmus Area, slightly less than 35,000, or 68 percent, are aged 18-24; in the city as a whole, one-quarter are in this age group (Table 3). In the Isthmus Area, less than two percent of the population was under five years of age in 1974; the city-wide percentage in this age group was more than four times greater. Only in three census tracts in the Isthmus Area--12,18 and 19--was there any appreciable proportion of young children (3.2 percent, 13.1 percent, and 3.7 percent, respectively). Given the small proportion of young children in 1974, it is not surprising that the Isthmus Area has been threatened with school closings.





Source: R. L. Polk & Co., *Profiles of Change* 1975-76.



Map 1  
Average Persons per Household  
Area-wide: 2.51

# Isthmus Area Housing Study

## MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York



Table 3  
Population by Selected Age Groups, 1974

Madison and Isthmus Area

	Census Tract (%)							Isthmus Area Total (No.) (%)		Madison (%)
	11*	12*	16.01	16.02	17	18*	19*			
Less than 5	0.2	3.2	0.3	0.4	0.5	3.1	3.7	(523)	1.5	6.2
18-24	86.8	44.5	70.9	76.3	55.6	40.0	27.9	(20176)	58.2	25.2
65 and over	1.1	10.3	2.9	2.8	8.4	12.3	12.6	(2403)	6.9	7.7
Total (No.)	(3049)	(4452)	(6797)	(6510)	(4811)	(4733)	(4302)	(34654)	-	(168,671)

\* Part of tract only; excludes enumeration districts that are entirely outside Isthmus Area.  
 Source: Special Census, 1974

### Household Characteristics

Unfortunately, the 1974 Special Census reported only age, sex, and race for the population. The latest available data concerning housing and household characteristics appears in the 1975-76 Profiles of Change, a service of R.L. Polk & Co., based on their City Directory. Polk compiles its data by annual door-to-door canvasses, undertaken over a period of several months. In Madison, the 1975-76 canvass was undertaken from October 20 to March 6; the 1974-75 canvass from October 20 to January 18. Both canvasses were taken during the fall and winter, when the greatest number of students were in residence. (Students in dormitories, however, would not be enumerated by Polk.)

Household and housing data from Profiles of Change on Maps 1-6 show graphically some of the contrasts between the Isthmus Area and the rest of Madison, as well as pointing up some of the differences between east and west Madison.

Geographically, the main portions of the city can be thought of as dumbbell shaped, with the east and west portions joined by the Isthmus Area. Traditionally, the western portion of the city has been considered more University-oriented, and housing tends to be more expensive there. The eastern portion of the city is considered the blue-collar area, and homes

tend to be smaller, with smaller lots, and less expensive. The Isthmus Area, which joins western and eastern Madison, is not only the employment center of the city, but also the oldest portion, with the oldest housing and the greatest concentration of housing problems.

As compared with the rest of Madison, the Isthmus Area has the smallest households, averaging less than two persons per household (see Map 1). This is, of course, hardly surprising in an area where two-thirds of the population is student-aged or elderly. In contrast, the average household near the city's edges tended to have three or more persons.

In the Isthmus Area and in east Madison, the "income index" is relatively low. This is due to a high proportion of students and retired and jobless household heads, as well as a high proportion of blue collar workers. The "income index" shown on Map 2 is a measure of the occupational mix in an area rather than the level of household income.\* The low income index in the Isthmus Area is due as much to the high proportion of students and retired household heads as it is to joblessness among household heads (Maps 3-5).

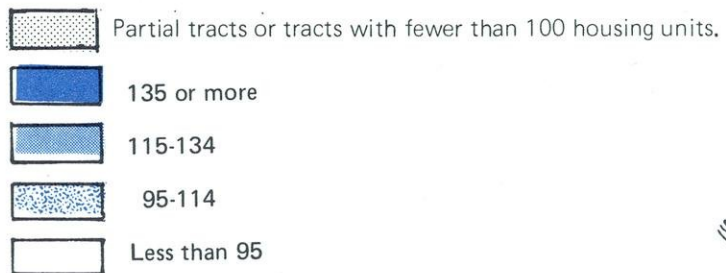
#### Occupancy Characteristics

Table 4 and Map 5 compare the occupancy characteristics of the Isthmus Area census tracts with the pattern for the city as a whole. Although parts of some of the census tracts lie outside the Isthmus Area proper, the contrast is startling. Whereas the city is divided nearly evenly between owner-occupied and rental housing, in the Isthmus Area only 18.2 percent of all housing is owner-occupied. In fact, in four of the seven census tracts in the Isthmus Area, owner-occupancy represents less than five percent of the total housing stock. In terms of public policy, this has serious ramifications, as it is generally easier to induce homeowners to participate in upgrading efforts than to gain the cooperation of investor-owners.

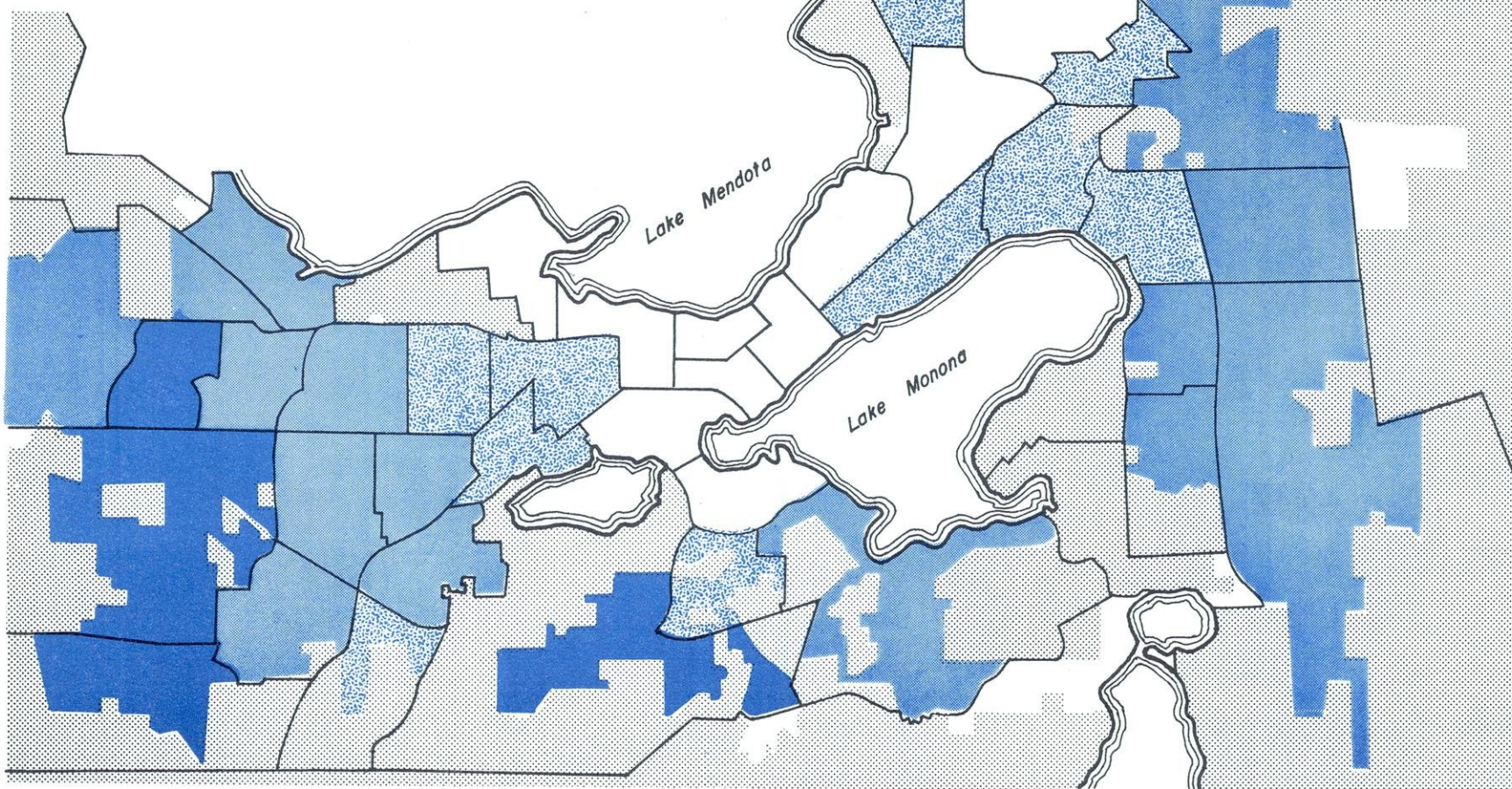
---

\*Polk computes the income index as follows: an occupation is assigned an index number that describes the relationship of the national average income in that occupation to the general nationwide average household income, based on 1973 Bureau of the Census data. (Thus, the national average household income in 1973 of \$12,100 has the index number of 100. Salesmen, whose national average income was \$15,800, have an index number of 130-- $\$15,800/\$12,100 \times 100 = 130$ .) The occupation of the household head only is used.





Source: R. L. Polk & Co., *Profiles of Change* 1975-76.



Map 2  
Index of Household Income  
Area-wide: 107

## Isthmus Area Housing Study

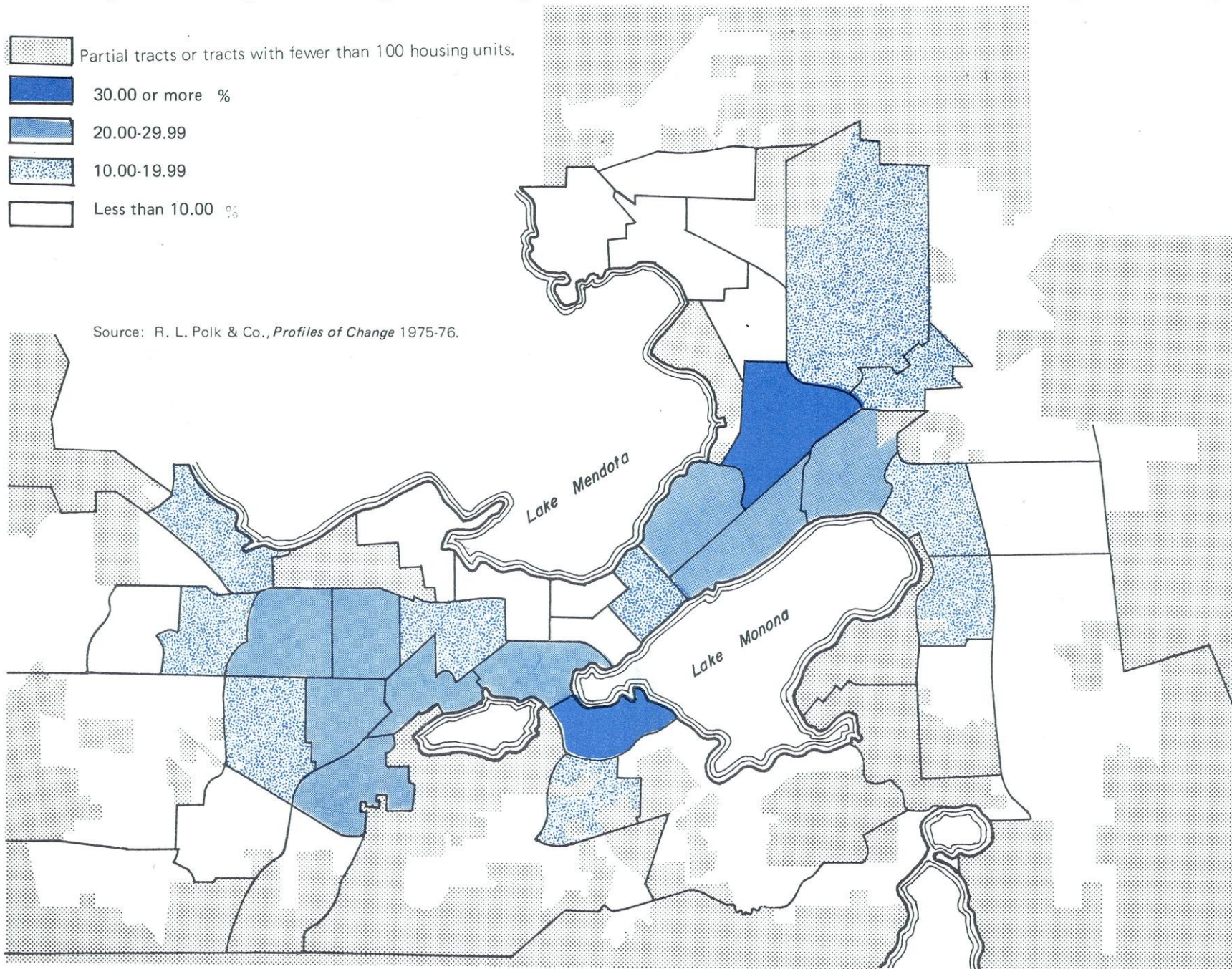
### MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York





Source: R. L. Polk & Co., *Profiles of Change* 1975-76.



**Map 3**  
**Retired Heads of Households**

(As percent of total households)

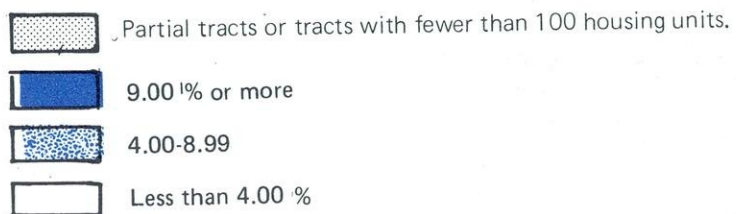
**Area-wide: 15.52%**

## Isthmus Area Housing Study

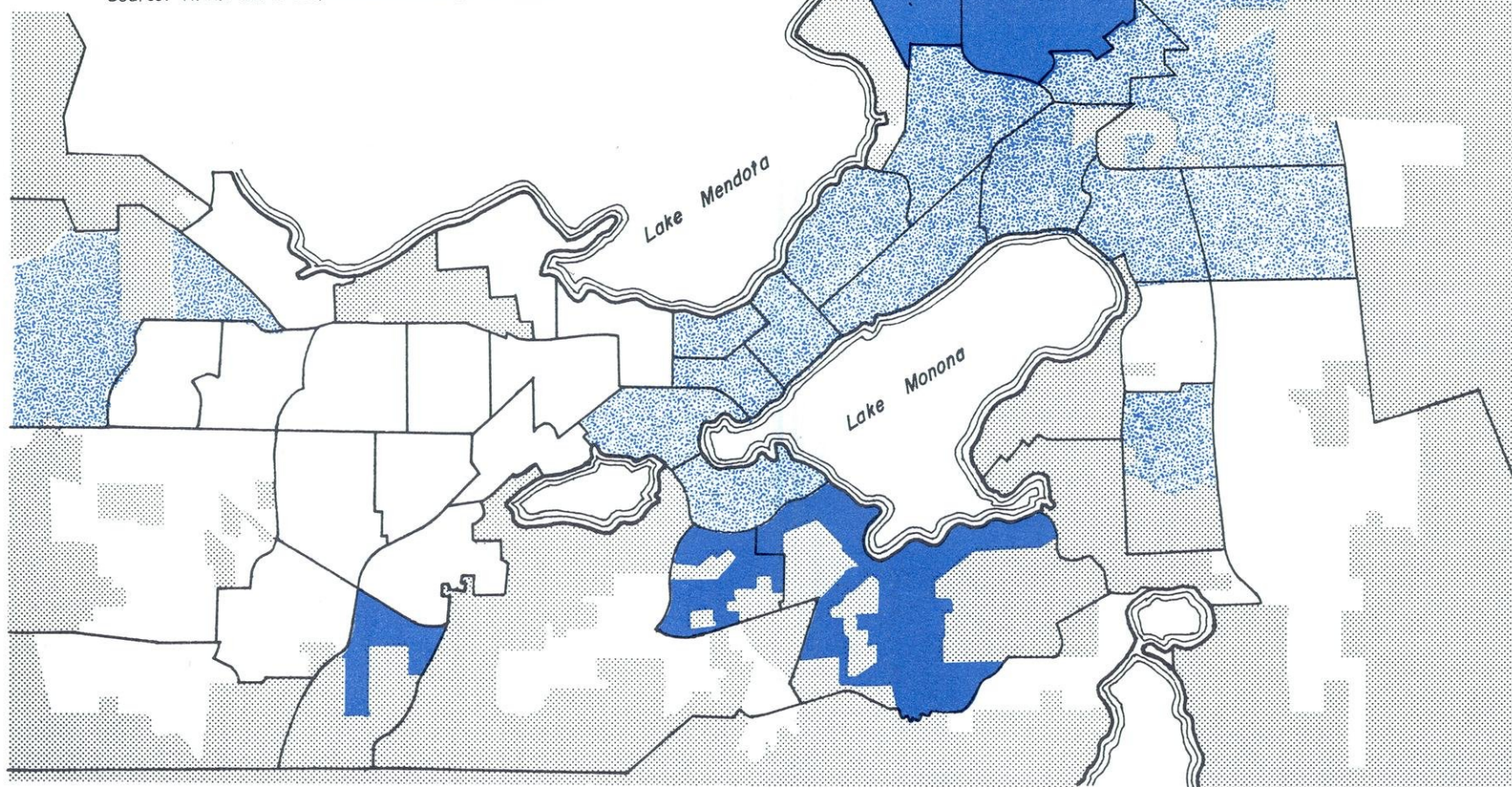
### MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York





Source: R. L. Polk & Co., *Profiles of Change* 1975-76.



**Map 4**  
**Jobless Heads of Households, Excluding Students and Retired**  
 (As percent of all households)  
**Area-wide: 6.00%**

## Isthmus Area Housing Study

### MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York

Table 4

Occupancy Characteristics, Fall 1974

<u>Madison and Center City</u>							
<u>Census Tracts</u>	<u>Total Units</u>	<u>Owner-Occupied</u>		<u>Renter-Occupied</u>		<u>Vacant</u>	
		<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
11*	671	22	3.3	639	95.2	10	1.5
12*	2,261	881	39.0	1,317	58.2	63	2.8
16.01	2,405	30	1.2	2,275	94.6	100	4.2
16.02	1,942	93	4.8	1,773	91.3	76	3.9
17	2,490	101	4.0	2,248	90.3	141	5.7
17*	2,176	563	25.9	1,498	68.8	115	5.3
19*	2,720	974	35.8	1,652	60.7	94	3.5
Center City Total	14,665	2,664	18.2	11,402	77.7	599	4.1
Madison Total	60,084	30,096	50.1	27,837	46.3	2,151	3.6
Center City as % of Madison	24.4	8.9%		41.0%		27.8%	

\*Partly outside Isthmus Area.

Source: R.L. Polk & Co., Profiles of Change: Madison, Wisconsin, 1974-5.

Vacancy Rate

There are two recent surveys of residential vacancies in the city of Madison: (1) the R.L. Polk & Co. survey, taken from October, 1974 to January, 1975, and (2) a Postal Service survey, taken in October and November of each year, which is published by the Federal Home Loan Bank Board.

The two surveys are not comparable due to differences in definition, method of delineation, and area boundaries. However, they both confirm what tenants in the Isthmus Area obviously know--that during the September/May period, the housing market is very tight. A general rule of thumb is that 3-5 percent vacancies are required just to facilitate turnover, to accomodate the normal shifts in and out that characterize a dynamic housing market. The Isthmus Area vacancy rate is very low--somewhere between four percent and less than one percent.



The Polk Company survey found a total of 599 vacant units in the Isthmus Area census tracts, for a vacancy rate of 4.1 percent. Individual tract rates ranged from 1.5 percent to 5.7 percent, compared with a city-wide range of 3.6 percent.

The more recent Postal Service surveys (summarized in Table 5) show vacancies dropping from 2.0 percent in the Isthmus Area in 1976 to 0.6 percent in 1977, compared with a city-wide rate of 1.4 percent in 1976 and 1.0 percent in 1977.

The Polk-reported vacancies include "two-canvass vacancies," as shown on Map 6. These are housing units that were found vacant at the time of both Polk canvasses being considered. The number of two-canvass vacancies is generally tied closely with conditions of deterioration, dilapidation, and abandonment. Polk enumerates housing units irrespective of condition; therefore, the two-canvass counts include structures that are abandoned. The significant feature of Madison's two-canvass vacancies is that there are so few of them. In no area of the city is there any sign of real abandonment. In the Isthmus Area, which residents, according to the Opinion Survey, perceive as "rundown" and "deteriorated," fewer than 100 housing units--less than one percent of all the housing units--were vacant for two canvasses.

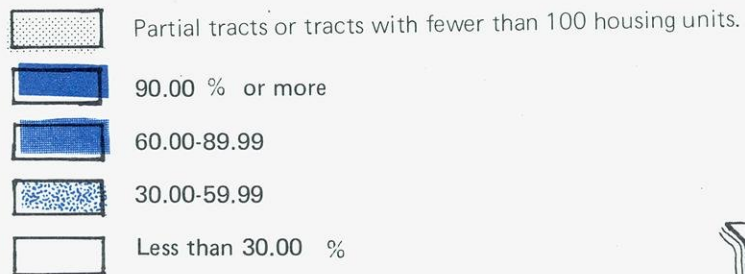
Table 5  
Residential Vacancy Rate, 1966 and 1967  
Dane County, Madison, and Isthmus Area

	<u>1977*</u>	<u>1976*</u>
Vacant Units as Percent of Total Units		
Isthmus Area (Zip Code Area 53703)		
Single Family	0.8	0.6
Multi-Family	0.6	2.5
TOTAL	0.6	2.0
City of Madison		
Single Family	0.9	0.8
Multi-Family	1.1	2.3
TOTAL	1.0	1.4
Dane County		
Single Family	1.1	0.9
Multi-Family	1.4	2.3
TOTAL	1.2	1.4

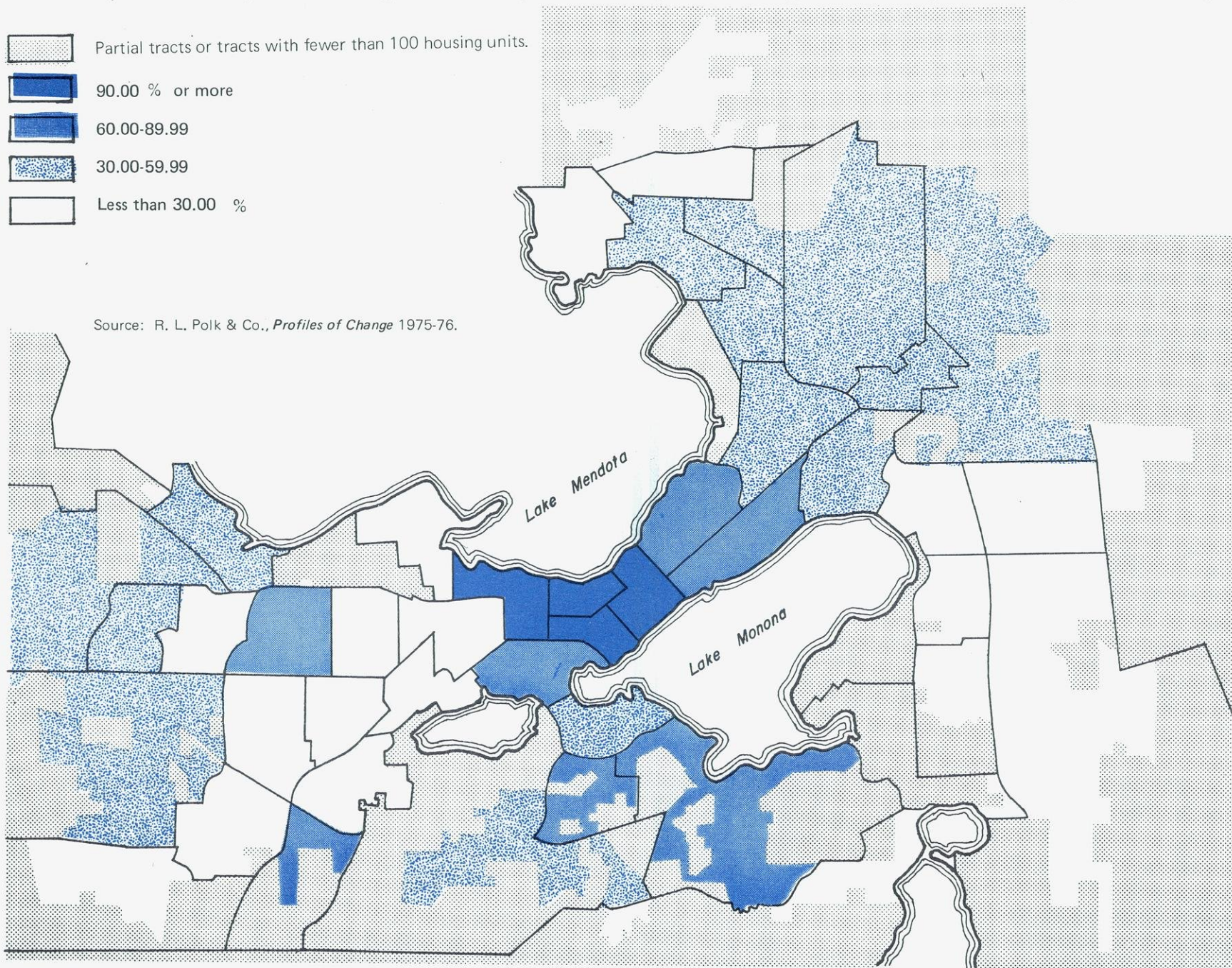
\*As of October/November

Source: Federal Home Loan Bank Board of Chicago





Source: R. L. Polk & Co., *Profiles of Change* 1975-76.



**Map 5**  
**Renters**

(As percent of total households)

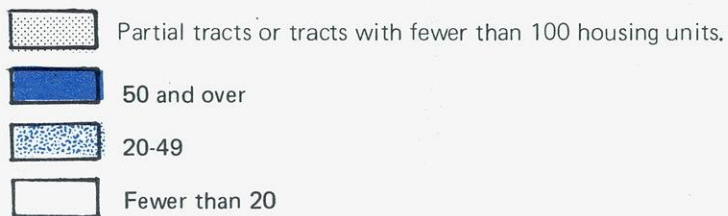
**Area-wide: 49.24%**

## Isthmus Area Housing Study

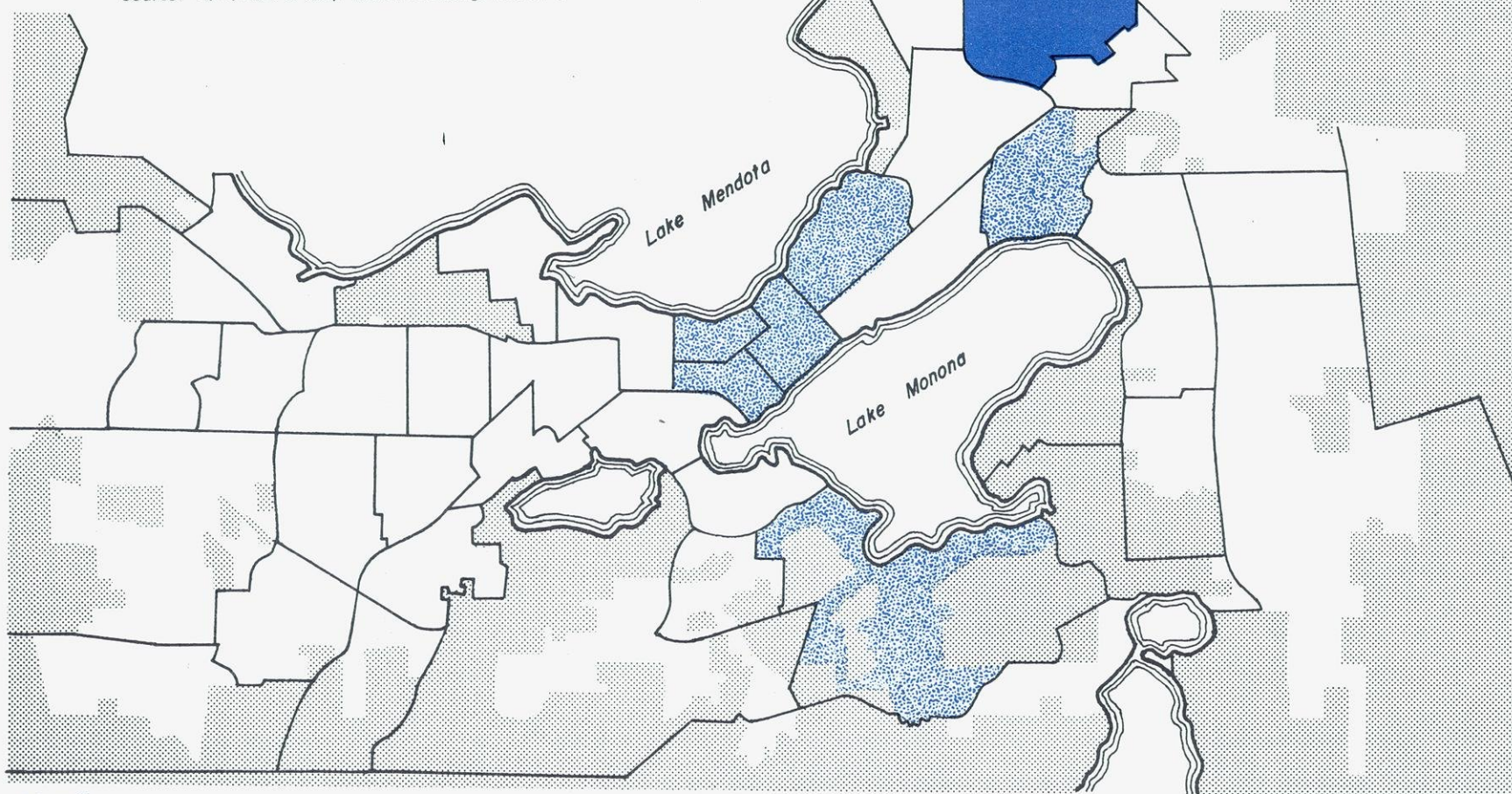
### MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York





Source: R. L. Polk & Co., *Profiles of Change* 1975-76.



**Map 6**  
**Two-Canvass Vacancies**  
 (number of housing units)  
**Area-wide: 343**

## Isthmus Area Housing Study

### MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York

## College Students

One quarter of the city's population consists of students, primarily students at the University of Wisconsin, where enrollment was 37,924 in September 1976. Madison Area Technical College, the main buildings of which are now located just north of the Capitol, has some 26,000 students attending school at its three campuses in Madison, most of them at the downtown buildings. Of the Madison students, 4,900 are full-time students.

In addition, there are two small colleges in Madison, Madison Business College on West Washington Avenue, and Edgewood College, located on Lake Wingra, a short distance from the Isthmus Area.

University of Wisconsin: A recent analysis of the place of residence of University students shows that 10,321 students live within zip code zone 53703, which covers most of the Isthmus Area south and east of the University proper. Another 6,530 live in zip code zone 53706, which lies between Randall Avenue and Frances Street, extending south along the shores of Lake Monona. The northern half of this zone is in the Isthmus Area, and the majority of the 6,530 students can be presumed to live there, since it is close to the University. Thus, a total of some 14 or 15,000 students, some 40 percent of the enrollment and mostly upper-classmen or graduate students, live within the Isthmus Area.

A June 1977 sample survey, prepared for the Statutory Advisory Housing Committee, reported that most students--58 percent of the men and 53 percent of the women--live in apartments; among graduate students, the proportions were considerably higher, 77 percent and 63 percent, respectively.

Of the students in the apartments, most lived in one or two bedroom apartments, with few in efficiencies or four-or-more bedroom units; most lived in relatively small apartment buildings of one to twelve apartments.

The study "confirms that students are not the most stable renters. The pattern of housing would seem to follow the academic calendar very closely. By the end of the first year of the first occupancy, 82 percent of respondents answering the question moved at least once." Four-fifths of the apartment dwellers shared their apartment. The median individual income for these students was near \$4,000, and the median student rent (per person) was \$100. The total rent,

however, which was clearly higher, was not specified, and can be estimated as averaging slightly less than \$200.

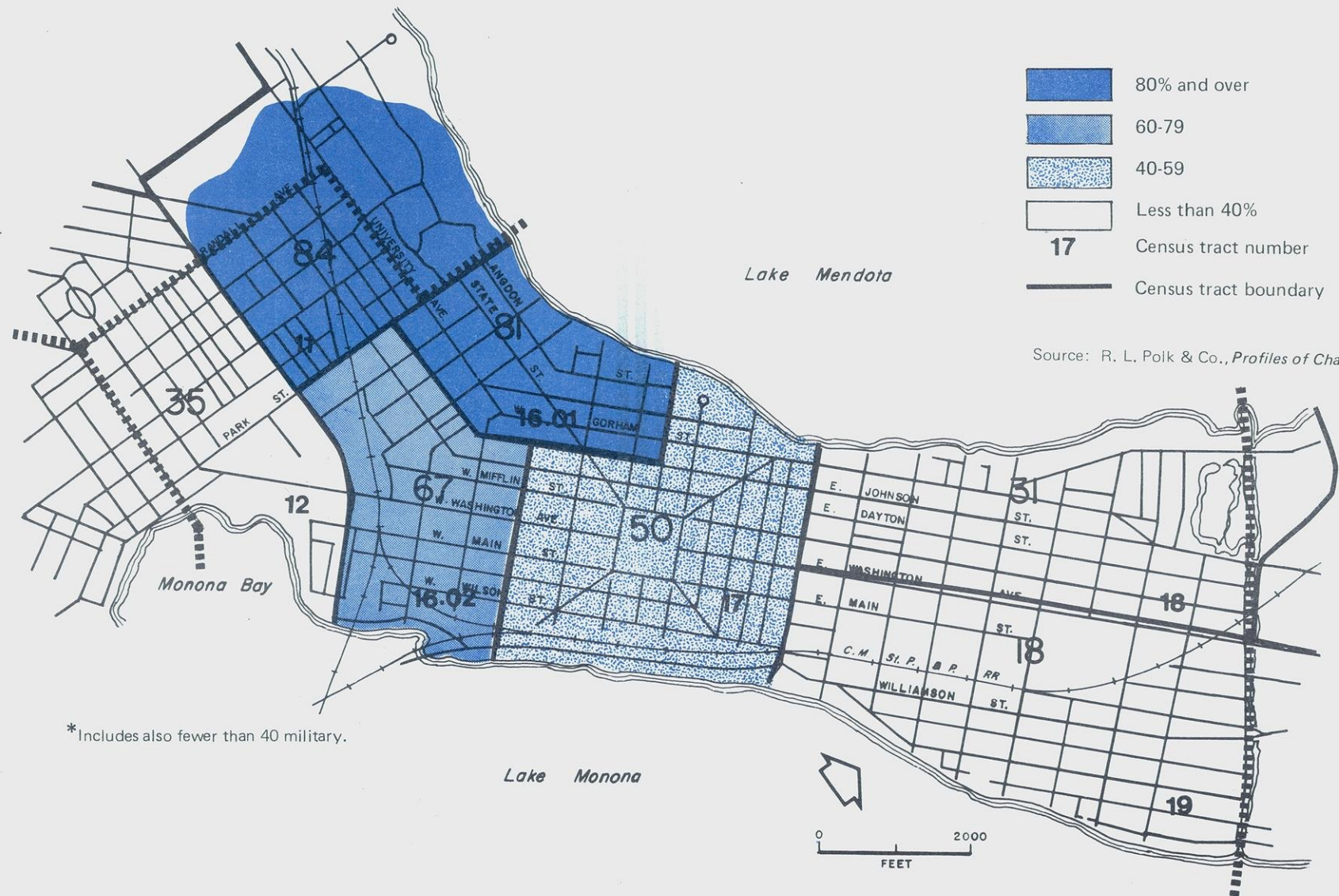
Since there is so large a number of students living in the Isthmus Area, they distort the data. Table 3 shows the proportion of the population 18-24 years old in the various census tracts in the Isthmus Area; the proportion of the population that are students may be even higher than this indicates, since graduate students in particular are often older than 24. (In the survey prepared for the Advisory Housing Committee, 14 percent of the students surveyed were 28 years old or older, 28 percent were 23 to 27 years old, one percent 14 to 17, and only 57 percent 18 to 22.) Students clearly dominate in the enumeration districts closest to the University, and student housing pressures are felt reaching out from the areas that are already student-dominated.

The Bassett neighborhood has changed character in the past decade, due to the influx of students and housing--furnished apartments in "shoebox" buildings--built especially to attract them.

The University is reported to have no plans to provide additional housing for its students and is under a state mandate not to increase the size of the student body--a mandate which some city officials believe is, perhaps, obeyed somewhat casually. The present stock of University-owned housing accommodations consists of 6,500 units for singles, 1,122 units for married couples, and 150 faculty apartments. In addition, the University leases 80 units at the nearby Towers Apartments and 160 units at the Regent Apartments. The University estimates the debt service and operating cost requirements for new dormitories could approximate \$1,600 per student for a nine-month year. Since current charges are around \$725 per student for room only, the difference would have to be carried by the rest of student housing, necessitating an increase in charges. Moreover, since three campuses in the University of Wisconsin system have empty dormitory space, the state legislature is unlikely to approve the construction of new facilities.

In June, 1974, the Advisory Housing Committee, a state-created committee, released a series of recommendations, based on the premise that low rent student housing within walking distance of the University should be a priority. The area considered within walking distance includes the Bassett neighborhood, the University neighborhood and Mansion Hill and, in fact, all of the Isthmus Area. The report recommended that two-





Map 7

Student-Headed Households\*

(As percent of all households)

Area-wide: 18%

## Isthmus Area Housing Study

### MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York

thirds or more of the single students be housed within this area; that the nearby rail corridor be developed/redeveloped with the new uses to include housing and/or mass transportation; and that some of the industrial area along East Washington Avenue also be considered for residential development (for both families and students). Various types of programs are suggested: student cooperatives, University ownership, University construction, controlled experimentation in codes to permit lower housing conversion costs, creation of a non-profit developer, and establishing a priority housing plan area in the Isthmus Area north of Regent Street and west of Hamilton Avenue.

If this Advisory Housing Committee report reflects present day state or University policies, it may indicate a serious conflict between city aspirations for the Isthmus Area and University needs and plans. This will have to be explored with University officials and with the Advisory Housing Committee. A further question to be explored is the possible direction of student preferences in the near future. While this is certainly a form of crystal-balling, if students were to reverse present trends and wish to return to dormitory living--if a dormitory is available--the impact on the Isthmus Area would be great.

Madison Area Technical College, which offers an associate degree, is in need of a central campus. The college has some 5,000 full time students, most of whom attend classes in Madison. Altogether, at all of its facilities, the college has more than 40,000 students, part time and full-time. MATC students tend to be older than those of the University, and many of them are not Madison residents. Since the main college buildings are now north of the Capitol, the thousands of students who attend classes there contribute greatly to the student "presence" downtown, and support the retail and service establishments there. Some 800 full-time students live in the Isthmus Area near the school.

The MATC board, which includes representatives of the city and the counties in the college's district, is looking for a site for the college. The city is anxious that MATC remain near downtown, and the mayor has urged an East Washington Avenue location. The major objection to this site--some eight blocks--appears to be its cost. The chairman of the MATC board, who had opposed the site, recently stated that he would support it, provided the Board receives a favorable report on financing, air quality (which has been a problem downtown), and the city's right of condemnation.

A \$30 million bond issue was approved in 1974 for a new central campus; \$10 million of this has already been spent, and the downtown site is estimated to cost some \$8 million more than other sites that have been considered. The city, however, has committed \$6.2 million for the acquisition and has indicated it might be willing to commit more. If the East Washington Avenue location were approved, it would undoubtedly spur a need for additional housing nearby, even though (or perhaps particularly because) MATC has no dormitories. Many of those needing this housing might be "permanent residents" of the type that the city wishes to attract to the Isthmus Area. An East Washington Avenue site, however, would increase housing pressures on the Tenney-Lapham neighborhood, as well as increase traffic in the eastern portion of the Isthmus Area.

## THE OPINION SURVEY

The prime purposes of the Opinion Survey were:

- To measure and evaluate the market among non-Isthmus Area residents of Madison for housing in the Isthmus Area; and
- To provide information on behavior, life-styles, and attitudes of Isthmus Area residents and those living elsewhere in the city (non-Isthmus Area residents) to serve as a basis for possible city improvements and for planning and executing market strategies designed to encourage more non-Isthmus residents to consider living in the Isthmus Area.

Three samples were chosen, each in such a way that every adult resident of Madison (18 years and over) living in a household whose head of household was not a full-time student had an equal chance of falling into the sample. Interviews were conducted from January 26 to March 10, 1978, as follows:

- 304 telephone interviews of Isthmus Area residents
- 405 personal interviews of non-Isthmus Area residents
- 160 personal interviews of non-Isthmus Area residents living in a household where a member works in the Isthmus Area

Since 141 of the respondents in the base sample of 405 non-Isthmus Area residents had household members working in the Isthmus Area, a total of 301 respondents of this type were interviewed. Thus, the findings are based on the attitudes of 304 Isthmus Area respondents, 405 non-Isthmus Area respondents, and 301 non-Isthmus Area respondents in households where a member works in the Isthmus Area.

The Opinion Survey revealed that, unlike many central-city residents in other cities in the United States, Isthmus Area residents feel that it is a very good place to live. Typically, they moved to the Isthmus Area to be close to the University. They like the Isthmus Area primarily because it is close to the lakes and to all kinds of things they do, including both work and non-work activities. Secondarily, they like it because of its good bus service, its convenient shopping

facilities (except food shopping), its recreational facilities, and its proximity to the University's educational and cultural facilities. Isthmus Area residents also rate highly the type of people who live in the Isthmus Area, the quality of its schools, and its proximity to their place of employment and to friends and family.

The great majority of Madison residents like the city, like where they live, and live where they want to live in the city. Thus, the chances of attracting new kinds of people to the Isthmus Area are less than those of attracting the same kind of people. The best prospects are people under 30, people with an income of under \$9000, renters, and people who presently live in near-east and near-west Madison; the best prospects also tend to lead highly active physical and social lives. People who have a household member who presently works in the Isthmus Area are only slightly more inclined to consider the Isthmus Area as a future home than are all other non-Isthmus people.

To families with children who want the traditional house-and-lawn, most parts of the Isthmus Area will have no appeal, according to the Opinion Survey. The Survey reported in addition (and rather surprisingly) that empty-nesters--those whose children have grown--are also not prime prospects for becoming Isthmus Area residents.

Considerable elasticity is evident among non-Isthmus residents, particularly when good housing value is offered in the Isthmus Area (see Table 6). Respondents were asked if they were interested in and capable of renting/buying four different types of housing in the Isthmus Area. Initially, the greatest degree of interest was expressed in a rehabilitated older home. This was also the housing type with the lowest rent. When the cost of the housing was lowered, however, interest picked up considerably in two of the types (an apartment and a townhouse) particularly among those living in the west side of the city, those aged 30-49, and upper-income respondents. Respondents were also questioned about a luxury lakeview condominium, but only one cost - \$80,000, \$800 monthly - was suggested and, as expected at this high cost, few respondents were "interested and capable" at this time (although more than 10 percent were "interested"). The implications of this are discussed in the demand forecasts.



Table 6

Attitude Towards Selected Housing Types by Age, Income, andArea of ResidenceNon-Isthmus Residents

	Interested in and Capable of...					
	Renting		Buying Townhouse		Renting Rehab	
	Apartment @		@ monthly cost		Older Unit	
	@ \$375	@ \$345	@ \$60,000 \$550	@ \$50,000 \$450	@ \$350	@ \$315
By Age:						
Under 30	6.7	10.4	1.5	8.2	16.4	19.4
30-49	5.3	11.4	1.5	12.1	8.3	13.6
50 and over	5.8	10.9	3.6	5.8	6.5	8.0
By Income:						
Under \$9,000	6.5	12.1	1.9	5.6	14.0	14.1
\$9,000-\$14,999	4.3	10.8	2.2	8.6	8.6	16.1
\$15,000-\$24,999	7.3	8.9	0.8	8.9	8.1	12.2
\$25,000 and over	5.6	13.9	5.6	11.1	11.1	12.5
By Area:						
East	5.4	8.2	1.4	4.8	5.4	8.8
Central						
(excl. Isthmus)	5.3	9.6	3.2	12.8	17.0	16.0
West	6.7	14.0	2.4	9.8	11.0	16.5

Source: Opinion Survey, 1978.

Traffic, lack of parking, noise, congestion, and a somewhat rundown condition are perceived as problems in the Isthmus Area, dampening its appeal. Lack of food stores is also a deterrent. These are types of problems which can be dealt with and their impacts can be mitigated, if not eliminated.

Fear of crime and anti-student feelings are not a major deterrent to attracting new Isthmus Area residents, but these feelings do exist to a minor extent among non-Isthmus residents, and require correction. The best way to correct them may be to stress that they are not problems experienced by the great majority of non-student residents who live in the Isthmus Area now.

During the course of this assignment, the consultants interviewed several dozen developers and real estate agents, commercial lending officers, real estate management specialists, and government officials and neighborhood and community leaders. Those selected were interviewed not only on their different areas of technical expertise, but also on their views and

opinions of what is feasible in downtown Madison. When the substance of these opinions is compared with the opinions of non-Isthmus residents as tabulated in the Opinion Survey, a startling difference is apparent: most of the leadership of Madison mention the recent developments which are taking place in the Isthmus Area, the active proposals in various stages of planning, and the generally positive outlook they have for the future. This contrasts strongly with the opinion of most of the non-Isthmus residents, who mention negative things when they discuss the Isthmus, i.e., crime, congestion, noise, etc. While not glossing over the problems which must be solved if the Isthmus Area is to attract more permanent residents, it is apparent that the area faces a major public relations hurdle in attracting new residents. As more and more of these development proposals are implemented and public improvements continue to be made, however, the image of the Isthmus Area on the part of residents living in outlying areas of the city should gradually improve. Non-Isthmus residents do not fully recognize the improvements which have occurred in the Isthmus Area in recent years. This indicates a need to acquaint more of these people with the major facelifting which has been accomplished downtown.

The Opinion Survey indicates that the best promotional themes to use in selling the Isthmus Area as a place to live to non-Isthmus people are its proximity to cultural and educational affairs and the opportunity it offers people to either do without a car or to greatly reduce their automobile expenses as the cost of running and maintaining a car increases in the years to come.

## ISTHMUS AREA NEIGHBORHOODS

The Isthmus Area, about 20 percent of the geographic area and population density of all of Madison, is as populous and as varied as many entire cities. The area is physically striking--it has a strongly linear configuration, bounded by the two lakes and dominated by the Capitol dome.

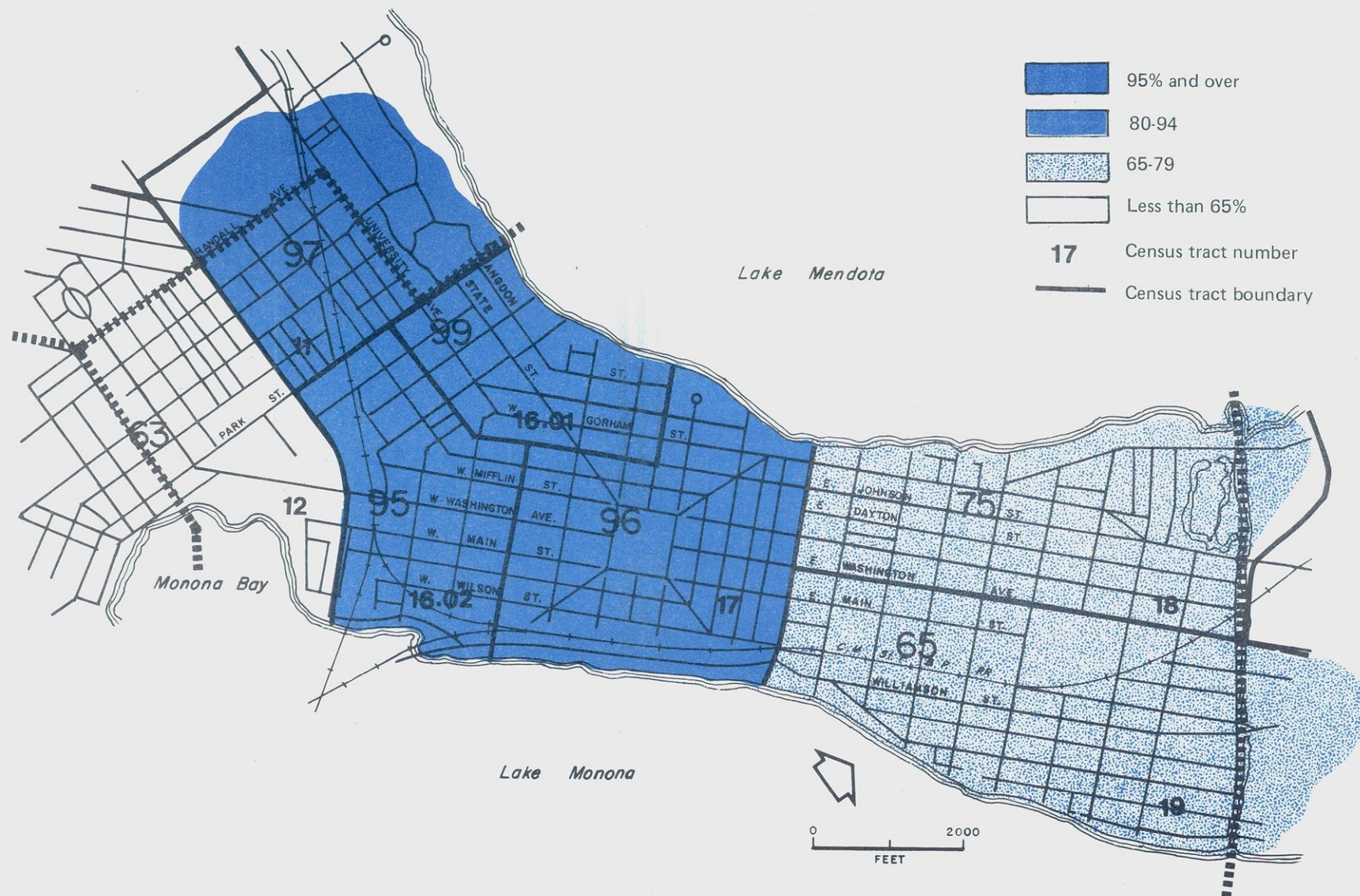
The Isthmus Area neighborhoods vary in terms of land use, housing, physical conditions, and population; their zoning and the planning that is being done for them also differs. Maps 7-9 show the higher concentration of students and renters in the census tracts near the University, and the high proportion of retired household heads, particularly in the neighborhoods where student households are less prevalent.

### Marquette

The Marquette neighborhood--the southern portion of census tract 19--contains some fine older houses, and most of it is a proposed historic district. In particular, the blocks closest to the lake, with their handsome large homes, are considered highly desirable. Property values are high. There is little new construction--and little room for it, since the area is built up. Through traffic has been diverted from within this portion of Marquette, and is now funneled onto Williamson Street (as well as onto the one-way pair of Gorham-Johnson in the Tenney-Lapham neighborhood).

East of Ingersoll Street, and to the south of the Williamson Street commercial zoning, Marquette is zoned R-4A, a district which permits moderately high residential densities (up to 22 units per acre). This zoning, however, discourages student rentals, since no more than two unrelated persons may live in one non-owner occupied unit. West of Ingersoll Street, the zoning is R-4. The permitted density is the same as in the R-4A zone, but as many as five unrelated persons are permitted to live in a dwelling unit, whether owner-occupied or rental. Rentals to students are thus encouraged.

A few years ago, around 1970, Marquette was felt by some residents to be "practically a slum"--an exaggeration, perhaps, but reflective of concerns brought about by a substantial influx of students, a high turnover rate, an increase in renter occupancy, and fears that the neighborhood school would close; the heavy traffic on residential streets also



**Map 8**  
**Renters**  
 (As percent of all households)  
**Area-wide: 49%**

**Isthmus Area Housing Study**  
**MADISON, WISCONSIN**  
 Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York

had an adverse affect. The last few years, however, have witnessed a turn-around: the Jennifer Street semi-cul-de-sac forced through traffic onto Williamson Street and a strong neighborhood organization, proud of the neighborhood, its location, housing stock, and diversity, is actively "selling" Marquette. Property values have risen, particularly along the lakefront, and housing is hard to find. A considerable amount of de-conversion and rehabilitation has occurred. Of all the Isthmus Area neighborhoods, Marquette appears to be changing the most towards increased stability. In the public opinion survey conducted for this study, it is striking that 18 percent of the non-student Marquette residents felt that the Isthmus Area was likely to improve in the next five years or so because people were renovating and cleaning up older homes and areas. (In the other two neighborhood areas\*studied, only 3 and 6 percent respectively mentioned this type of improvement as a reason why they felt their neighborhoods would improve.)

The city's proposed land use plan also indicates as a problem in the Marquette neighborhood, that landlords are now discriminating against families with children.

Williamson Street, commercially zoned, is a low-density, somewhat rundown street for most of its length. The city and the neighborhood are anxious to capitalize on its design strengths, and have embarked upon an urban design program. While putting wiring underground would be prohibitively expensive, more modest efforts--street trees, sign improvements, modest rehabilitation--are expected to bring significant visual improvements. It is to be hoped that these efforts will also attract more neighborhood commercial services.

The improvement efforts are being undertaken with the Madison Development Corporation, utilizing federal Community Development Block Grant monies and Section 312 non-residential loans. The state is also conducting a feasibility study to determine interest in rehabilitation loans. The Williamson Street project is primarily directed towards improved commercial development, although it should benefit the residential neighborhoods.

---

\*Marquette and part of Vilas Park were one "neighborhood area"; the central area, including part of Bassett, was a second; Tenney-Lapham a third. Mansion Hill and other areas with a primarily student population were excluded.



The future of the railroad corridor north of Williamson Street is of concern to Marquette residents (as it is to Tenney-Lapham residents). Marquette would like to see some housing developed in the corridor--ideally, types of housing that will continue the present diversity in the neighborhood.

The proposed land use plan suggests that mixed housing types continue to be permitted in the Marquette neighborhood south of Williamson Street, at densities of 16-25 units per acre; that the area generally from Blair to Baldwin Streets be designated an historic neighborhood; and that efforts be made to take some traffic--particularly truck traffic--off Williamson Street and consolidate the commercial uses there.

#### Tenney-Lapham

Although it is extraordinarily favored in its location, on the shore of Lake Mendota and bordered by Tenney Park, the peace of the Tenney-Lapham neighborhood is disturbed by heavy and fast-moving traffic on Gorham and Johnson Streets, a one-way pair, and, to a lesser extent, on Sherman Avenue. The northeasternmost streets are protectively zoned R-2; the sound housing on these blocks is highly desirable, although the traffic volumes on Sherman Avenue may dampen its appeal to some. In the Opinion Survey, traffic congestion was the major complaint Tenney-Lapham residents have about the Isthmus Area--a complaint voiced by 38 percent of the non-student residents (far more than the 28-29 percent elsewhere in the Isthmus Area who complained of traffic congestion).

The Marquette neighborhood south of Williamson Street has not had heavy traffic since the diversion of Spaight-Jennifer, which discouraged all but local traffic. The land uses and configuration of the Tenney-Lapham neighborhood precludes a similarly simple solution: Gorham-Johnson carry nearly twice the volume of traffic carried by Williamson Street, and there is no non-residential street onto which to divert that heavy volume, since East Washington Avenue is interrupted by the Capitol at one end and traffic from the north does not have as direct and easy access as Gorham-Johnson. The city has recently received several alternate recommendations regarding traffic improvements in the Isthmus Area, including ways of increasing the accessibility of East Washington Avenue, which would be helpful to the Tenney-Lapham neighborhood.

Housing in the Gorham-Johnson corridor is generally rental. Zoned R-4 from east of Brearly Street and R-5 in the western portion, this corridor is adversely affected by heavy traffic



volumes and a spreading student population. Landlords often prefer renting to students who are generally willing to pay high rents--at least \$100 rent per bedroom per month-- while not demanding superior maintenance. The students are therefore posing a threat of displacement to the more permanent Tenney-Lapham population, and may well predominate in the R-5 portions.

Neighborhood surveys show that two years ago, 84 dwelling units changed to absentee ownership; one year ago, only 15 units; and this past year, there was no increase at all in absentee ownership. It is the neighborhood's hope that this may indicate stabilization and that, in fact, there may be some trend at the present time towards an increase in owner-occupancy.

However strong these hopeful trends may be, the neighborhood is worried, particularly by the possibility that MATC will move to the East Washington Avenue site. In the Opinion Survey, this concern was shown in several ways: to a greater extent than other Isthmus Area residents, the Tenney-Lapham respondents complained of traffic and congestion (20 percent vs. 12 percent for Marquette and 14 percent for the central area); they felt far more strongly that the University influence was too strong, that there were too many students in the area (16 percent, vs. 5 and 6 percent for Marquette and the central area); and they were the only ones with a real concern about rising rents (11 percent, vs. 1 and 3 percent). This does not mean that Tenney-Lapham residents have negative feelings about their neighborhood; to the contrary, of the three Isthmus neighborhood areas in the Opinion Survey, Tenney-Lapham non-student residents were the most strongly positive about the city and the Isthmus Area. They liked their location, and one in five commented favorably on the good bus service; the attractiveness of the city, the parks, and the lakes was also favorably commented on by many.

The threats to the neighborhood seem real: the heavy through traffic, the influx of students, the threatened closing of the neighborhood school, the reputedly crowded parks, and even the recent closing of the one small grocery store.

The proposed land use plan of the city, according to neighborhood spokesmen, mirrors existing zoning rather than existing densities, which they feel are lower. Fearing greater student incursions into the area--with more conversions and absentee ownership and higher rents--the neighborhood is asking for R-4A zoning in the area now zoned R4 and R5, to gain the benefit of the R-4A limit of two unrelated persons in a rental unit.

Unlike Marquette, where it was relatively easy to divert through traffic onto Williamson Street, there is no easy or inexpensive solution to Tenney-Lapham's traffic problems.

### Capitol-University

The Capitol-University axis is currently the recipient of considerable city effort, directed towards creating a semi-mall, a showpiece. Conditions in downtown Madison seem particularly favorable for this effort, due to the large numbers of students in the downtown area: to succeed, malls need pedestrians, and students--unlike other segments of the population, such as workers, housewives, or the elderly--move around a lot, from place to place, during the day, and mostly on foot. The students are not only significant numerically but, because of their mobility and other life-style characteristics, probably appear to be even more numerous than they actually are.

The Capitol Concourse and State Street Mall are not only transforming State Street and the Capitol Square, but also giving Isthmus Area residents, according to the Opinion Survey, a sense that the area is really improving. The Opinion Survey also suggests, however, that this perception of real improvements is limited to Isthmus Area residents; those living elsewhere may not be appreciative of the future benefits of the Mall and Concourse but rather, annoyed by the temporary noise, confusion, and congestion created by this construction. There appears to be no reason why this particular negative image cannot be overcome through a public relations campaign on the part of the business community as well as the city.

The Capitol area - downtown - has relatively few residential uses at present. The city is anxious to attract high density apartments to this area, particularly as mixed-use types of development. There have been several recent expressions of interest on the part of developers for conversions and new construction both in this area and north into Mansion Hill. The proposed developments discussed elsewhere in this report are all market-rate or luxury types, with the exception of the proposed combination of uses - housing, parking, super-market - on the city-owned blocks 53 and 54 (on the east side of North Broom Street, from West Mifflin to West Johnson Street).

The results of the Opinion Survey make it clear that there is a limited, but somewhat elastic, market for higher priced

apartments in the downtown area. (This is supported by the views of developers and lenders in Madison, and is also evidenced by the development proposals in various stages of planning.)

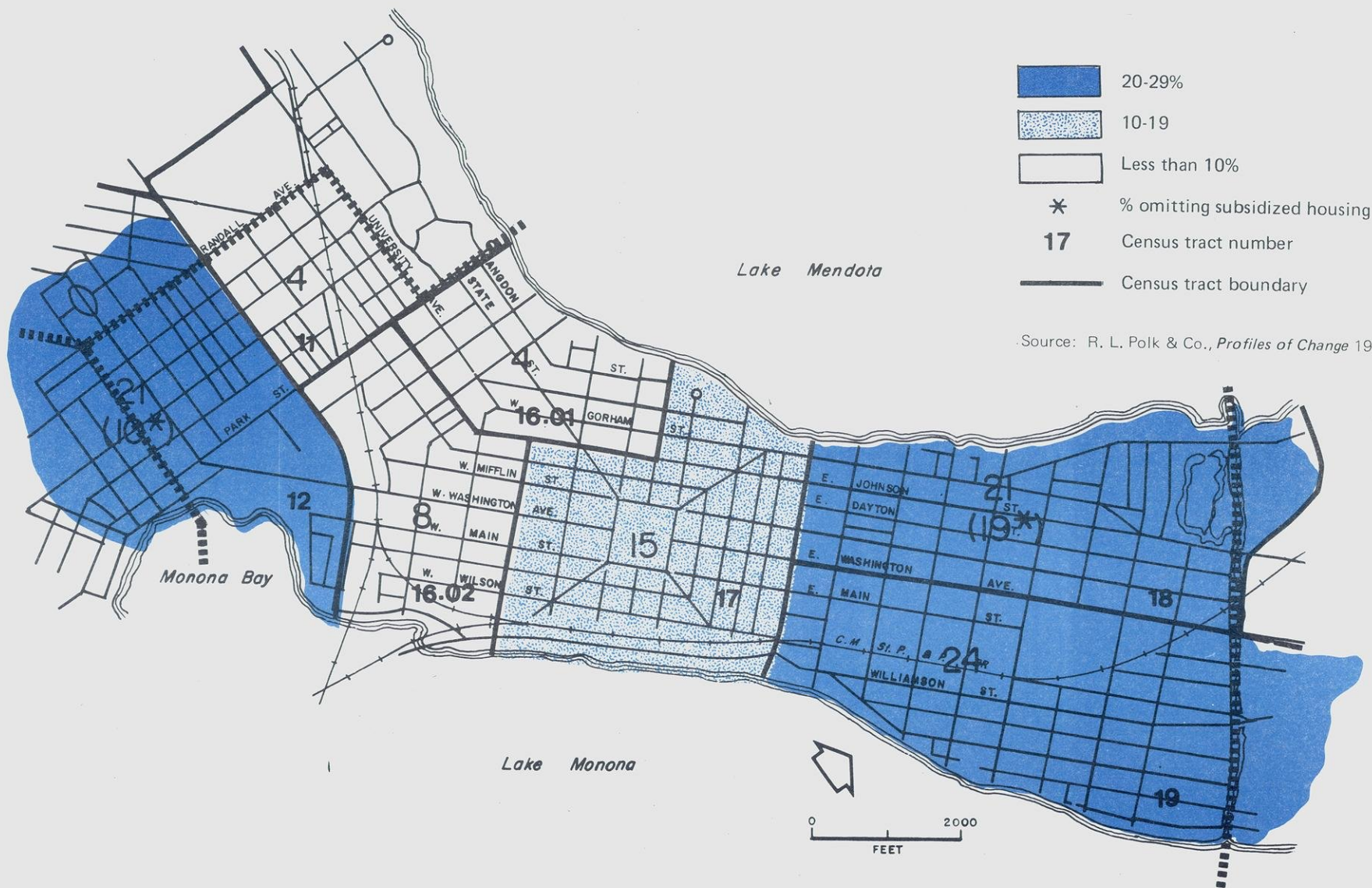
The University-dominated areas extend east along Langdon Street far into Mansion Hill, south into the Bassett neighborhood at least as far as West Washington Avenue, and to Regent Street and beyond in the Vilas Park area. This area is so heavily student-dominated that three-quarters or more of the residents are University students. It was not included in the Opinion Survey, since the survey was designed for non-student respondents; furthermore, given its proximity to the University, it does not seem to be a productive area in which to try to increase the non-student population, except on a case-by-case basis. On the contrary, it seems to be an area where additional good quality housing should be built for students.

#### Bassett

Although the northern part of the Bassett neighborhood is University-dominated, the southern part is different: it is beset by conflicting pressures. It is in some ways ideally located, close to the Capitol, downtown, and the University--i.e., within walking distance of the employment center of the city. With its small lots and high densities, its rents are sometimes comparatively low, when computed on a per person basis--but very high on a per square foot basis. A young, low-income population, primarily single, lives here; virtually all are renters; many are students, even though students do not predominate.

The neighborhood is congested and presents a somewhat rundown appearance. Lots are small, many as narrow as 33 feet. The older homes have been converted to rental units; interspersed among them are the marginal "shoebox" apartments, built with zero lot lines, containing furnished efficiencies renting at relatively high levels, at least during the student season.

Bassett's zoning is R-6, a district that permits, for efficiency apartments, a density of 146 units per acre--a density which is extremely high. Furthermore, off-street parking is not required. This has two consequences: first, there is no parking requirement to create an effective ceiling on the density (in many communities, an apparently high zoned density can never be realized, due to a stringent parking requirement); second, residents' cars, parked in the streets, crowd them.



Map 9

Retired Household Heads

(As percent of all household heads)

Area-wide: 16%

# Isthmus Area Housing Study

## MADISON, WISCONSIN

Raymond, Parish, Pine & Weiner, Inc. - Tarrytown, New York



Since off-street parking is not required, it is often not provided, at least in sufficient amount to take care of residents' cars and the cars of their guests. In addition, the parking situation in Bassett is aggravated by commuter parking. This may be an unintentional and unwanted fallout from the city's transportation policies. The city's policy is to encourage the use of mass transit in the journey to work. It has discouraged parking structures downtown that permit all-day parking, in the belief that such facilities would attract increased numbers of automobile commuters. Parking on the streets of the Bassett neighborhood has been free, however, as well as being close to downtown. Bassett residents, working with the city on a detailed neighborhood plan, favor a plan--recently instituted--issuing street parking permits to Bassett residents, thus prohibiting parking on their neighborhood streets to non-residents.

A major study of downtown parking needs, now underway, will presumably address these questions.

The land use plan of the city places the Bassett neighborhood in an RMH-M category, thus designating it as a multi-family housing area with densities of 26-40 units per acre. This proposed density, which approximates most existing densities, means that for new construction on a typical 33 x 132 foot lot, perhaps four units could be built, while under present zoning (which has certain requirements relating to small lots) some eleven efficiency units can be built. The Bassett neighborhood organization would prefer a lower density, of three units per small lot for new construction, with required parking in the rear and small side yards.

The neighborhood organization and the city both hope to increase the number of families living in Bassett--to achieve a mixed neighborhood rather than continue the heavy predominance of singles and renters that now exists. At the same time, the neighborhood organization favors comparatively small-scale new buildings.

A few building opportunities exist in Bassett--perhaps six vacant lots, plus a dozen or so structures that appear to be of marginal quality and could be replaced. Furthermore, speculators may have acquired some relatively extensive holdings. However, renting older apartments to students is so lucrative that there is no financial incentive to tear down and rebuild. Additionally, new high-rise high-density apartments are frowned upon by the neighborhood residents and not permitted as of right by the city.



This latter point is worth emphasizing: apartments at any density are a conditional use in the R-6 zone (or in any zone in Madison, except where they are not permitted at all). Only one and two family houses (and other minor exceptions) are permitted as of right.<sup>now</sup> This is a serious catch, one that was instituted in part as a result of the abuses of the zero-lot-line concept. There have not only been no abuses in the past few years, but there has been no new residential building at all--here, or anywhere in the Isthmus Area.

Traffic is another serious problem in Bassett. West of the Capitol, the Isthmus Area traffic pattern becomes confused; some streets switch direction, others dead-end at the railroad corridor. No one street offers an easy and natural path through the Bassett neighborhood, nor is it always easy to avoid it altogether. As a result, traffic filters indiscriminately through the Bassett neighborhood.

The neighborhood organization and the city are discussing alternatives: the city's adopted plan suggests eventually widening Broom Street to make it two-way, thus relieving Bassett Street of its through traffic. The neighborhood organization, working with the city planners, had proposed trying to concentrate traffic on Broom Street. Although it is the city policy not to increase the number of traffic lanes into the central area, there is no doubt that, from the standpoint of the Bassett neighborhood, it would be good to remove the through traffic from Bassett Street and, to some degree, Broom Street, through development of an alternative and better road in the rail corridor. This corridor is so extensive that development of such a road should not preclude development also of parks and housing.

In the foreseeable future, it may be unrealistic to expect either new families (as opposed to singles) and homeowners (single family, cooperative, and condominium) to move to Bassett or to have the neighborhood scale remain the same.

Neighborhoods, once they begin to change, can seldom be stabilized without some form of intervention. The city and the neighborhood, hoping to increase stability of the neighborhood, face serious problems:

- The present population is the kind that can be expected to turn over rapidly. Across the nation, 38 percent of all renters moved in the year ending October 1976. Four-fifths of University students, according to the Advisory

Housing Committee survey, are likely to move once during a year. Thus, the neighborhood lacks a core of long-term residents who might be expected to work, over a period of time, towards its improvement.

-The lots are small, and many buildings are somewhat run-down. Nevertheless, the prevalence of absentee-ownership in the neighborhood suggests that Bassett will not lend itself to intensive rehabilitation and neighborhood conservation efforts, which work best in neighborhoods with a high proportion of owner-occupants.

-With its high residential density, heavy traffic, and and deficiency of park space, Bassett would seem to offer little to families at the present time that could not be obtained elsewhere in the city at no greater cost. It is worth remembering that the stated purpose of the present R-6 and R-5 zoning is to establish an area for adults and, near the University, students. There has been no effort in the development that has taken place in the past decade or so to provide a family atmosphere. Furthermore, it seems clear from the Opinion Survey that this neighborhood has little or no appeal to families at the present time.

#### Vilas Park

The Isthmus Area, as delineated for this study, extends west to Randall Avenue, between University Avenue and Drake Street. The blocks between Regent Street and University Avenue, however, are devoted primarily to University uses, and are not a location where it is logical to consider increasing the permanent population. South of Regent Street, Milton and Mound Streets are residential streets, but their proximity to the University and the R-4 and R-6 zoning have inevitably resulted in a predominantly student population. The more southerly blocks, however, have a different cast: the zoning has recently been changed to R-3, prohibiting more than two unrelated persons in a rental unit. The neighborhood association is monitoring property transfers and hopes, as families inevitably move elsewhere, that they will be replaced by other families. Landlords apparently are unwilling to rent to families with children and, of course, students living in groups have always been willing and able to pay relatively high rents for modestly maintained housing.

Unlike other Isthmus Area neighborhoods, traffic and parking congestion are not immediately mentioned as major problems in Vilas Park, although the streets are narrow and somewhat

crowded in appearance. Most through traffic is likely to use Regent Street, Park Street, or some other rather obvious arterial, rather than going into the neighborhood.

The major concern of the neighborhood seems to be stemming the incursion of students; maintaining and improving the present housing stock is clearly desirable, rather than encouraging new construction.

## PLANNING AND ZONING

The zoning ordinance regulates the size and location of new construction and the use of land and buildings. It has its greatest impact on undeveloped lands, where it can shape growth. Nevertheless, even in the built-up Isthmus Area, zoning has considerable impact. The previous chapter dealt with specific instances of this, neighborhood by neighborhood: how parking regulations, definitions of "family," permitted densities, etc. have affected each of the various parts of the Isthmus Area. The redevelopment of the railroad corridors will similarly be controlled by zoning.

Various changes in the zoning ordinance are being considered. Unlike many cities, Madison is considering these changes in the light of their overall impact. To do this, it has developed a master plan, which is being detailed at the neighborhood level with neighborhood groups. Zoning changes will emerge from this process. Because of this process, any discussion of zoning in Madison must also deal with planning. (Parenthetically, it should be noted that relatively few cities coordinate their planning and zoning so effectively--or even implement their planning at all.)

The zoning ordinance of the city of Madison is unusual in its emphasis on design and in its treatment of multi-family development, which is not permitted as of right anywhere in the city. These features are a reaction against apartments in general, as well as to the unfortunate "shoebox" apartments which were built in the Bassett neighborhood under zero-lot-line zoning.

It is not only multi-family development, however, which is not automatically permitted as of right. The ordinance places a great emphasis on conditional uses. Some examples of conditional uses which are relevant to the Isthmus Area are:

- All new shorefront development;
- New development near an existing or proposed park in all of the higher density Isthmus Area districts (including R4, R5, R6 and the commercial districts);
- Zero lot line development;
- In general, development adjacent to a landmark or historic district; and

-Conversions ("division or addition to" a dwelling, resulting in an additional dwelling unit).

An applicant must go before the City Planning Commission to seek approval of a conditional use; for new construction, submission to the Urban Design Committee may be required. The City Planning Commission, in reviewing an application, must ascertain that the proposed use will not have a negative impact (will not be detrimental to health and safety, hurt existing uses or values, or harm orderly development), and that access, utilities, etc. are adequately planned. The proposed use must conform to the applicable regulations of its district, but the Planning Commission may impose additional conditions.

The conditional use procedure thus means that developers are not necessarily confident, as they begin the road towards approval, that they will receive a building permit at the end of the process; nor, at the beginning, do developers know that, even if they "follow the rules," their request will be granted. At the present time, however, if the request is granted, the reward, in terms of density, is likely to be high, with theoretical densities of more than 100 units per acre, floor area ratios of 2.0 (R6) or 3.0-5.0 in the commercial districts.

The ordinance presently favors efficiency apartments in its density regulations: in both R-5 and R-6 districts, efficiencies are permitted at half again the density of one-bedroom units; one-bedroom units, in turn, are permitted at 25 per cent greater density than two bedroom units.

	<u>Dwelling Units Per Acre</u>	
	<u>R-5</u>	<u>R-6</u>
Efficiencies	62	145
One-bedroom	44	97
Two-bedroom	34	73

The master plan proposes to cut these permitted densities considerably and no longer to favor efficiency apartments. The proposed density range for the "high density district"-the highest density district proposed in the plan - is 41-60 units per acre; for the "medium-high density" district, 26-40 units, based on units with two or fewer bedrooms. The plan also favors mixed-use structures along State Street and in the major downtown commercial area. Higher density housing is recommended throughout most of the central or downtown part of the Isthmus Area, in part to take the pressure off Vilas Park, Marquette, and Tenney-Lapham. Mansion Hill, an historic



district, is, of course, recommended for preservation and continuation as a residential district.

The plan also favors high density housing in the western part of the rail corridor and, in time, in the eastern half of the corridor as well.

## FEDERAL, STATE, AND CITY PROGRAMS

### The City as Developer

Most development is privately initiated and undertaken, and the city's role is primarily one of regulation of the developer's requests for permits. In older portions of cities, however, government itself has been a significant developer in many instances, particularly in the years since the passage of the Housing Acts of 1937 and 1948. Beginning with these Acts, the federal government has provided many kinds of assistance to localities for slum clearance and the development of new housing for poor or moderate-income families; for housing rehabilitation; for the redevelopment of blighted areas for any purpose deemed appropriate by the local government; for social services supporting various physical improvement programs; for relocation of residential and commercial occupants; for sewers and water lines; for historic preservation and urban beautification; and for open space and neighborhood facilities. Madison utilized these programs to eliminate slums and provide new housing for low income households in the Isthmus Area as follows:

Urban Renewal: Madison - a city lucky enough to lack huge slums - has less extensive redevelopment projects than most other American cities of similar size. Its only major urban renewal project is the Triangle project - nearly in the process of being closed out. One of the last pieces of the project is under construction, and is to consist of housing for the elderly and for families and a grocery store.

Public Housing Projects: The Madison Housing Authority has developed and/or manages some 755 housing units. Of these, half are in the Isthmus Area, and 70 percent - including all of the units in the Isthmus Area - are for the elderly or handicapped. The largest concentration of assisted housing is in the Triangle Urban Renewal Area - Brittingham, Parkside, and Karabis Apartments.

Table 7

Madison Housing Authority Projects, September 1977

Location of Units:	Housing Units for:		
	<u>Elderly</u>	<u>Handicapped</u>	<u>Families</u>
<u>Isthmus Area Apartments</u>			
Brittingham	164		
Gay Braxton	60		
Karabis		20	
Parkside	75	8	
Tenney Park	40		
<u>Non-Isthmus Area Apartments</u>			
Wisconsin 3-1 Scatter Site			100*
Truax Park			120
Bjaine Romnes	168		

\*Includes some elderly households in its 26 one and two bedroom units.

Source: Madison Housing Authority

As of the fall of 1977, there was a waiting list for MHA apartments of 390, including 300 for units for the elderly, 45 for family units, and 45 for units for the handicapped (this included 20 to be housed in the Karabis Apartments, which were not occupied at that time). The MHA expects to be actively involved in the planned development of city blocks 53 and 54. Mixed uses are planned for these blocks, to include 200 units of senior citizen housing, a full-line grocery store, a senior citizen center, a park, and parking (in large part to serve nearby State Street).

The Housing and Community Development Act of 1974

In 1974, federal emphasis in aid to urban areas shifted: under the Housing and Community Development Act of 1974, "Community Development" replaced the more narrowly-focused categorical programs and "Section 8" became the major vehicle for helping lower income households to live in decent housing at prices they could afford.

Community Development Block Grants

The 1974 Act consolidated previous categorical programs in the form of block grants to cover 100 percent of the cost to



be made available to eligible local governments for locally conceived community development programs in furtherance of congressionally-mandated goals. All activities must benefit low and moderate income persons or aid in the elimination or prevention of slums and blight. (In certain limited instances, projects that address urgent community needs are also allowed with HUD's concurrence.)

Among the many types of eligible activities are property acquisition, disposition, and clearance, including the demolition of any substandard buildings purchased by the community and the utilization of the cleared land for public purposes, such as a park or parking lot, or private interests, for housing, commercial, or industrial redevelopment. The provision of certain community facilities may involve new construction or rehabilitation. Other eligible activities include water, storm and sanitary sewers, fire protection facilities and equipment, and special projects for senior citizens and for the handicapped. Historic preservation is also eligible, as are code enforcement and public housing modernization. Privately-owned residential and non-residential properties may be rehabilitated with the aid of CD funds in the form of loans at preferred interest rates, outright home improvement grants, and the acquisition of commercial building facade easements. These types of programs may also combine CD funds with resources provided under the federal 312 direct loan program or by private lending institutions.

Even though it is entitled to receive a specified amount of funds as established by statutory formula, Madison must file an application annually containing the following components: a three-year CD plan; a program describing the proposed activities to be undertaken, and any funding beyond the expected CD grant that may be available; a program for the elimination of slums and blight, if applicable, and for the improvement of eligible community facilities and public improvements and services; and a housing assistance plan which must include, among other things, a realistically achievable annual goal for the number of dwelling units or persons proposed to be assisted, and the general location of the proposed housing assistance activities.

### Madison's CD Program

In Fiscal Year 1977, Madison was entitled, under the federal formula, to receive \$2,459,000 in CDBG funds, to which it added \$230,000 reprogrammed from the previous year, so that the total CDBG funding was \$2,689,000. In FY 78, the entitlement amount is \$2,498,000, and \$1,349,000 is being reprogrammed from FY 77, so that the total funding is \$3,548,900 (see Table 8).

In its application for funding to the Department of Housing and Urban Development, the city is not required to program the entire amount specifically, but is permitted to set aside up to 10 percent of the funding for contingencies and unspecified options. A comparison of the specifically programmed funds in Madison's applications - \$2,452,000 in FY 77, \$3,548,000 in FY 78 - shows widespread rather than concentrated efforts towards neighborhood conservation and housing rehabilitation.

Major sums are earmarked for specific non-~~receiving~~<sup>RECOVERING</sup> projects in different parts of the Isthmus Area:

- In FY 1977, the largest single sum, \$910,000 or 37.1 percent of the total allocated funds, was earmarked for land acquisition for a downtown campus for MATC. This sum was an effort to make a downtown site more attractive to the MATC Board; since no decision has been reached on a site, the money has been reallocated in the FY 1978 year.
- In FY 1978, \$1,000,000 is programmed for the Madison Development Corporation, a non-profit corporation to promote economic development. Of this \$1,000,000, \$700,000 is earmarked for low interest rehabilitation loans for commercial or mixed uses on Williamson Street. An additional \$110,000 is programmed for Williamson Street beautification. Altogether, Williamson Street and the MDC are responsible for 31.3 percent of the allocated funds of the FY 1978 budget.
- In FY 1978, \$1,437,000 or 40 percent of the programmed funds are for city/public services and facilities. These funds are primarily for rehabilitation and construction of a senior citizen's center and a multi-service center, both to be located in the Isthmus Area.

Table 8

Community Development Block Grant Program

## Madison

<u>Purpose</u>	<u>FY 77</u>		<u>FY 78</u>	
	<u>(\$000)</u>	<u>(%)</u>	<u>(\$000)</u>	<u>(%)</u>
<u>Housing</u>				
Rehabilitation				
Deferred Loan Program	140.0	5.7	--	--
Homebuyers Assistance	250.0	10.2	--	--
Purchased Services				
Dane County H.D.C.	38.0	1.5	51.4	1.4
Project Home (elderly)	20.0	0.8	29.2	0.8
Operation Fresh Start	50.0	2.0	50.0	1.4
Design Coalition	17.0	0.7	29.0	0.8
Improvements to Housing Projects	68.5	2.8	175.0	4.9
Code Enforcement	--	--	20.0	0.6
<u>Economic Revitalization/Rehab.</u>				
Williamson Street	--	--	110.0	3.1
Madison Development Corp.	--	--	1000.0	28.2
<u>City/Public Services &amp; Facilities</u>	155.7	6.3	1437.0	40.5
<u>Historic, Recreational, Conservation</u>	243.0	10.9	185.0	5.2
<u>Shared Data Base</u>	90.0	3.7	90.0	2.5
<u>MATC (Land Acquisition)</u>	910.0	37.1	--	--
<u>Administration, Citizen Part., Etc.</u>	351.0	14.3	372.3	10.5
Neighborhood Rehab. Staff	119.0	4.9	--	--
	\$2452.2	100.0%	\$3548.9	100.0%
Contingencies, Unspecified Options	236.8		298.6	
Total	\$2689.0		\$3847.5	
Entitlement Amount	2459.0		2498.0	
Reprogrammed From Prior Year	230.0		1349.5	

Source: Application for Funding under CDBG Program for FY 77 and 78.

In the FY 77 budget, nearly one-quarter of the total allocated was for housing; in FY 1978, this was only one-tenth, but much of the FY 77 allocation has been carried over. These housing programs are of two general types. First, remodeling of existing subsidized housing - primarily Truax Apartments (\$68,500 in FY 1977, \$175,000 in FY 1978); second, for various efforts directed towards improving privately-owned housing. In both FY 77 and FY 78, some five percent of the programmed funds are earmarked for "purchase of services (from non-profit agencies) for housing rehabilitation, neighborhood/housing design, housing maintenance, and employment training through housing rehabilitation." These purchased services provide "minor housing rehabilitation services and home maintenance education" to the elderly and low-moderate income owner occupants; design and architectural services; and major rehabilitation efforts directed towards employment training of certain disadvantaged groups (youths, ex-offenders, women, minorities).

These purchased services are available in the Isthmus Area and beyond - well into south and east Madison. This is the general area delineated for code enforcement (\$20,000) in FY 1978; and also the area within which the "deferred loan program" and "homebuyers assistance" - for which substantial funds were budgeted in FY 77 - operate. These latter programs are still in operation, although no additional CDBG funds were necessary for them in FY 1978, since substantial funds from FY 77 were not used. Both are part of the city's Housing Rehabilitation Services Program, discussed later in this chapter.

The deferred payment loan program is, in the short term at least, a sort of grant program. Under this program, loans are made to eligible owners for rehabilitation; repayment of the loans is deferred until the house is sold or changes ownership. In FY 1977, \$140,000 was budgeted for this program, plus \$80,000 reprogrammed from the previous CDBG Program Year. Since sufficient funds remained from FY 77 for the following year, no further sums were budgeted for FY 1978.

The homebuyers assistance plan - a revolving fund - provides low interest loans to eligible low income families for purchase and rehabilitation of properties, with priority given to housing located in the Lapham and Marquette School Districts, among others. In FY 77, \$250,000 was programmed; \$150,000 was reprogrammed from the previous year.

These two programs can be combined to produce an effective interest rate as low as three percent. Priority is given to



rehabilitation efforts to bring housing up to minimum housing code standards. Income limits for loan eligibility are:

- \$12,800 for an elderly person
- \$14,625 for a two person household
- \$15,450 for three people
- \$17,150 for four people
- Up to \$21,400 for eight people

#### Housing Assistance Plan

The city's housing assistance plan, a required part of the application to HUD for CDBG funds, sets a one-year goal for FY 1978 of 188 units of rehabilitated housing and 293 units of new housing for lower income households.

The rehabilitated units include improvements to Truax and Brittingham Apartments - 120 units altogether - as well as 68 homeowner units. The rehabilitation of the 68 homeowner units is broken down as follows:

- 25 through the deferred payment loans, estimated at \$5000 per loan;
- 25 through the homebuyers assistance program, estimated at \$10,000 per loan;
- 8 through Section 312, a federal loan program, estimated at approximately \$9000 per loan, with total funding by HUD for Madison anticipated at \$75,000;
- 10 through the city-funded portion of the Housing Rehabilitation Services Program, estimated at an average of \$8000 per loan (5½% interest).

The 293 units of new publicly-assisted housing includes 123 units of traditional public housing as well as 70 units of new Section 8 housing (discussed below) from the units allocated by HUD to the Wisconsin Housing Finance Agency. The one-year goal also includes 100 other units of new Section 8 housing, but notes that to fulfill this goal would require the availability of HUD funds.

#### Section 8

At the present time, the deepest, most effective subsidy to lower housing costs to lower income households is the federal Section 8 program. Unfortunately, the program is seriously underfunded. The program is designed so that an eligible

tenant pays a maximum of 25 percent of income to housing including utilities (15 percent for very low income households) and the federal government pays the balance to the owner. In Madison, the maximum income households can earn (as of January, 1978) is as follows:

1 person	\$10,250
2 persons	\$11,200
3 persons	\$13,200
4 persons	\$14,650

Deductions from the gross income of a household are permitted for minors, excessive medical expenses, and other special allowances. Allowable rents may not exceed what is deemed to be the "fair market rents" prevailing in the area, as determined by HUD. Maximum monthly rents including all utilities are currently as follows:

#### Fair Market Rents for New Construction/Substantial Rehabilitation

	Number of Bedrooms				
	0	1	2	3	4 or more
Detached	-	-	\$420	\$491	\$531
Semi-detached/Row	-	\$294	362	\$427	\$465
Walkup	\$247	277	331	390	-
Elevator (2-4 story)	259	289	343	402	-
(5+ story)	294	324	399	-	-

There has been no use of the "substantial rehabilitation" Section 8 program in Madison.

New Section 8 housing, which is provided privately, is to be located in the general locations specified in the housing assistance plan. The city's only control over the specific location of new Section 8 housing is through zoning. Anywhere in the city, such housing, being multi-family, requires either a change in zoning or granting of a conditional use permit.

In addition to new and substantially rehabilitated housing, HUD has an "existing Section 8" housing program for which fair market rates are also established, as follows:

#### Fair Market Rents for Existing Housing

	Number of Bedrooms				
	0	1	2	3	4 or more
Non-elevator	\$175	\$201	\$239	\$275	\$301
Elevator	193	221	263	302	330

Under the existing Section 8 program, the eligible household finds housing in existing rental units (including its present abode). The housing must, of course, be in acceptable condition and within the fair market rental limits.

This program is of limited usefulness at the present time, since no existing Section 8 units have been allocated to Madison over and above the 92 units previously allocated.

#### FHA Section 202

The 202 program is a direct loan program from the federal government, at terms only slightly more favorable than might be available from conventional lending sources. The primary advantage to sponsors is that HUD has reserved the Section 8 contract authority for developments of housing for the elderly for use in the 202 program. Thus, if a 202 proposal is approved, the sponsor is automatically assured of 30 to 40 year subsidy payments on behalf of the tenants. This excludes state housing finance agencies such as WHFA from the process and means that private sponsors and local governments must deal directly with HUD.

Current terms for 202 projects are 7½ percent for 40 years. Sponsors are limited to nonprofit groups and specifically exclude limited dividend sponsors who are eligible under WHFA programs.

#### Wisconsin Housing Finance Authority

The Wisconsin Housing Finance Authority was created in 1972 to facilitate the purchase, construction, and rehabilitation of housing for low and moderate income households. The Authority was initially funded by a \$250,000 state appropriation (which is to be repaid) and is authorized by the Wisconsin Legislature to issue notes and bonds up to \$150 million. In addition, in 1974 WHFA received authorization to issue \$61,945,000 of Veterans' Housing Revenue Bonds to finance a Veterans' Housing Loan Program administered by the Department of Veterans' Affairs. The Authority has no taxing power, but must rely on its own revenues for debt service requirements. As of the end of fiscal year 1977, the Authority had committed \$195 million in financing.

WHFA estimates there are 186,700 deficient housing units throughout the state of Wisconsin. Of these, 53,100 are owner-occupied and 133,600 are renter-occupied. For the coming year, Dane County has been designated one of the

priority areas for receipt of Section 8 funding.

Deficient housing is defined by WHFA to be one or more of the following:

1. Housing with incomplete plumbing.
2. Overcrowded housing (1.25 or more persons per room).
3. Tenants paying more than 25 percent of their income for rent.
4. Owner households in housing over 30 years old and valued at less than \$10,000 (\$7,500 in non-urban areas).

Eligible households must earn annual incomes equal to or less than the following:

Household Size:	1	2	3	4	5	6	7	8 or more
Annual Income:	50	64	72	80	85	90	95	100
(% of Area Median)								

WHFA is authorized to make both short and long term construction loans, rehabilitation loans, and permanent mortgage loans to both nonprofit and limited dividend sponsors. The Authority has also been empowered to purchase mortgages and securities, provided it determines the proceeds will be utilized for creating new housing for low and moderate income households.

When done in tandem with Section 8 housing assistance payments to the tenants, the lower financing costs of WHFA loans provides the deepest study now available for low and moderate income multi-family housing. The limited availability of Section 8 contract authority from HUD, however, has meant that communities such as Madison must look to other mechanisms involving privately-held funds for other than a few selected projects. In addition, HUD has curtailed the use of the program for housing for the elderly projects (when funneled through state housing finance agencies) and is encouraging development of family projects.

Through a quirk in the law the Madison Housing Authority is permitted to develop market rate housing and to issue tax exempt bonds for this market rate housing if WHFA participates to any extent whatsoever in the financing. Without WHFA participation, MHA is limited to the provision of housing for low and moderate income households, which it considers its real responsibility. For this reason, the MHA has not taken advantage of this quirk in the law, and has no plans to do so.



## The Wisconsin Neighborhood Reinvestment Act

The Wisconsin Legislature has recently passed a Neighborhood Reinvestment Act, tied closely to federal programs and strongly oriented towards Milwaukee, that may nevertheless be of assistance in Madison. The program is designed to provide public assistance at the state level to start the reinvestment process in motion. Two elements relevant to Madison are a program of below-market-interest-rate home mortgages and a complementary program of rehabilitation financing at reduced interest rates. According to the explanation of the Wisconsin Department of Local Affairs and Development...

"the Reinvestment Home Mortgage Program would create a new supply of lower-cost capital for mortgage loans by using the bonding power of the Wisconsin Housing Finance Authority. Because WHFA bonds are tax-exempt, they carry a lower interest rate, and the money generated by their sale can be lent at a rate below the private market interest rates. Based on the experience of other state housing finance agency programs which have supported home mortgages, loans could probably be made at about 7%. Depending on the level of interest rates that private conventional mortgage loans carry - in the range of 9-9½% - reinvestment mortgages would save the borrower \$40-\$50 each month on a \$30,000 loan, through lower mortgage payments..."

As with federal Section 312, Reinvestment Home Mortgage loans would be available to any homeowner in designated neighborhoods, regardless of income. Reinvestment loans, however, are expected to be "bankable" loans, made by private lenders to credit-worthy applicants. WHFA bond capital would be used either to purchase loans from private lenders or to make "loans-to-lenders" which would in turn be used for mortgages.

The Home Improvement and Rehabilitation Financing Program would combine WHFA bonds with direct subsidies (similar to Madison's deferred loan program). According to the state:

"Deferred payment loans or reduced interest loans would be targeted according to income guidelines. Home improvement loans at an interest rate that does not require a direct subsidy - that is, that pay the full interest on WHFA bonds plus the cost of originating and servicing the loans -- would be available to any owner in a reinvestment neighborhood or area. Unsubsidized loans - with an interest rate still substantially below conventional repair and rehabilitation financing - would also be avail-

able to investor-owners of rental property, to encourage them to make needed improvements.

"Like reinvestment home mortgage loans, home improvement and rehabilitation loans would be channeled through private lenders."

#### Madison's Housing Rehabilitation Services Program

Initiated in 1974, the Housing Rehabilitation Services Program provides assistance in maintaining and upgrading housing in Madison's older neighborhoods. The Common Council established a \$225,000 revolving fund as the initial funding source for low interest installment loans, and in 1977 established a separate \$140,000 revolving fund for deferred payment loans. The two types of loans may be used in combination, and deferred payment loans are also made in combination with HUD Section 312 Rehabilitation loans.

Although loans may be granted on a case-by-case basis as the need arises throughout the city, priority is to be given to households living in designated Neighborhood Preservation Districts. Established by the Common Council, these priority areas prepare a detailed program for voluntary rehabilitation activities as well as special assistance to be provided by the Housing and Community Development staff.

Within the designated Neighborhood Preservation Districts, technical assistance is also provided to all homeowners, including the types of "purchased services" funded by the CDBG. City funding may include also assistance to representative neighborhood groups.

The basic rules of eligibility for Housing Rehabilitation Loans are:

- Property must be in residential use and, after completion of rehabilitation, contain no more than four dwelling units. It must require at least \$500 worth of work in order to meet housing code and property rehabilitation standards.
- The applicant must be a low or moderate income household (as defined in the HUD Section 8 program, and must live in or plan to live in the property. Nonprofit corporations and cooperatives, however, are eligible sponsors (with restrictions).

-Households must devote all "liquid assets" (cash, bank accounts, stocks) in excess of \$5,000 (\$10,000 if elderly or disabled) to rehabilitation.

-Maximum loan amounts are \$10,000 for one unit plus \$1,500 for each additional unit up to a total of \$14,500 for four units.

Low income families in one-unit dwellings may be eligible for deferred payment loans if total housing payment exceeds 30 percent of income (20 percent if elderly or disabled).

#### Tax Increment Financing

The most promising unused existing mechanism for strengthening and expanding housing opportunities in the Isthmus Area is the Wisconsin Tax Increment law. After designation of a tax increment district, increases in property tax revenues, due to an increase in assessed valuation, accrue to a special fund used to finance public improvements which might otherwise have to be privately financed. Since the maximum term is twenty years, the city must be careful to select areas in which private investment can be stimulated to recoup tax revenues lost to the city's general fund.

The Common Council designates tax increment districts after recommendation by the Planning Commission. For an area to be eligible, not less than 25 percent of the real property must be in a "blighted area," in need of "rehabilitation or conservation work," or suitable for industry. There is a statutory limit on the extent to which the city can create tax increment districts: the aggregate value of all such districts may not exceed five percent of the total equalized taxable property in the city. (Madison is attempting to persuade the state to increase this limit to ten percent.)

The tax increment formula segregates all taxes generated by increases in the assessed valuation of a district: the tax increment (T.I.) is equal to all the taxes generated by the district in a given year, multiplied by the assessed valuation (A.V.) of the district in the given year, minus its tax increment base (the assessed value at the time of the creation of the district), divided by the assessed valuation in the given year, or:

$$T.I. = \text{taxes} \times \frac{A.V. \text{ minus base}}{A.V.}$$

The taxes generated by the formula - that is, all positive tax increments above base level - are deposited in a tax increment account until either all project costs are repaid or 15 years after the last expenditure is made. (All expenditures must be made within five years of the creation of the tax increment district.) Project costs are financed through payments from this tax increment special fund, city general funds, and/or proceeds of bonds or notes - tax increment bonds, mortgage bonds, public improvement bonds, or revenue bonds, but not general obligation bonds.

As an example of how tax increment financing works, assume that a tax increment district is created in 1978. Its current 1978 equalized assessed valuation (the "base" or frozen level) is \$1,000,000. At the tax rate of \$26.495 per \$1,000 (a tax rate that is assumed, for this example, as unchanging over a twenty year period), current taxes are \$26,495.

Total project costs for acquisition, public improvements, construction, remodeling, etc. are \$150,000, paid out over the period 1979-1983, during which time there is no change in the assessed valuation. In 1984, the assessed value of the district rises to \$1,500,000. From 1979-1983, when there is no change in the assessed valuation, there would be no tax increment, under the formula. From 1984 to 1999, with an assessed valuation of \$1,500,000, the total taxes would increase by one half, to \$39,743. One half of these total taxes - the increase only - would go into the tax increment fund:

$$\begin{aligned}
 \text{T.I.} &= \text{taxes} \times \frac{\text{A.V. minus base}}{\text{A.V.}} \\
 &= \$39,743 \times \frac{\$1,500,000 - \$1,000,000}{\$1,500,000} \\
 &= \$39,743 \times 1/3 \\
 &= \$13,248
 \end{aligned}$$

$$\begin{aligned}
 \text{Therefore: T.I., 1979-1983} &= 0 \\
 \text{T.I., 1984-1998} &= \$13,248 \times 15 \text{ years} \\
 &= \$198,720
 \end{aligned}$$

In this example, the project would yield a net fiscal surplus of \$48,720 if allowed to run the full 20 years. However, since the project costs can be repaid in full after 11.3 years,



( $\$150,000 \div \$13,248 = 11.3$  years), the project is closed out sooner and the full taxable values begin to accrue to the city's general fund. In this example, if the total project costs had been \$198,720, the tax increment district would have run to the maximum 20 year term and would break even for the city. However, if total project costs were \$250,000, the 20 year maximum period would elapse with \$48,720 still remaining to be paid. In this case the district would have to be closed out anyway, but would incur a loss of \$48,720.

## MARKET DYNAMICS

In the decade that ended in 1976, 14,587 residential building permits were issued in Madison, 70 percent of them for two-or-more family construction (Table 9). More than one-quarter of these were for buildings within the center city area and, of the center city permits, more than half were for the Capitol-Bassett-State Street area (census tract 15), and thus include much of the "shoebox" type of housing that has crowded these areas (Table 10). The center city permits also include about 300 units of subsidized housing, primarily in the Triangle area.

Since 1974, building permits were issued for more than 600 units of two-or-more family buildings in the center-city area, but no new multi-family housing has actually been built in the Isthmus Area itself. This may be changing - at the present time, several multi-family projects are being discussed for the Isthmus Area. The projects under discussion are not shoebox types of marginal apartment buildings designed to attract students, but, rather, luxury housing. Since the Isthmus Area is within the Capitol Fire District, the mandated higher cost type of construction is said to lead to rents that are 20 percent higher than elsewhere in the city.

### Lending Characteristics

Even though the Isthmus residential neighborhoods have been hit by conversions to apartments and other uses, it appears that area lenders have not discriminated against homeowners in the area. A sample of selected lending institutions in Madison shows that, in 1977, 7.6 percent of all new loans for owner-occupied housing in Madison were made in the Isthmus Area; 8.9 percent of all owner-occupied housing is in the Isthmus Area (Table 11).

This is not the case in many other urban areas where a lack of support from lending institutions has contributed to deteriorating conditions. In Madison, much of the impetus to revitalization of the downtown area has come from financial institutions. It is important that planning efforts continue as a joint public-private endeavor. As will be shown in this report, the resources which can be brought to bear in the area are much greater than if only limited public funds are invested. Unfortunately, many cities with comparable problems fail to leverage the use of public funds and therefore limit this effectiveness and increase the required time of redevelopment efforts.

Table 9

Residential Building Permits, 1967-1976Madison and Center City

	Center City *		Madison		Center City as % of Madison	
	One Family	Two or More Family	Family	Two or More Family	One Family	Two or More Family
1967	4	273	615	786	0.7	34.7
1968	3	311	725	1520	0.4	20.5
1969	1	205	419	967	0.2	21.2
1970	1	156	336	685	0.6	22.8
1971	1	139	366	1393	0.7	10.0
1972	0	667	400	1747	-	38.2
1973	1	240	366	1048	0.3	22.9
1974	0	208	242	797	-	26.1
1975	0	416	356	672	-	61.9
1976	0	10	543	604	-	1.7
Totals	9	2,625	4,368	10,219	0.2	27.3

\*Census tracts 11,12,16, 17,18 and 19.

Source: "City Development 1976," Madison City Planning Commission, June 1977.

Table 10

Permits for Two-or-More Family Buildings, 1967-1976Center City

	Census Tracts					
	11	12	16	17	18	19
1967	-	23	194	8	45	3
1968	32	3	214	32	10	20
1969	-	-	161	24	20	-
1970	-	102	36	18	-	-
1971	-	-	81	58	-	-
1972	-	2	466	170	16	13
1973	-	-	236	-	4	-
1974	-	8	-	8	192	-
1975	-	164	-	236	16	-
1976	-	2	8	-	-	-
Totals	32	304	1396	554	303	36

Source: "City Development 1976," Madison City Planning Commission, June 1977.

Table 11

## MORTGAGE LOAN ORIGINATIONS

No. of New Loans and Loan Amount (in thousands of dollars)  
1977

		CENSUS TRACTS																No.	Amount(\$)
		11*		12*		16.01		16.02		17		18*		19*					
Home Savings & Loan Assn.	SF			5	137.1					2	61.0	4	130.9	2	43.6	13	372.6		
	MF	1	55.5	3	78.4	2	324.6	3	184.9	4	222.4	2	56.0	3	308.2	18	1230.0		
Provident Savings & Loan Assn,	SF			2	44.5			1	22.0	1	36.0	4	130.5	6	224.3	14	457.3		
	MF											1	191.0			1	191.0		
First Feder- al Savings of Madison	SF	3	90.8	27	944.3	6	258.3	11	425.6	17	1083.3	25	799.9	30	973.3	119	4575.5		
	MF					9	927.6	2	259.0	8	728.4	1	34.4	1	105.0	21	2054.4		
Anchor Saving & Loan Assn.	SF	4	175.0	51	1731.0	4	254.0	10	351.0	9	312.0	38	1041.0	51	1562.0	167	5426.0		
	MF	1	63.0	5	223.4	2	617.7	1	48.0	9	528.0	12	395.3	9	361.7	39	2237.1		
Security Sa- vings & Loan**	SF			9	291.4							6	216.4	12	360.1	27	867.9		
Republic Sa- vings & Loan	SF	1	15.2	4	158.8	2	58.4			1	28.0	2	53.3	3	72.5	13	386.2		
	MF									2	330.0			1	164.0	3	494.0		
Evergreen Sa- vings & Loan	SF	1	60.0	10	667.4			6	261.7	6	319.8	12	371.4	17	518.4	52	2198.7		
	MF	1	60.0	1	59.0					1	70.0					3	189.0		
First Federal Savings of Wisconsin	SF	4	199.1	7	238.5					1	33.6	5	188.5	8	293.7	25	953.4		
TOTAL	SF	13	540.1	115	4213.0	12	570.7	28	1060.3	37	1873.7	96	2931.9	129	4047.9	430	15237.6		
	MF	3	178.5	9	360.8	13	1869.9	6	491.9	24	1878.8	16	676.7	14	938.9	85	6395.5		
Total Housing Units in Tract Share		671 .024		2261 .055		2405 .010		1942 .018		2490 .024		2176 .051		2720 .053		14665 .035			

\*Only partially within Isthmus Area.

\*\*7/76 - 6/77



## Development Constraints

Conventional market analysis generally assumes that supply will respond to market opportunities and that these opportunities are conditioned by the characteristics of demand. In the Isthmus Area, however, the supply of new housing is influenced by the fact that existing older housing is still profitable - that is, students doubling and tripling up in older housing keeps rents from falling to levels where a developer would consider clearance and reconstruction of new housing. This cost phenomenon holds the price of land at high levels, which makes it difficult to develop new housing feasibly.

Land Costs: Developers, lenders, and real estate agents all confirm that residentially zoned land in the downtown area sells for an average of \$8-10 per square foot, but can go as high as \$15 per square foot and as low as \$6.50 per square foot. On a typical 33' x 132' lot, the cost would run from \$35-45,000. In contrast, one developer reported finished lots in a suburban area as follows:

<u>Lot Size</u>	<u>Price</u>	<u>Price Per Square Foot</u>
90' x 120'	\$15,000	\$1.39
80' x 120'	\$13,500	\$1.41
60' x 100'	\$12,000	\$2.00

Treated another way, suburban builders calculate land costs at around \$2,000 per unit or less. In downtown Madison, land costs now run \$3-4,000 per unit, and will run higher if the proposed down-zoning amendments are approved.

Downtown commercial land costs vary by the distance from the Square. One developer summed up average acquisition/assembly costs as follows:

<u>Price Per Sq. Ft.</u>	<u>Location</u>
\$30-\$40	on the Square
\$20	back side of Square
\$15	two blocks from Square
\$12	three blocks from Square
\$8	400 block
\$5.50	500 block

These land costs inhibit the redevelopment of downtown Madison. The railway trackage area is the only sizeable piece of land which might be available and inexpensive. This land would need to be rezoned, and because of the necessity of negotiating with the railroads, the development process would be long-term.

However, this area reportedly could be acquired for approximately \$1-2 per square foot.

Redevelopment Dilemma: Case Study: The problem in inducing property owners to rebuild in downtown Madison can be illustrated with a case study of three properties on West Doty Street. The owner paid \$15,000 for each structure for a total investment of \$45,000. Each unit rents for \$350 per month (say, three students at slightly over \$100 per month in each). The owner's actual annual return based on his acquisition price is close to 60 percent. The estimated fair market value for these buildings has increased to \$40,000 each, or \$120,000. At the current value with an 80 percent mortgage at current terms, an owner would just cover costs on a cash basis. The return, then, would be limited to the tax advantages of depreciation, interest, and property tax deductions plus continued price appreciation of the property.

If the owner is persuaded to demolish the three buildings, the land cost must be put in at its fair market value of \$120,000, plus the cost of demolition. Therefore, the land cost equals \$120,000 divided by 13,068 square feet (33' x 132' x 3 lots), plus demolition costs, or \$9.18 per square foot (plus demolition costs). In this particular area, vacant land costs are slightly less than this, which means the property owner is content to hold and rent, rather than demolish and rebuild.

The second part of the dilemma is that current market rents, without subsidy, will not support rebuilding. In the same example, if four units per building lot is permitted (zoned R-6), a total of twelve units could be constructed. At an average of 800 square feet per unit net, the building would have 9,600 square feet new or approximately 12,000 square feet gross. Current construction costs for developments of this type in Madison are estimated at an average of \$30 per square foot. Therefore, construction costs would run \$360,000 plus land costs of \$120,000; a total development cost would be approximately \$480,000. Minimum rents to carry such a development are estimated as follows:

Annual Costs

\$34,800	Debt service (9%, 30 years, 75% loan-to-value)
\$14,400	Expenses and miscellaneous (\$100 per unit per month) <i>(does not include utilities) (used as national std.) (includes management fee)</i>
<u>\$12,000</u>	10% return on equity <i>(before taxes)</i>
\$61,200	Total required income =\$425/unit/month/average

Therefore, monthly rents would have to average about \$425 per month for all of the twelve units to attract a developer. This is much greater than rents for competitive developments (Table 12) and the average of \$100 monthly now paid by each student who doubles up in existing housing.

#### Recent Development Proposals

A number of proposals for multi-family housing in the Isthmus Area were reviewed for this study. Some of the proposals are no longer being actively considered, and some are in various pre-construction phases of the development process. In some cases the proposals were well developed, with the prospects of strong market support, and in others there were significant problems which led to their failure. No attempt is made to analyze each proposal here, but only summarize them to show the development size, configuration, and market segment being considered by developers.

National Guardian Life: Proposal for luxury condominiums on Lake Mendota behind National Guardian by the Edgewater Hotel. The proposal ran into trouble, and no new sponsors have emerged.

Lake Mendota Luxury Condominiums: Proposal by Carley Capital Group for 25 to 30 units on the lake at the end of proposed Pinckney Street mall. Plans call for a basic 2,000 square foot unit with incremental space to be sold in modules of 1,000 square feet. Amenities will include two indoor parking spaces per unit, swimming pool, boating dock, and outdoor tennis. Present marketing plans by the developer are for prices starting at \$100,000 with interior space to be finished by individual owners.

Emporium: By the same developer, the proposal to construct condominiums above the Emporium Department Store calls for a total of 39 units:

5	1 Bedroom Units	650-660	Sq. Ft.
30	2 Bedroom Units	900-1000	Sq. Ft.
4	Penthouse Units	1500-2000	Sq. Ft.

Amenities include the excellent downtown location just off the Square and a roof garden. The two bedroom units are planned to be marketed in the \$60-65,000 range, with the others as yet undetermined.

Dayton and Wisconsin Avenues: Also proposed by Carley Capital Group is a market rate housing for senior citizens project on

a site behind Manchester's Department Store. The development size and proposed rents have not been determined, as the project is only in the early stages of planning.

Faurbach Brewery Site: Redevelopment of the old brewery building at Williamson and East Wilson Streets has been discussed for some time. Current planning calls for a development of approximately 50 large units, mostly two bedroom units as large as 1,200 to 1,400 square feet. Condominium selling prices are proposed in the \$60-80,000 range.

Site Adjacent to Brewery Site: If the Faurbach brewery is redeveloped, an excellent opportunity exists on the adjacent site at the foot of Blount Street and across from the Elks Club. This area needs a traffic solution if an environment conducive to residential development is to be created. However, with the excellent location on Lake Monona and within walking distance of the Square, this may be one of the best opportunities to develop multi-family housing.

East Wilson Street Condominiums: In a Tax Increment District, this proposal by developer John Kashou is to convert an old warehouse at the foot of King Street on East Wilson Street. The current plans are for 25 total units, 95 percent of which will have a view of the lake. Plans call for primarily one bedroom units targeted to young singles and couples. Unit sizes are to be 930 square feet renting for \$375 per month and up. In the tax increment financing concept, the city is to acquire the building. There has been some question as to whether or not the project can justify the building's proposed cost and the current status of this proposal is questionable.

#### Characteristics of Existing Competitive Developments

There are no apartment buildings with rent structures that would be comparable to the rents required in newly constructed developments. Indeed, there has been no new multi-family construction in the Isthmus Area since 1974. Partly this is due to periods of tight financial markets which affect all areas of the country, and partly this is due to the investment climate in Madison. (Table 12 summarizes the characteristics of some of the newer developments.)

The range of rents for the developments shown is as follows:

Number of Bedrooms	0	1	2	3
Rent	\$110-185	\$135-245	\$230-300	\$330-350

In the "redevelopment dilemma case study" earlier in this chapter, required monthly rents in a small twelve-unit in the Isthmus Area were estimated at \$425; say, six units with one bedroom at \$375 and six units with two bedrooms at \$475. Therefore, if a new unsubsidized development were to be brought onto the downtown market, a rent gap of approximately \$150 per month would exist between the most expensive existing rental apartments and the required monthly rents for the new development.



Table 12

Characteristics of Selected Apartment DevelopmentsIsthmus Area and Nearby

	Total Units	0 BEDROOM				1 BEDROOM				2 BEDROOM				3 BEDROOM			
		No.	Sq.Ft.	Rent	Mo. Rent/ Sq.Ft.	No.	Sq.Ft.	Rent	Mo. Rent/ Sq.Ft.	No.	Sq.Ft.	Rent	Mo. Rent/ Sq.Ft.	No.	Sq.Ft.	Rent	Mo. Rent/ Sq. Ft.
Camelot	192	12	510-560	155-185	.30-.33	96	620-710	195-230	.31-.32	60	850-950	250-280	.26-.30	24	1150	330-35	.29-.30
Samson-Plaza 725 N. Wash.	150	20		160-182		90		200-235		40		235-260	.28				
111 S. Bassett	24	20		145		4		175									
111 W. Wilson Towne House Apts.	62	30		115		24		190		8		300					
Carpenter Apts. 102 W. Wilson	38	22		110-120		16		135-145									
Dayton Sq. 424 W. Johnson	57					57	588-620	225	.36-.38								
Diplomat Apts. 507 W. Wilson	35	7	384	150	.39	28	550-600	185-190	.32-.39								
Plaza		30	467	165-175	.35-.37	60	627	200-210	.32-.33	60	830-880	230-250	.28				
<u>PROPOSED DEVELOPMENTS</u>																	
E. Wilson St. (Kashou)	25					25	930	375+	.40								
Lakefront							800	300 max.	.38		1000-1100	375 max.					

Source: Various Madison Planning Department Studies;  
Department of Real Estate, University of  
Wisconsin; Raymond, Parish, Pine & Weiner, Inc.

## DEMAND FORECASTS

The central thrust of this analysis has been to determine the requirements for attracting new, permanent residents to the Isthmus Area, and the potential magnitude of this market. New growth in Madison was shown to be, at best, minimal since 1970. Within the Isthmus Area itself, however, population has declined since 1960, with a loss of some 3,000 in the decade from 1960 to 1970, and an equal loss in the following four-year period.

Since the city is not experiencing net-inmigration, population increases in the Isthmus Area will have to result from attracting residents from other parts of Madison. The existing multi-family housing in the area cannot meet the demand. What little competitive rental housing exists is currently full, experiences little turnover, and is not comparable to what might be developed. New multi-family rental housing could not compete with the low rents offered at the few attractive existing developments (see Table 12). Therefore, a new population willing and able to pay the prices and rents required to support new construction will have to be attracted to the area. The extensive survey of non-Isthmus residents summarizes the kinds of housing which could best penetrate this market and indicates the changes which must occur in downtown Madison if these potential residents are to be attracted.

Since there has been little experience in estimating the magnitude of this market, the Opinion Survey is used for indications of demand; this demand is then matched with development opportunities in the Isthmus Area. Accordingly, the market estimates are divided into two sections: (1) projections of a maximum upper limit, which assumes full capture of prospective new residents, and (2) projections of prime development

opportunities, which is a more realistic forecast of feasible new growth, but which also assumes an active role on the part of the city to solve the problems (and perceived problems) as identified in the survey.

A third possible growth trend, which will not be discussed in detail, is a continuation of existing trends (and existing problems) without strong city action to stimulate and change downtown. Even without strong city action, a number of new developments are likely to be built. The current potential is sufficient to support these projects, so that they should have little difficulty in marketing. The Capitol Square redevelopment, State Street improvements, the appearance of new shops and restaurants, and the lack of any new quality residential development in recent years have created an environment where conditions are ripe for a few selected projects.

The potential exists, however, for attracting a substantial segment of the Madison housing market which has not shown any active interest in the Isthmus Area. The sections which follow summarize these projections, the level and type of feasible new development, and the conditions which must be overcome in order to capture this potential - an effort which will require strong action on the part of the city.

#### Maximum New Demands

In the survey of non-Isthmus residents, the following question was asked:

"Assuming that you could find the kind of home that you would want and could afford during the next twelve years, what do you think are the chances of your moving to the Isthmus Area of Madison? Do you think you will almost certainly live there, probably move there, are the chances about 50/50, only slight, or don't you think you will move there at some time during the next twelve years?"

The question was asked twice (Questions 26A and 34A). In answer to the question, the following responses were given:

	<u>Percent Distribution</u>	
	<u>First</u>	<u>Second</u>
	<u>Question</u>	<u>Question</u>
	<u>(26A)</u>	<u>(34A)</u>
Almost certainly will	2.2	2.2
Probably will	2.0	3.2
50/50	6.9	7.4
	<u>11.1</u>	<u>12.8</u>
Only slight	18.8	19.8
Won't	69.1	65.2
Not sure	1.0	2.2
Total	<u>88.9</u>	<u>87.2</u>
	100.0	100.0

While the responses may appear to be a small percentage of all respondents, they are applied to a total of 40,000 households, which results in a sizeable potential new population.

The second question showed a slight increase in positive responses, a common occurrence when the respondent has had more time to reconsider. This is important in analyses of this type in that it is an indication of potentially changing attitudes. If there were no such increase in interest evident from the second question, it would be necessary to assume that non-Isthmus residents' image of the Isthmus Area was a poor one which would be difficult to change. Since quite the contrary is the case, this augurs well for policymakers and others who are looking to attract new permanent residents.

For purposes of this analysis, the three positive responses (i.e., "almost certainly will," "probably will," and "50/50") are considered as the upper limit of the potential market. Therefore, under the best of circumstances, 12.8 percent of the 40,000 non-Isthmus households could potentially be attracted to some form of downtown housing, or approximately 50,000 households. Approximately one-third indicated a current interest, with the balance interested in moving sometime between four and twelve years later (1982 to 1990). Therefore, the maximum potential market is estimated as follows:

Current Potential Demands (within 2-3 years)	1,500-2,000 households
Long Range Demands (within 4-12 years)	3,000-3,500 households

## Prime Development Opportunities

The maximum forecast is based solely on consumer preferences, and does not take into consideration financial affordability. With current market rate prices and rents, many households - particularly younger families with minimal incomes - will not be able to afford new or substantially rehabilitated housing without the provision of subsidies. Possible subsidy programs which are available were discussed earlier in this report. The city of Madison should see that all of these programs are used wherever households are eligible. However, the reality of today is that funding for all of these programs is limited, far less than is necessary to meet the eligible needs. Without some form of subsidy, prime market opportunities are defined as households earning at least \$15,000. As Table 13 shows, approximately 19,750 non-Isthmus households fall into this category (12,450 households with incomes of \$15,000-\$24,999 and 7,300 with incomes of \$25,000 and over).

Table 13

### Household Income Distribution

#### Non-Isthmus Residents

	<u>Percent</u>	<u>Number</u>
Under \$9,000	27.1	10,850
\$9,000 - \$14,999	23.6	9,400
\$15,000 - \$24,999	31.1	12,450
\$25,000 and over	18.2	7,300
Total	100.0	40,000

Source: Opinion Survey

To the same question on interest in moving to the Isthmus Area, 12.4 percent of households earning \$15,000 or more responded in a positive manner. This percentage represents some 2450 households (Table 14).

Table 14

### Interest in Moving

#### Non-Isthmus Residents, Income \$15,000 and Over

	<u>Percent</u>	<u>Number</u>
Almost certainly will	2.1	425
Probably will	2.6	500
50/50	7.7	1,525
Subtotal	12.4	2,450
Only slight	21.0	4,150
Won't	64.6	12,750
Not sure	2.0	400
Total	100.0	19,750

Source: Opinion Survey



Approximately 27 percent of the positive responses indicated a likelihood of moving within 2-3 years. Therefore, projected potential demands for new market rate housing (prime development opportunity) and for subsidized housing are as follows:

	<u>Number of Households</u>	
	<u>Prime Development Opportunities</u>	<u>Maximum Demand (With Subsidies)</u>
Current Potential Demands (Within 2-3 Years)	650-700	1,500-2,000
Long Range Demands	1,750-1,800	3,000-3,500
Total	2,400-2,500	5,000

The extent to which the prime market opportunities are exceeded will depend upon the city's success in solving the problems identified in this report and the lengths it goes to stimulating new housing opportunities. Indeed, if people's perceptions of the Isthmus Area change, there is no reason to believe that these projections cannot be exceeded. However, as suggested in the life-style questions, there are discreet limits to the potential market for housing in downtown Madison, as the majority of households will look for qualities which cannot be provided in an urban setting and the commuting "penalty" in Madison is not great enough to induce a change.

#### Building Configuration

The Opinion Survey of non-Isthmus households included questions designed to measure preferences for both building type and price elasticity. Four building types were shown to each respondent: (1) a luxury condominium, (2) a multi-family apartment building, (3) a row or townhouse unit, and (4) an older rehabilitated house. Respondents were asked to indicate their interest in each, currently (up to 2-3 years), and longer term (4-12 years). In addition, as discussed earlier, each respondent was asked how his or her current interest changed when the price was lowered. The results for those who considered themselves both interested and financially capable are summarized in Table 15.

Table 15

Building Configuration Preference  
Interested and Capable Non-Isthmus Households

	<u>Current Demands</u>	<u>Demands With Lower Price</u>	<u>Long Range Demands</u>
Luxury Condominium	1%	-	4%
Multi-Family Apartment	6%	11%	12%
Row/Townhouse	2%	9%	10%
Rehabilitated House	10%	14%	20%

Source: Opinion Survey

Demands are substantially higher for rehabilitated and conventional multi-family housing than for luxury high rise condominiums and row dwellings. However, all housing types were rated substantially higher when a reduced price was offered. This high degree of price elasticity of demand, where potential consumers increase markedly with a drop in price, offers a major opportunity to Madison. If, as a matter of public policy, the city decides it wants to increase permanent population and is willing to assist in lowering prices to consumers (tax increment financing, interest subsidies, or any of the other techniques discussed in this report), it can significantly increase the market for downtown housing.

Considering only those with the financial capability to support new housing, these preferences are translated into potential new demands in Table 16 below:

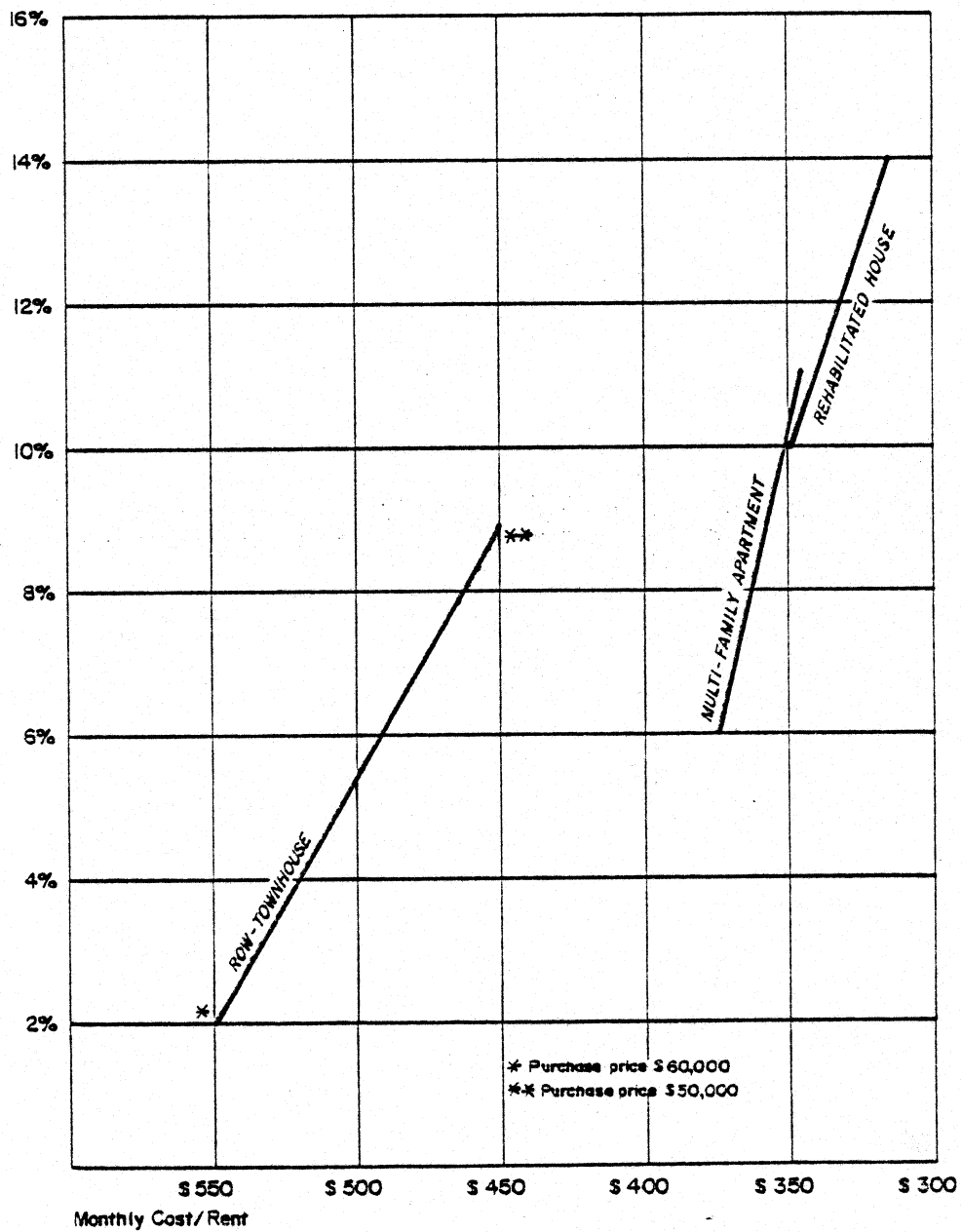
Table 16

Prime Development Opportunities  
Housing Units by Building Configuration

	<u>Current Demands</u>	<u>Demands With Lower Price</u>	<u>Long Range Demands</u>
Luxury Condominium	-	-	200-225
Multi-Family Apt.	225-250	400-450	450-475
Row/Townhouse	75-100	300-400	400-425
Rehabilitated House	300-325	400-450	600-650
Total	600-675	1,100-1,300	1,750-1,850

Source: RPPW

# CONSUMER PREFERENCE AND PRICE ELASTICITY : CURRENT DEMANDS



Consistent with the overall projections, the prime opportunities are for rehabilitated housing in the Isthmus Area, but there are also good opportunities for other building types. To the extent prices can be reduced, row or town-house dwellings should meet with a better market reception than is indicated in the preference survey. Moreover, this is not to say there is no demand for luxury condominiums. The survey found little interest among the respondents, but due to the paucity of existing or potential luxury level accommodations in a lakeview setting, a limited number of such developments are likely to be successful.

### Age Distribution

The age distribution for all non-Isthmus heads of household and for households earning incomes of \$15,000 or more is summarized in Table 17.

Table 17

#### Age Distribution

##### Non-Isthmus Heads of Household

<u>Age of Head of Household</u>	<u>Total</u>		<u>Income \$15,000+</u>		<u>Isthmus Prospects</u>	
	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>
18-29	33.1	13,240	23.7	4,681	38.5	943
30-34	10.4	4,160	12.3	2,429	34.6	848
35-49	22.2	8,880	34.3	6,774		
50-64	17.0	6,800	22.0	4,345		
65 and over	17.0	6,800	7.3	1,442	26.9	659
Refused	0.3	120	0.4	79		
Total	100.0	40,000	100.0	19,750	100.0	2,450

Source: Opinion Survey

As might be expected, the higher income households tend to cluster in the middle age groups: 68.6 percent of all higher income heads of households fall into ages 30-64, compared to only 46.6 percent for all households regardless of income. Of the households interested in living in the Isthmus Area (regardless of financial capacity), 38.5 are under the age of 30.

### Household Size

Household size characteristics for the higher income group are compared to all non-Isthmus households in Table 18 below.

Table 18

Household SizeNon-Isthmus Households

<u>Number in Household</u>	<u>Total</u>		<u>Income \$15,000 &amp; Over</u>	
	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>
1	15.8	6,320	3.1	600
2	39.0	15,600	37.9	7,500
3	16.5	6,600	19.5	3,850
4	15.6	6,240	21.0	4,150
5 or more	13.1	5,240	18.5	3,650
Total	100.0	40,000	100.0	19,750
Median	1.9		2.5	

Source: Opinion Survey

Over half of all non-Isthmus households (54.8 percent) have two persons or less, compared to only 41 percent for the higher income households above. The median household size for the total group is only 1.9 persons, compared to a median of 2.5 persons in the upper income households alone.

Locational Preference

Locational preference within the Isthmus Area is summarized in Table 19.

Table 19

Locational PreferenceNon-Isthmus Households

	<u>All Incomes</u>	<u>Over \$15,000</u>
Vilas Park	21.2	29.2
University/Bassett	9.6	4.2
Mansion Hill/Capitol Sq.	21.2	20.8
Tenney-Marquette	40.4	45.8
Not Sure	7.7	-

Source: Opinion Survey

Tenney-Lapham and Marquette rate the highest, which is consistent with the greater rehabilitation opportunities in those neighborhoods. However, Vilas Park and the close-in areas around Capitol Square also show up strongly. What is evident, however, is the lack of interest in the Bassett area and around the University, particularly for the prime candidates with higher incomes. Also interesting is that 7.7 percent of all non-Isthmus households showed no preference for



individual neighborhoods, whereas the higher income groups most likely to move had clear and definite preferences.

## CONCLUSIONS

To attract increased numbers of permanent residents to the Isthmus Area - the higher figures in the forecasts of the preceding chapter - it is necessary to try to overcome the real and perceived physical disadvantages of the area, and to increase the supply of new and rehabilitated housing at competitive rentals.

Various physical and financial intervention mechanisms are recommended below. It should be stressed, however, that it is important for the private sector, as well as the city, to "sell" the Isthmus Area. The demand for housing in the Isthmus Area is elastic: the Opinion Survey indicates that it responds to value - lowered price - and it responds to reminders about the very real assets of the area. The most persuasive arguments are the Isthmus Area's proximity to cultural and educational affairs, and the opportunity it offers people either to do without a car or to reduce greatly their automobile expenses. Non-Isthmus residents, moreover, are not fully aware of the improvements being brought about downtown by the construction of the Capitol Concourse and State Street Mall.

### Neighborhood Conservation Strategy

Viewed against the subject of this study - increasing the permanent population of the Isthmus Area - several points are important in considering rehabilitation of existing housing and conservation of neighborhoods:

- The greatest demand for Isthmus Area housing was found in the Opinion Survey to be among those with the lowest incomes, i.e., those who would probably be least likely to afford adequate and well-maintained housing in the Isthmus Area.
- Those already living in the Isthmus Area tend to have relatively low incomes, so that owner-occupants may have difficulty, financially, in removing code violations or modernizing older homes, and absentee owners may not be able to improve their properties without raising rents beyond the ability of the tenants to pay.

It is for these reasons, of course, that the various federal, state, and city housing assistance programs were developed.

In its rehabilitation efforts, the city has incorporated many of the lessons learned in cities with more extensive problems. One in particular is that of neighborhood involvement: no neighborhood improvement effort can succeed without it, particularly since the demise of the older federal categorical programs in favor of the new CDBG and Section 8 programs. But, because of greater citizen participation and because funds can now be spread over broad areas rather than being channeled into specific "projects," as under the categorical programs, many cities, including Madison, have spread their available resources thinly.

Thus, the city's neighborhood conservation efforts, as evidenced by its CDBG program and as expressed by various community leaders, is to offer housing rehabilitation assistance and encourage neighborhood conservation throughout the Isthmus Area and far into east and south Madison. Not only are the available resources spread over a large area, but they are equally available in neighborhoods with high proportions of owner-occupants and those which are almost entirely renter-occupied. In contrast, the most successful programs of neighborhood rehabilitation have started in a concentrated and visible manner, in areas with a high percentage of homeowners. Renters, even those who are not students, are as a group far more mobile than homeowners, and, as a consequence, have less stake in their neighborhoods. The physical goal of a neighborhood rehabilitation program is to have a snowball effect, to have an entire neighborhood rehabilitated - houses painted, lawns cared for, property values stable. To do this requires interest on the part of those who are likely to stay long enough to see results - the homeowners.

It also requires concentrated efforts and visible results. Successful neighborhood rehabilitation usually starts with a two or three block effort, with the city actively selling the program to homeowners and also making visible improvements itself: fixing streets and curbs, planting trees, improving lighting. In the Isthmus Area, creation of parking for residents, perhaps through well-designed small scale lots, and diversion of through traffic, discussed below, would also be significant improvements in most of the residential areas. Encouraging food markets and neighborhood shopping is also significant.

This type of program has been found to be most likely to "take off" - to spread into adjacent blocks, precisely because it is concentrated and visible. Where the rehabilitation effort is spread thin, as it is in Madison, the results are not visible, and have no impact on nearby properties. Thus, they do not reach a critical mass - often, in fact, do not even attract sufficient interest to use all of the available funding.

A concentrated program, on the other hand, may need funding beyond the city's original commitment: for loans and grants, for improvements made by the city, and also for staffing, which usually runs one-quarter to one-third of the loans and grants, in a well-run program.

Among the Isthmus Area neighborhoods, Tenney-Lapham and Vilas Park are suggested as the first priorities for city efforts towards concentrated neighborhood preservation. Both neighborhoods have a sizeable core of homeowners, many physical assets, and active neighborhood organizations. In Tenney-Lapham, the initial efforts should be concentrated near the northern and eastern portions of the neighborhood - i.e., close to the area where owner-occupancy is strongest and the housing is in the best condition. Early and visible city efforts to lessen the impact of the heavy traffic are essential. In Vilas Park, early efforts can be concentrated in the southern portions of the neighborhood (more or less the area now zoned R-3). Lower priorities should be given to Marquette and Bassett (the one because it is showing signs of improvement and already has considerable city and private efforts directed towards it; the other because of the extremely low proportion of owner-occupants).

## 2. Leveraging

Madison's major housing rehabilitation efforts have been funded through two revolving funds under the Housing Rehabilitation Services Program. To all intents and purposes, the private sector has not been involved. In contrast, many cities have successfully stretched their loan programs by "leveraging," a technique that involves the private sector. For each dollar deposited in a bank as security, the bank is willing to purchase three or four dollars worth of tax exempt bonds, the proceeds from which are used for low interest loans. These loans must, of course, be "bankable," i.e., good credit risks, but this is true of the loans made under Madison's present program as well. Many banks have lowered their interest rates somewhat for such a concentrated program, and the municipality, using its various available programs, funds still lower interest rates or combines loan programs with grant programs for lower income households.

A variation of this is to deposit public funds into a special insurance fund maintained by commercial banks as backing to high risk loans. The banks agree to make small loans (which they otherwise will not make) with the assurance that bad debts will be covered from the insurance fund.

Another effective method of maximizing the effect of limited public funds is through the technique of compensating balances. For example, \$200,000 of city funds can be leveraged into a \$600,000 loan program. This amount is generated by (1) depositing the \$200,000 as a "compensating balance" in local banks, and by agreeing to leave it on deposit for the full 15 year term of the loans, together with the accrued interest, and (2) issuing for purchase by these banks five percent, non-taxable revenue notes secured by first or second mortgages on the rehabilitated properties. The city can use the proceeds of the notes to make 15-year six percent loans; the difference in the interest rate (from the five percent revenue note to the six percent loan) is used by the city to cover some of the program costs. Not only is this program able to generate \$600,000 worth of loans for \$200,000, but it also enables loans to be made in areas where banks, being prudent investors, might otherwise be apprehensive. The individuals to whom the loans are made must in every case be "bankable" under this program - that is, they must have sufficient financial stability and assets to qualify personally for the particular term of the loan that they will receive.

Given the present low level of rehabilitation activity in Madison, leveraging may not seem of interest. If, however, the program were to gain momentum - as it should, if the strategy discussed above is followed - leveraging would increase significantly the city's ability to respond to its housing needs.

### 3. Split Equity Arrangements for Elderly Homeowners

One of the major segments of the overall problem of conserving established neighborhoods is the inability of elderly homeowners to continue to maintain their properties on greatly reduced incomes. Even though they have substantial equities in their homes, such people may nevertheless be unable to provide for daily necessities. Upon their deaths, their accumulated equities are passed on to heirs who are frequently in better financial circumstances than the owners themselves were at the end of their lives. Selling their homes to realize



their equities is not always an acceptable solution for elderly owners of fully paid up homes inasmuch as, not knowing how long they will live, they are afraid of assuming the burden of paying for rental accommodations.

Home improvement loans for such elderly homeowners are difficult to obtain and, where such loans can be obtained, they must be repaid over a term shorter than the borrowers' expected lives. This means that the homeowners are obliged to buy back their equity over their remaining years.

As a result, low income elderly owners are forced to under-maintain their homes as the only form of dissaving available to them. This has two obvious drawbacks: (1) in time, the owner finds himself living in substandard housing, and (2) the under-maintained home depresses property values throughout the neighborhood. Furthermore, at some point, the depreciation in property value which results exceeds the accrued value of foregone maintenance expenses. While this may be of no consequence to the owner who lives out his days in the home, it is an economic loss that should be avoided if at all possible.

The city is assisting elderly homeowners with its deferred payment loans; it may be possible to interest private lenders in "split-equity," thereby freeing additional city funds.

Under a split equity arrangement, the equity in a property is divided into two components: (1) a lifetime interest or right of occupancy until death by a specific party; and (2) the residual equity held by the lender. The lender acquires full equity in the property upon the death of the borrower. The borrower could be either an elderly owner in occupancy or an elderly home buyer. In either case, for added loan security, the financial arrangement must include assumption by the lender of responsibility for the maintenance of the home.

If it could be worked out, a split equity arrangement might generate a substantial volume of investment in home improvement and maintenance. It is recommended, therefore, that the city, jointly with its lending institutions, explore this concept.

#### 4. Tax Abatement or Moratorium on Increases

Techniques of waiving or postponing tax increases for rehabilitation or new construction have been successfully tried

in various cities and states. Among these techniques, the legality of which must be verified for Wisconsin, are:

- A moratorium on property tax increases for rehabilitated properties. Interest in private rehabilitation can be stimulated by waiving or postponing property tax increases. For example, a private homeowner could enter into an agreement with the city to correct code violations and otherwise improve residential property, in return for which the city would agree to delay recognizing the increase in value for, say, eight to ten years. When this has been effective, the city reserves the right to review plans and specifications and make recommendations designed to maximize the impact on the neighborhood. At the end of the moratorium period, the city is free to assess the property at full market value.
- Tax abatement, in stages, for new construction or rehabilitation. For example, Missouri's Chapter 353 Urban Redevelopment Corporations Law encourages redevelopment by limited dividend corporations in "blighted" areas through a 25 year tax abatement, in stages. For the first ten years the property, in effect, is taxed at the before-redevelopment level; after 15 years, the property is taxed at one half of the value after redevelopment. After 25 years, it is taxed at full value. The city may also "loan" its power of eminent domain to the developer, under Chapter 353.

##### 5. Using Rehabilitation to Increase Permanent Population

Rehabilitated housing is of interest to non-Isthmus residents according to the Opinion Survey, and this interest increased strikingly as the rental was lowered: it is reasonable to assume that the interest shown was in the housing type and the relatively low cost (as compared with the other housing choices offered); it is therefore reasonable to assume that interest in this type of housing would remain high for a home ownership situation as well as rental.

To pay the costs of rehabilitation, however, owners have to charge high rents (or, in the case of cooperatives, ask a high sales price); furthermore, students are as likely to be the tenants after rehabilitation as before.

Use of the various city, state, and federal programs enables low interest loans and grants to help keep the cost of rehabilitation - and thus the resultant rental - low. It is

suggested, however, that the city explore the possibility of a memorandum of understanding with owners who receive such loans specifying (a) the maximum rental or sales price to be asked after rehabilitation; and (b) that future tenants, if any, be required to sign, at a minimum, a two-year lease. Such measures should prevent exorbitant rentals after rehabilitation and encourage long-term tenancies.

If, moreover, the city concentrates its neighborhood conservation efforts in areas not yet dominated by students and still retaining a high percentage of owner-occupants, these measures are more likely to succeed; an increase in owner occupancy should be sought, using all available programs for moderate income households. In such areas, it would be desirable to enact the more restricted zoning definition of "family" permitting only one roomer rather than four in the case of a rental unit, as discussed below.

#### C. Planning and Zoning

Defining "Family": In the portions of the Isthmus Area not yet dominated by students, the city should consider extending into as many blocks as possible the more restricted zoning definition of "family" - restricting to two the number of unrelated persons who may live in a rental unit. This more restricted definition of "family," which in practice discourages student occupancy in the Isthmus Area, applies only in portions of Marquette, Tenney-Lapham, and Vilas Park. The restriction may be appropriate on additional blocks in these neighborhoods, particularly in portions of Tenney-Lapham, where the neighborhood association favors it.

Except for the R4A and R4L Districts, in all of the high-density districts in which multi-family uses are conditionally permitted, the definition of "family" permits five unrelated persons in rental units. It may be appropriate to consider adopting the more restricted definition in these districts, with special exceptions for Bassett, Mansion Hill, and other areas with large student populations.

Conditional Uses: Several of the findings of the study, which suggest certain zoning changes, are:

- Since new multi-family housing (new construction or conversion) is a conditional use, developers, to whom time is money, fear that after a lengthy negotiation process with the city, they may, in the end, not secure approval. This is particularly true of smaller developers.

-Although high densities are conditionally permitted in the downtown area, many of the lots available in the R5 and R6 districts are small - a factor that both limits densities and makes attractive development difficult.

-Although off-street parking is not required in the "central area," most residents have cars and therefore require parking.

-In areas where there is heavy student demand for housing, rental housing is so profitable that there is little incentive to rehabilitate existing units or redevelop.

To encourage new construction and desirable conversions, it is suggested that the city consider establishing so-called performance standards for new multi-family use. Apartment houses could be permitted as of right in certain mapped areas, at a relatively low density and with a minimum lot size considerably larger than the present, ubiquitous 33 foot lot. Bonuses in the form of extra density could be granted for:

-Providing enclosed off-street parking;

-The use of berms, courtyards, and other forms of design and landscaping which create a sense of tranquility and space;

-Larger lots;

-Sites adjacent to commercial or higher density districts.

Such a list, of course, can be expanded considerably. The city could continue to maintain control through site development review.

Traffic, Housing, and the Rail Corridor: Traffic congestion is a serious problem for Madison's Isthmus neighborhoods. The constricted geography, the central impeding - and imposing - mass of the Capitol, the rail lines, the 45 degree shift in axis of many of the east-west streets near Frances Street, all combine to lead traffic into and through residential neighborhoods. At the present time, the most serious effect is felt in the Tenney-Lapham neighborhood, resulting from an east-west movement, and in the Bassett neighborhood, resulting principally from north-south movement.

The most effective solution would be to utilize the rail corridor to remove traffic from both Gorham-Johnson Streets and from the various residential streets in the Bassett neigh-

borhood. This need not run counter to the city's policies of wishing to discourage automobile traffic downtown. Extra capacity generated by new traffic lanes could be effectively removed from residential streets by creating extra, and sorely needed, parking, and with such devices as stop signs and traffic diversions.

The eastern portion of the rail corridor could also be used to build housing for MATC students, if the college locates on the East Washington Avenue site. If MATC decides on this location, the city should investigate ways of increasing the low rent housing supply in this location - using tax increment financing, land write-downs, federal Section 8, and any other available tools. While both Tenney-Lapham and Marquette residents interviewed favored mixed housing (i.e., student and non-student), the present environment of the rail corridor is not attractive. Only if a sufficiently large new development is created is it likely that middle and upper income households will be attracted to market housing in what is now the rail corridor.

The western portion of the rail corridor is also a good location for new housing, but a location where it will be hard to attract upper-income households, i.e., those who can afford market rate housing.

Use of the rail corridor is a long range solution, and an expensive one. The city is studying a range of traffic solutions, suggested in the "Isthmus Area Traffic Redirection Study," including some which can be implemented more readily. From the standpoint of the Tenney-Lapham neighborhood in particular, it is to be hoped that the city will seriously consider both a new automobile route through the rail corridor and one of the less extensive, but more easily implemented, solutions, in order to alleviate the congestion to some extent, while the longer-range and more effective solution is pursued.



