



Housing Feasibility Study
Planning & Development Department Report
2006

Village of Shorewood
3930 N. Murray Avenue
Shorewood, WI 53211

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1.0 Introduction

This report was generated based on recommendations found in the Duplex Housing Strategy report by S.B. Friedman & Co (SBFCo). as part of the Central District planning process. It outlines financial tools that could be used for promoting increased duplex owner-occupancy in Shorewood, specifically targeting younger families.

At present, Shorewood is being faced with several internal and external factors that may hinder an optimal number of young families from moving into the Village. Plainly stated, young families are necessary for maintaining and enhancing healthy communities. Young families encourage economic growth, help maintain the tax base, promote healthy school systems, and strengthen the social fabric of communities.

Young families prefer single family style homes – a housing style in short supply in Shorewood compared to other similar surrounding communities. As part of the Central District planning process, the Village requested SBFCo to provide an outline for the best way for the Village to approach revitalization of the abundant duplex housing stock. Public participation concluded that the physical condition and overcrowding of duplexes, and affordability of family-appropriate housing units, may begin to have a negative impact on the community's quality of life and the ability to attract new residents and investment to the Village.

SBFCo suggested a three-part strategic approach involving goal setting, code enforcement and targeted Village programs. This report focuses on creating a Village-wide program based on local population and housing trends, decline in school enrollment, and aforementioned citizen concerns in order to increase the demand for single family homes is needed in Shorewood. Code enforcement recommendations have been addressed in a separate report called Code Enforcement & Duplex Licensing located in the office of the Village Manager.

2.0 Demographic Analysis

The reason why young families are important to communities is understood. However, in order to better understand why Shorewood may not have an optimal representation of younger families and why the Village needs to attract more young families can be explained by certain local population factors, housing trends, and school enrollment trends. These three factors are explored in this section.

Population Changes

Shorewood’s general population decreased by 2.5% from 1990 to 2000 with an estimated decrease of 3.7% between 2000 and 2006. Glendale, White Fish Bay, Brown Deer and Milwaukee County also showed overall population decreases for the same time period shown in Table 1. Glendale shows the largest decrease of 5.1% and Whitefish Bay shows the least decrease of 0.8%.

Percent Population Change 1990 to 2000

Table 1

	Shorewood	Glendale	Whitefish Bay	Brown Deer	Milwaukee County
Total	-2.5%	-5.1%	-0.8%	-0.5%	-2.0%

While comparative municipalities are showing similar population decreases, decreases unexplained by age cohorts can take away from rather than add to the vitality of a community. Shorewood is also a built out community similar to the three comparative municipalities, which diminishes its capacity for population growth. The newly adopted Central District Master Plan is allowing building heights between four and eight stories, lending for higher densities and potential population increase.

Family Households

Table 2 below shows the percent of family type households. Shorewood has 50.9% of family style households compared to all other comparable geographies ranging from 59.6% to 73.6%.

Comparison of Percent of Family Households Year 2000

Table 2

	Percent of Family Households
Shorewood	50.9%
Whitefishh Bay	73.6%
Glendale	60.9%
Brown Deer	63.3%
Milwaukee County	59.6%
Wisconsin	66.5%

Source: 2000 U.S. Census

Households Size

According to the 2000 Census, the average household size in Shorewood is 2.08 compared to Wisconsin at 2.51. The average household size in Shorewood for owner-occupied housing is 2.51 and renter-occupied is 1.69. Wisconsin is 2.66 and 2.15 respectively.

Younger Cohorts

In addition to the overall population decrease, population changes within the age categories 25 to 39 indicate future trends that effect economic growth and the overall social infrastructures of communities. The graph below shows population trends in the age categories 25 to 29, 30 to 34, and 35 to 39. These age categories best represent young families.

Graph 1 shows that in year 2000, Shorewood had a higher representation of population in most of the 25-29, 30-34, and 35-39 age groups than the other municipalities. This graph establishes that Shorewood does have a formidable percent of young population, which are UW-Milwaukee college students- a fact that increases demand and supply of tenant housing, and decreases housing desired by young families. The presence of this population is further amplified by Shorewood being a landlocked and nearly fully developed community.

Graph 1 Percent of Total Population by Age Year 2000

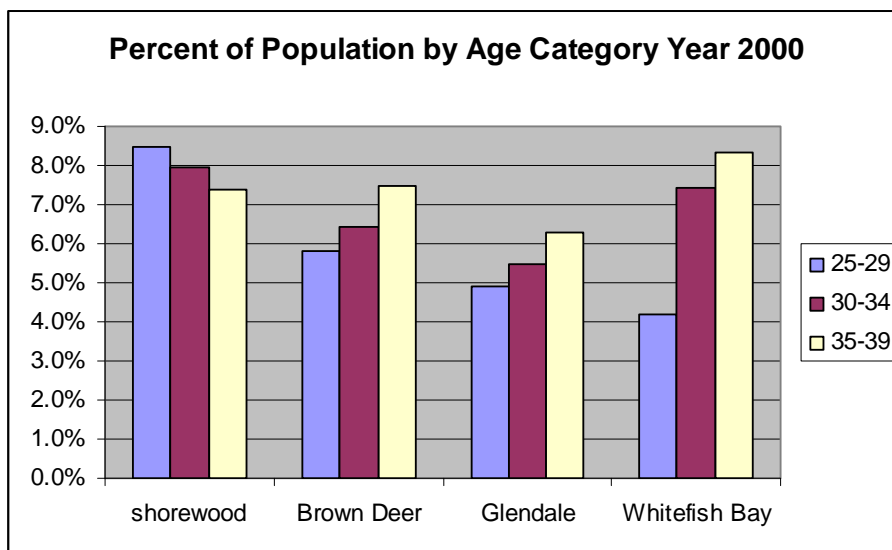


Table 3 shows a series of comparable municipalities and the surrounding counties percent population change from 1990 to 2000 for the three age categories 25 to 29, 30 to 34 and 35 to 39 years.

Shorewood shows the lowest decrease in the age group 25 to 29 when compared to Glendale, Whitefish Bay and Brown Deer. This is most likely due to UW-Milwaukee student tenants living in Shorewood. In the 35 to 39 age group Shorewood shows the greatest loss at 25% along with Glendale at 26%.

All four counties show positive growth in the 35 to 39 age categories with only Milwaukee County positive in all the three categories. This indicates that this younger cohort is thriving in the region but choosing to live elsewhere, most likely in outer-ring suburbs that offer ample green space for new construction single family housing.

**Population Percent Changes by Age
Year 1990 to 2000**

Table 3

Total	-2.5%	-5.1%	-0.8%	-0.5%
25-29	-13.1%	-24.2%	-22.4%	-28.6%
30 to 34	-19.8%	-24.7%	-16.6%	-24.7%
35 to 39	-24.8%	-25.3%	-14.9%	-7.1%

County Comparisons

	Milwaukee County	Ozaukee County	Washington County	Waukesha County
Total	-2.0%	11.3%	23.3%	18.4%
25-29	25.8%	-30.4%	-15.2%	-16.3%
30 to 34	25.1%	-18.7%	4.9%	-9.9%
35 to 39	4.1%	8.4%	39.0%	15.5%

Empty Nesters

The baby boom¹ generation, now between 46 and 65 years of age, is beginning to experience the empty nester occurrence. Between 1990 and 2000, this age group grew 36% in Shorewood. Glendale increased 11.3%, White Fish Bay 20.9% and Brown Deer 1.4% respectively².

As the baby boomers age, the demand for housing types will also change. Often, empty nesters downsize and seek greater amenities in the communities

¹ The largest age cohort currently in the United States.

² Visioning Report by Public Management Partners LLP, August 2005

they chose to live in. Shorewood is a community that has many amenities desirable to this age group.

An impressive portion of Shorewood's baby boomers will more than likely chose to remain in the Village as this cohort moves through retirement and beyond, leaving less housing choices on the market that is desired by young families.

3.0 Housing Market

Shorewood has a homeownership rate of 48%, well under Wisconsin's rate of 68%. Shorewood also has fewer households that are families (51%) with comparable communities between 60% and 74% and Wisconsin at 67%. Homeownership rates for householders age 25-34 (young family-age) are substantially lower in the Village (18% homeownership) than in Milwaukee County (25% homeownership) or Wisconsin (40% homeownership).

Out of Shorewood's 6,158 housing units, 44% are single family (2,713 units), 14% are duplexes/townhomes (886 units), 35% are commercial/multifamily (2,180 units), and 6% are condominiums (379 units). Glendale has approximately 74% of its total housing units that are single family and 2% that are duplexes.

The supply and demand of housing in Shorewood is another factor in explaining why Shorewood may not have an optimal number of young families. In addition to population factors, several other plausible causes for understanding why Shorewood has not attracted a greater number of young families includes, but is not limited to: lack of affordable housing, high number of rental properties, and age of housing stock and community location. These three factors are further explained on the following page.

Lack of affordable housing

In 2005, the median residential single-family property value in Shorewood was \$295,000, with 2006 six month median value at \$315,000. Young families may be priced out of the housing market in the Village, where high demand and low vacancy rates tend to inflate housing values for single family homes.

High number of rental properties

Shorewood is a unique community where 52% of its housing units are renter-occupied, higher than comparable communities. Shown in Table 4, Whitefish Bay has 15.4% of its housing units renter-occupied with Glendale at 26.9% and Brown Deer at 28.8% respectively.

Comparison of Percent of Renters

Table 4

	Percent of Housing Units Renter-Occupied
Shorewood	52.4%
Whitefish Bay	15.4%
Glendale	26.9%
Brown Deer	28.8%
Milwaukee County	47.4%
Wisconsin	46.1%

Shorewood's percent of renter-occupied housing is also higher than the State of Wisconsin at 46.1%. This higher concentration of renters is due to the constant high demand by the University of WI- Milwaukee student population. In the 2005-06 school year, it is estimated that 1200 to 1500 new freshman at UW-Milwaukee were turned away for resident hall occupancy, supporting the demand and supply of rental units in Shorewood. Either investor style or owner-occupied landlords that supply rental units in Shorewood, meet this demand.

In fall 2007 a 485-bed new residence hall will be completed for UW-Milwaukee students, possibly decreasing the demand for rental properties in Shorewood.

Duplexes In addition to the overall high number of rental units, Shorewood has approximately 886 duplexes, 14% of its total housing units. Of that 14%, 55.5% are owner-occupied. Today, Shorewood's zoning codes no longer allow single family residences to be converted to duplexes.

In 2005 216 single-family, duplex and condominium style homes were sold in Shorewood equaling 3.5% of the total number of housing units in the Village. Of those 216 home sales, 23.1% (50) were duplexes.³

Geography & Old housing stock

Shorewood is a fully developed, primarily residential landlocked village 1.6 square miles in size. Recently built housing and proposed new housing options have been limited to condominium style homes based on density goals, available land, and the population that that housing style is intended to serve.

³ Multiple Listing Services

The Village has established codes that ensure the continual upkeep and positive aesthetic quality for all properties. However, the Village recognizes the challenges facing its current housing stock – concerns that the abundance of older type housing stock, a portion of which is physically deteriorating, may begin to have a negative impact on the community’s quality of life and the ability to attract new residents and investment to the Village. These concerns have been addressed in a recently completed Code Enforcement & Duplex Licensing report that may be accessed through the Village Manager’s office.

4.0 School Enrollment

In the past four years, Shorewood’s school district has lost nearly 180 resident students. From 2004 to 2006⁴, school enrollment decreased by 7.2% with open enrollment. Table 5 shows comparable communities, all of whom had decreases in enrollment. Whitefish Bay had an 8.5% decrease, Glendale-River Hills a 2.7% decrease, and Brown Deer 2.4% decrease.

Change in School Enrollment

Table 5

School District	Enrollment Percent Change 2004 to 2006
Shorewood	-7.2%
Glendale-River Hills	-2.7%
Whitefish Bay	-8.5%
Brown Deer	-2.4%

Source: WI Department of Public Instruction

Shorewood’s school board enrollment goal is to increase enrollment by 10 to 15 students each year for 10 years. However, the high demand for tenant housing and the lack of supply of single family homes, has taken away from, rather than build on, a strong family-focused community. Attracting young families to Shorewood will help the school districts goal of growing enrollment.

⁴ 2004-2005 Public school enrollment numbers are not comprehensive based on data system changes and could not be used for comparison

Population trends, housing market factors, and changes in school enrollment, help explain why efforts should be initiated in addressing the presence of future young families in Shorewood.

5.0 Program Scope

This report recommends the Village of Shorewood create a Homebuyer Incentive Program (HBIP) to enhance housing options for young families desiring homeownership in Shorewood.

5.1 Program Goal & Objectives

The goal of enhancing housing options in Shorewood for young families is to meet a main objective of increasing homeownership rates of young families in Shorewood. By doing so, other benefits are received. A HBIP can increase school enrollment, increase housing options desired by empty nesters, and decrease the number of duplexes. These objectives are detailed below.

Objectives

- **Increase homeownership rates of young families**

Enhancing housing options for young families ensures healthy communities by balancing demographic diversity within Shorewood. Homeownership rates in Shorewood for the 25-34 age group is 18% with Wisconsin at 40% respectively. Population data show that while there is a healthy young population in Shorewood, it is largely made up of non-family households.
- **Increase school enrollment**

School enrollment will increase if there is a net increase in young families in Shorewood. Shorewood had a 7.2% enrollment decrease between 2004 and 2006 school year –second largest decrease when compared to Whitefish Bay (-8.5%), Town Deer (-2.4%) and Glendale-River Hills school district (-2.7%).
- **Increase affordability of housing options**

Homebuyer incentives will increase affordability of home purchases by young families. In 2005, the median single family property value in Shorewood was \$295,000. Shorewood's estimated median household income is \$55,442 for 2006, higher than Milwaukee County and the City of Milwaukee.
- **Increase single family style homes**

Approximately 14% (886) of Shorewood's housing stock consists of two family style homes. Converting any portion of the two family style homes to single family residencies will create a housing type desired by young families.

5.2 Program Measures

Utilizing program measures at program inception would aid in determining if a homebuyer incentive program is feasible. Likely measurements could be:

- **Effectiveness.** Will a HIP program reduce the number of duplexes?

A measure could be designated to decrease the number of duplexes in Shorewood by 15% of the total duplexes sold in Shorewood in 2005 within two years of program implementation.

In 2005 23.1% (50) duplexes were sold in Shorewood. Reducing the total number of duplexes by 15% within two years of program implementation requires approximately 7.5 duplex units to be sold and converted to single family residence. 7.5 units in two years equates to three to four duplex units per program year.

- **Political Acceptability.** Will a HIP program be politically acceptable by the Village Board?

Of the seven member Village Board, a majority of the members must approve of implementation of a HBIP. Members must be in mutual understanding as to the method of achieving a greater representation of young families within the Village and method of increasing the number of single-family style homes desirable by young families.

- **Administrative Ease.** Can a HIP program be administered by the existing number of Village of Shorewood employees?

Program implementation shall not require an additional person to be employed due to change in workload and be feasible by the Village staff.

5.3 Funding

Financial incentives beyond conventional lending could be made available to eligible applicants seeking homeownership in Shorewood.

Funding Sources

Funding a homebuyer program may be done so through commercial loans, either conventional or creative financing, community loans, or grants.

Loan Options

1

Conventional Loans

Traditional loans require 20% down payment. Conventional lenders may also offer loan packages with loan-to-value rates at 97%, 100% and 103%.

If a community directly offers incentives toward the purchase of a home, commercial lenders offer loan packages that recognize the incentive as part of the down payment. Communities have also made arrangements for zero-interest loans for the borrower with the community making interest payments.

2

WHEDA Loans

The Wisconsin Housing and Economic Development Authority offer a variety of loans when conventional loans are not feasible. Four types of loan packages match the scope of a HBIP.

- The **HOME Loan** offers below-market interest rate home financing to first-time homebuyers with low to moderate incomes. This loan includes below market interest rates, 3% minimum downpayment, and sets income and purchase price limits based on Milwaukee County.

The Federal Home Loan Bank of Chicago is a new incentive offered through WHEDA. FHLBC funds for down payment for a WHEDA HOME loan for first-time home buyers with 0% interest, for a no monthly payment 5-year forgivable loan.

- The **Fixed-Interest Only Loan** offers fixed rate financing with reduced payments during the first seven years for eligible first-time

homebuyers. It offers below-market interest rates, 3% minimum down payment, and sets income and min and max purchase price limits based on Milwaukee County.

- The **Home Improvement Loan** provides fixed interest rate financing with no equity requirement up to 15 years based on Milwaukee County income limits.
- The **Major Rehabilitation Loan** provides 30-year fixed-rate financing to purchase and rehabilitate an existing home, offering below market interest rate and must be based on income and purchase price limits based on Milwaukee County. In addition, the cost of rehabilitation must be at least one third of the purchase price of the property. *Ideal for conversion of a two family home to a single family.*

In 2000, Shorewood's average single-family residential home value was \$349,617. Income limits for a one and two person households may not exceed \$66,800 and a three or more person household, \$73,480. Purchase price for a one-family home may not exceed \$204,432 and a two-family home, \$261,701.

WHEDA Home Program Income Limits, 2006

	1-2 Member Household	3+ Member Household
Milwaukee County	\$66,800	\$72,480

WHEDA Home Program Purchase Price Limits, 2006

Area	Existing & New Construction 1-Family	5-Year old 2-Family
Non-Target Area	\$204,432	\$261,701

2006 Average Home Sale Prices

Home Type	Price
3-Bedroom single family	\$302,962
Overall single family	\$407,916
Overall two family	\$295,097

Source: Multiple Listing Services

3 Community Revolving Loan Fund

A revolving loan fund (RLF) may form to meet housing needs identified by a community and may be funded by TIF or through a General Fund. Community RLFs provide gap financing and serve to reduce the interest rate on standard bank loans. As the payments are made and repaid into the pool, the fund revolves back out to other candidates.

RLFs geared toward a HBIP for Shorewood may provide loans either as a **down payment** or for **home improvement**.

Examples of Varying Finance Packages:

- **Deferred Loan** is a loan where the payments are deferred until a designated future date.

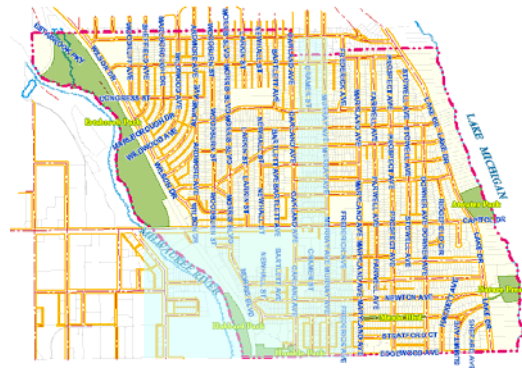
If a duplex is purchased and converted to a single family residence through the HBIP, payments may be deferred longer. Deferred loans can also provide matching funds up to a certain dollar amount per household for first time homebuyers and an additional matching amount if a duplex home is purchased and converted to a single family residence. The loan may be interest free. After two to five years of continued ownership, the loan may also be totally forgiven.

Madison's American Dream Downpayment Initiative: This program provides qualified homebuyers with a long-term deferred loan to assist with down payment and closing costs. Loan assistance ranges from a minimum of \$1,000 to a maximum amount of 6% of the purchase price not exceeding \$10,000. The loan repayment includes the initial loan amount plus a proportional share of appreciation based on the percentage of assistance initially provided. It will be due and payable when the property is sold, transferred, or the homebuyer is no longer the primary resident of the property. Eligible properties include single-family homes, condos and part of a duplex located in the City of Madison.

- **Forgivable Loan** is a loan that does not need to be repaid as long as program requirements are met. Specific requirements for forgivable loans may be: zero repayments, zero interest loans, repayable stipulations, and owner-occupancy requirements.
- **Zero Interest Loans.** The Village could receive a line of credit from a selected lender at a lower interest than the current market offers and offer a zero percent loan to a qualified applicant while making interest payments to the bank. Repayable stipulations may require owner occupancy with 20% repayable each year up to five years.

4 Grants

- **Community Funded Grants.** Shorewood may offer grants offered directly through the Village funded by TIF or the General Fund.
- **Community Development Block Grants.** A majority of first time homebuyer programs receive grant monies through the federal Housing and Urban Development agency and distributed through Community Development Block Grants. These grants have eligibility requirements specifying low income households within designated Community Development Block Grant areas (CDBA). A homes purchase price may not exceed \$170,000 in order to qualify for a CDBG⁵.



There are 284 duplexes within the CDBA, representing 32% of the Villages duplex housing stock.

The entire southwest quadrant of the Village is considered a CDBA. The number of duplexes within each block in this area ranges between 42% and 88%. Additional properties in Shorewood are in a CDBA outside the southwest quadrant. There are 15 blocks along the western perimeter of the south east quadrant, and nine blocks on the east side of Oakland beginning north of Capital to the Village's northern edge.

5.4 Program Budget

Program funding availability should be addressed on a per-unit and program objective basis. Other municipal programs of this type have offered loans between \$3,000 and \$15,000 to qualified participants.

Annual and aggregate program caps should be determined based on the availability of program funding and developing an estimate of the number of properties that will likely participate in the program. Loans and grants are awarded on a first-come, first-serve basis.

⁵ Nearly a quarter of the Villages land is designated as a Community Development Block Grant Area due to the 430 low-income senior dwelling units. Grant eligibility is extended only to non-rental, 1 to 2, dwelling residencies only. Specifying eligibility to homes only within the CDBG areas would most likely not allow goal achievement based on a small number of qualifying housing types and values. There are currently 284 duplexes located with the CDBG area.

5.5 Program Eligibility

Program eligibility requirements will vary based on how incentives are dispersed, whether incentives are offered as loans or grants, and whether the incentive is for a duplex home purchase requiring owner-occupancy, or a duplex purchased and converted to a single family.

The important eligibility requirements would be first-time homeownership requirements and a minimum specified time of owner occupancy, typically 15 years as seen in other like programs. Duplex conversion eligibility may have an added component that the property must be within a residential block that contains less than 50% duplexes.

6.0 Implementation

Below is a general list highlighting some basic decisions to be made when designing a housing incentive program, where each category choice influences the likelihood of meeting the programs goals and objectives.

6.1 Program Toolbox

Eligibility	Funding Limits	Funding Sources	Form of Incentive
<p><i>Duplex purchase</i></p> <ul style="list-style-type: none"> •Have not owned a home in the past 3 years •Property located within a block of less than 50% duplexes 	<ul style="list-style-type: none"> •Maximum for duplex purchase •Maximum for duplex conversion to single-family 	<ul style="list-style-type: none"> •Community based •WHEDA •Conventional Lenders 	<ul style="list-style-type: none"> •Deferred loan •Forgivable loan •Zero-interest loan •Grants

Implementation strategies rely heavily on whether a homebuyer incentive program is facilitated through a community acting as a lender or a community contributing grants to applicants who are working with conventional lenders. No matter which mechanism the funding is made available, a conventional lender will always be involved.

It also involves securing funding sources and limits, identifying administrative and staffing requirements, and approval by the Village Board.

Establish Budget & Secure Funding

Based on comparable programs, incentives would be in the range of \$3,000 to \$15,000 per applicant. The budget also should include funding that reflects program longevity and annual program evaluation.

Program Administration

Administration of a HBIP will be through Village staff with the office of the Village Clerk administering application and disbursement of loans to qualified applicants. A partnership with a local lending institution would assist in verifying loan eligibility and credit worthiness. Marketing efforts could be shared among involved partnered lenders, Village Staff, and local and regional entities.

6.2 Program Example

Program Example

In order to decrease the number of duplexes by 15% within two years of program implementation, the number of duplexes sold and converted to single family units through the HBI program would equal three to four each year.

Of the 6,158 housing units in Shorewood, 44% are single-family residence and 14% are duplex/townhome residence. In 2005 127 single-family homes were sold and 50 duplexes.

\$60,000 Annual Grant HBIP

	Number Of units	Housing Type	Per Unit Incentive	Total
A.	3	Duplex conversion	@ \$10,000 each	\$30,000
B.	5	Single family	@ \$5,000 each	\$25,000
C.		Administrative		<u>\$5,000</u>
				\$60,000

Explanation

- A. Duplex conversion goals established in section 2.1
- B. Approximately 127 single family homes were sold in Shorewood in 2005. A goal of five single family homes sold through the HBIP equates to 3.9% of assumed annual sales.
- C. Administrative costs include website maintenance, publication costs and existing staffing hours. Staffing hours are assumed to be not more than six hours a week spent on program.

6.3 Program Strategies

Initiating a HBIP requires identifying strategies to ensure a successful program. Four strategies are detailed below that facilitate meeting the objectives of increasing homeownership rates, school enrollment, housing options for empty nesters, and the number of single family style homes, and making home purchases more affordable for young families.

Upon preliminary approval of the HBIP, strategies invoked by the Village Staff and assistance from the Community Development Authority, should focus on generating program awareness, expediting new condominium construction along the Milwaukee River, connecting the incentive program to the Central District Master Plan, and creating partnerships with the school district.

- **Program awareness.** *Establish program awareness through local and regional publications, Village website, affiliated lending institutions website and bank locations and literature distributed at public locations*
- **Proceed with new condominium construction.** *Roughly 332 units are slated for development along the Milwaukee River within the south west quadrant of the Village outlined in the Villages Central Business District Master Plan. Swift approval and construction could make available a greater number of single family homes within Shorewood desired by young families.*
- **Connect Central Business District Plan and homeownership.** *Create links within the Village website between the CBD Plan and the First Time Home Loan program, promoting the Villages accessibility to young families.*
- **Partner with School District.** *Target FTHP to nonresident families with children enrolled in Shorewood's schools, increasing the likelihood of continued enrollment through grade 12.*

Have school district act as ambassador of the CBD Master Plan and homeownership in Shorewood, implemented through representation at open house and other local and regional public events

7.0 Conclusion

The proposed Homebuyer Incentive program focuses on owner occupied properties only and does not include investors and resellers, nor does it include existing duplex owners who want to convert a property to a single-family. Having a program that allows resellers and investors may not be necessary due to climbing interest rates. As rates increase, the number of resellers should decrease and the number of investors in duplexes should increase based on increase demand for rental properties. However, the number of duplexes in Shorewood will not increase based on the existing building codes that restrict single family conversion to two family dwelling.

Many facts and reasons have been outlined in this report supporting the idea that Shorewood should initiate a program that attracts a greater number of young families than what currently is settling in the Village.

The demand for single family homes in Shorewood is exasperated by the high number of rental units, the lack of green space for single family new construction, affordability of current housing stock by young families, the continued demand for rental units by UW-Milwaukee students, and an aging housing stock.

Maintaining a healthy tax base in the Village becomes more difficult as the population and school enrollment continues to decrease, homeownership rates remain low, and the number of young families in the Village stagnates.

Creating a homebuyer program targets a population that enhances the socio-economic composition and membership in Shorewood.