Equitable Development in Madison:

An assessment of factors contributing to displacement and gentrification

City of Madison Planning Division

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Introduction

Background

Nationally, in several cities across the country, residents face constrained, expensive housing markets and rising income inequality. As neighborhoods change and housing pressures rise, displacement and evictions are becoming central components of this changing landscape. This is rapidly changing the character of neighborhoods, and some communities are seeing erosion of social cohesion as residents and small businesses are priced out. This is the process of gentrification and involuntary displacement. While Madison is not experiencing housing cost increases at the same magnitude as other national examples such as San Francisco, Seattle, New York etc., affordability continues to remain a major issue.

In an effort to better understand and minimize the effects of gentrification and promote a more inclusive, equitable pattern of development, staff was tasked to develop an Equitable Development white paper. The goal of this white paper is to conduct community-centered, data driven research to understand and describe the nature of displacement in Madison, and also generate knowledge on how strategies and policy interventions can respond and support more equitable development.

This white paper outlines the key findings of a Gentrification and Displacement assessment of the City of Madison by emulating a model used by the City of Portland, OR to understand where displacement is or could occur. It also outlines best practice strategies used in other cities to prevent and mitigate displacement, and suggests strategies to enhance or to consider here in Madison.

This white paper also tried to build upon four major studies that the City of Madison developed, including the Analysis of Impediments to Fair Housing (2019), 2016 White House-Housing Development Toolkit, Biennial Housing Needs Assessment and Strategies (2016), Imagine Madison (Comprehensive Plan 2018) and referenced these whenever applicable.

Definitions

The terms gentrification, displacement, equitable development, and affordable housing appear throughout this document and are defined below:

Gentrification: A market driven racial and socio-economic reconfiguration of urban communities that have suffered from a history of disinvestment.[1]

Displacement: When households are forced to move or are prevented from moving into a neighborhood due to conditions which are beyond their ability to control or prevent (e.g., rent increases).[2]

- Occurs in all types of neighborhoods
- May be physical, economic, or exclusionary

Equitable Development: Intentionally crafted public and private investments, programs, and policies for neighborhoods that take into account past history and current conditions to meet the needs of marginalized populations.[3]

Affordable Housing: In general, housing for which the occupant(s) is/are paying no more than 30 percent of their income for gross housing costs, including utilities.[4]

- Subsidized Affordable Housing – Subsidized Housing is government sponsored economic assistance aimed towards alleviating housing costs and expenses for people with low to moderate incomes.
- Naturally Occurring Affordable Housing – Naturally Occurring Affordable Housing refers to residential rental properties that maintain low rents without federal subsidy.[5]

1,3. City of Milwaukee 'Anti-Displacement Plan', February 2018

2. Urban Displacement Project - University of California, Berkeley

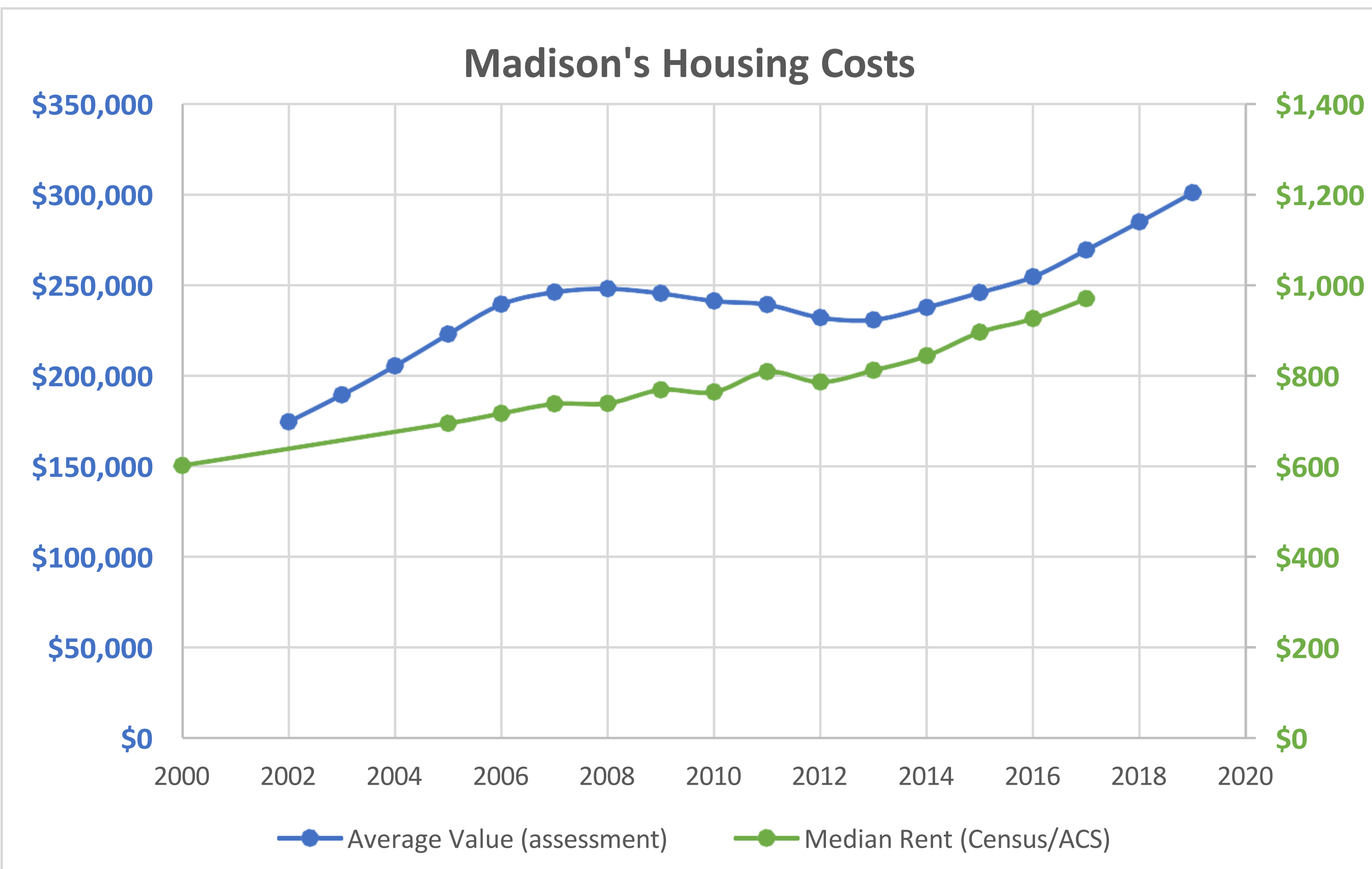
4. https://www.huduser.gov/portal/glossary/glossary_a.html

5. Greater Minnesota Housing Funds – NOAH Impact Funds

Displacement Assessment

As part of the City's effort to support equitable development amidst relatively rapid growth, staff began an analysis to identify and better understand which areas have experienced or are experiencing gentrification and provide recommendations addressing displacement. In the recent past, several cities examined various metrics either leading to or markers of gentrification and displacement. Nationally, increases in housing costs have far exceeded wage growth, often impacting lower income residents most significantly.

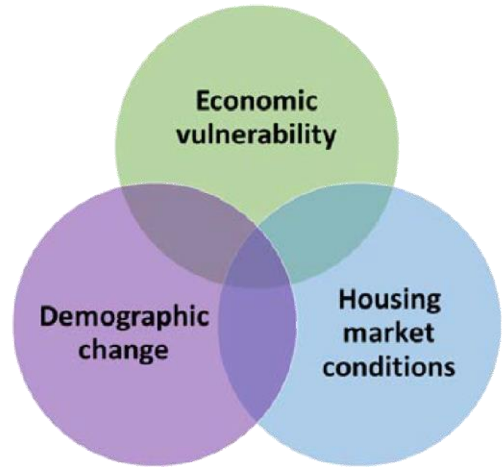
While Madison's housing costs are not on par with other major cities known for very high housing costs (San Francisco Bay area, Seattle, New York, etc.), affordability remains major issue in a growing city with a strong economy. Rents particularly seem to be increasing rapidly; the median rent in Madison increased 23% over the most recent 5-year period for which Census/ACS data is available, well above the 6% inflation that occurred during this time. Costs for owning a home have followed a similar pattern recently, and are now mirroring pre-recession annual cost increases.



Methodology

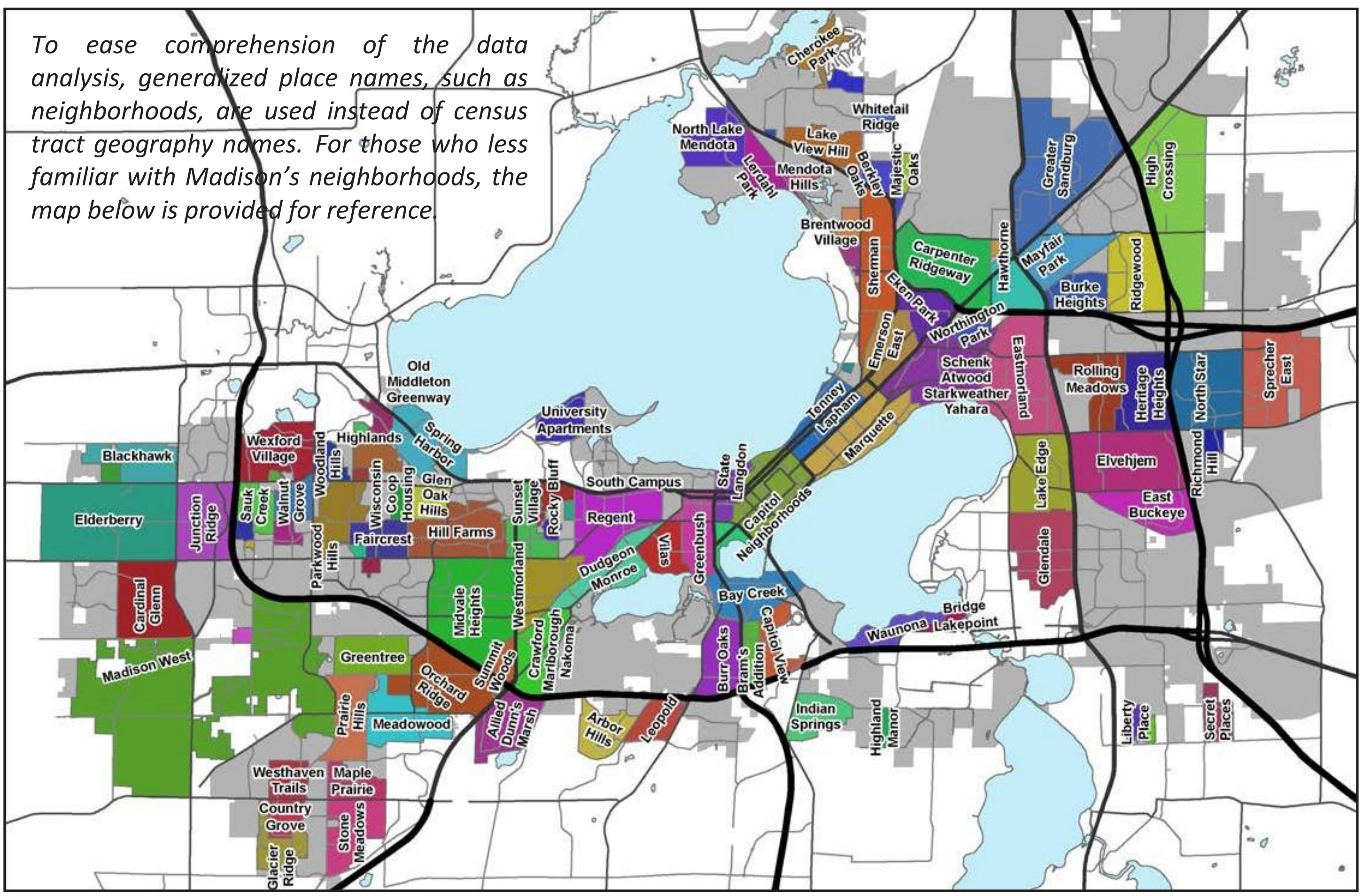
As a starting point, staff emulated a study commissioned by the City of Portland, OR to better understand where gentrification and displacement is occurring, could occur or had occurred. While the differences in size, geography and growth rates between Madison and Portland may limit how well the model can be applied directly to Madison (or any other city for that matter), the general approach, data sources and methods do provide relevant information to better understand gentrification and displacement pressures in Madison.

The Portland model uses Census, American Community Survey (ACS) and property data at the Census tract geography to examine three topics which together may indicate or lead to gentrification. Zillow Rental Index data is used for comparative purposes since largely based on select properties being rented and does not align with Census tracts.



- **Economic Vulnerability** of the population is measured by comparing the census tracts' rate of renters, persons of color, educational attainment and income/poverty to Madison's citywide rates.
- **Demographic Change** looks at time series data of owner occupancy, race/ethnicity, education and income to determine changes in population that may have occurred.
- **Housing Market Conditions** evaluates values and rents over time to map affordability.

To ease comprehension of the data analysis, generalized place names, such as neighborhoods, are used instead of census tract geography names. For those who less familiar with Madison's neighborhoods, the map below is provided for reference.

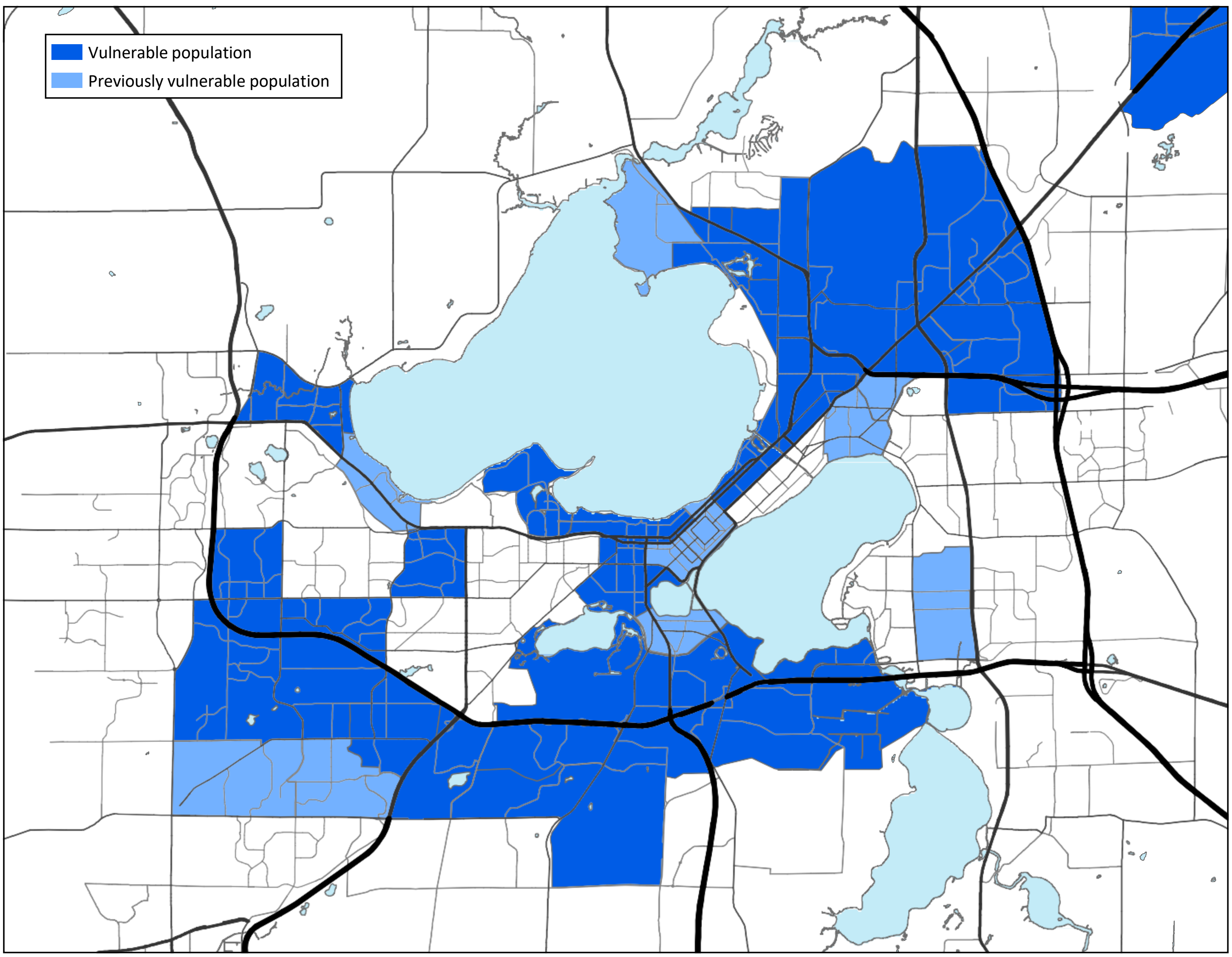


Economic Vulnerability

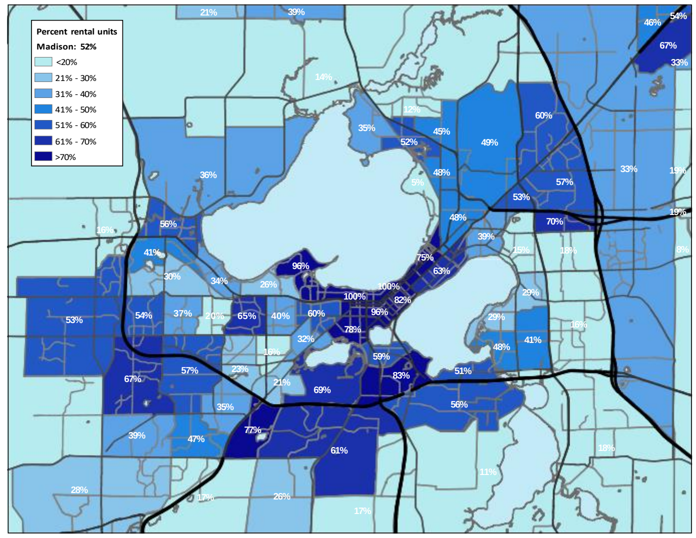
Census tracts are flagged as potentially having Economic Vulnerability if they exceed the citywide rate of three of the following criteria, or if they significantly exceed citywide rates with fewer criteria:

- Rented housing units
- Persons of color
- Families below 185% of the poverty level
- Population without a college degree

This point-in-time part of the analysis used 2000 Census, 2010 (2006-2010) and 2017 (2013-2017) Five year ACS data. The vulnerability analysis generally highlights census tracts along the south beltline, the Hwy 30-Aberg- Packers-Northport corridor and by the University of Wisconsin campus. A few tracts previously had Economically Vulnerable populations but did not meet the criteria using 2017 data. This may suggest displacement has already occurred in these areas which include Atwood, Capitol Square and Bay Creek.

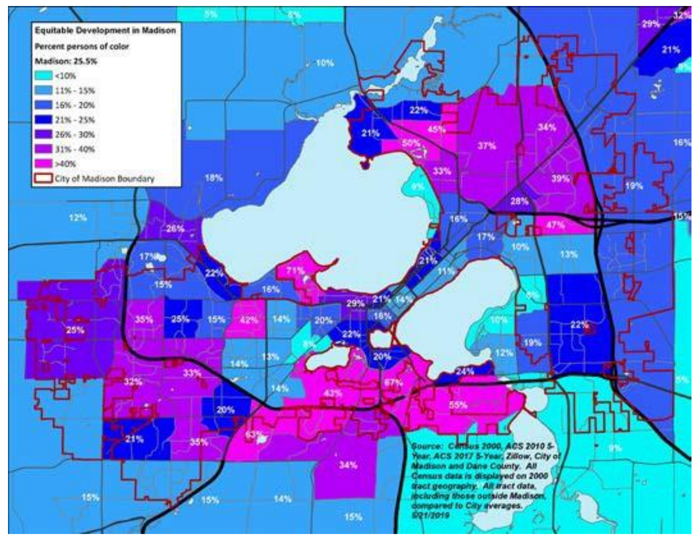


Rental Concentrations



Not surprisingly, the highest concentration of rental units are in central areas near the University of Wisconsin, effectively along University Avenue from Whitney Way to the Isthmus ending at approximately First Street. There is also a higher concentration of rental units along the south beltline, particularly between John Nolen Drive and Verona Road. Very high rates of rental units in certain tracts may largely explain why they are flagged as Economically Vulnerable, including Tenney-Lapham and Hill Farms.

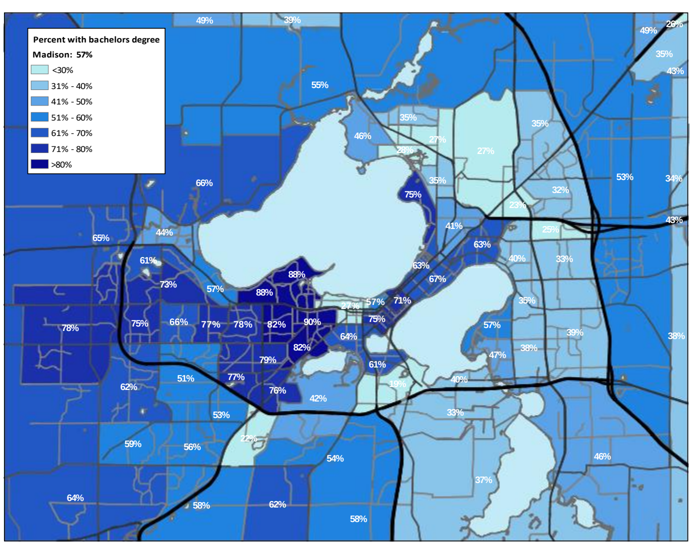
Persons of Color



The distribution of residences with persons of color has some similarities with rental concentrations, however the most notable difference is relatively low rates in central areas mentioned above. Like rentals, concentrations are present on the south beltline, but also on the north and east sides beyond the isthmus. Hill Farms and Eagle Heights, both home to many university students, have significantly higher rates of persons of color compared to surrounding tracts.

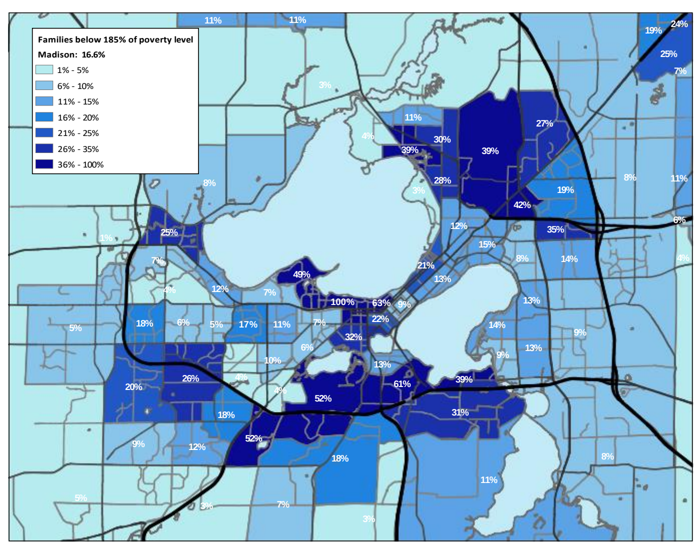
Population without a degree

Educational attainment is quite high in Madison, with 57% of the population 25 and over having a bachelor's degree. The highest concentration of population with at least a bachelor's degree is on the west side centered at Midvale Boulevard and Mineral Point Road. Not surprisingly, this area isn't classified as vulnerable, with the exception of Hill Farms. Beyond the isthmus, most of the north and east sides fall well below the citywide educational attainment averages. Allied Drive and South Park Street have the lowest rates in the city, with nearly every adjacent tract double their rates.



Concentrations of Poverty

Concentrated poverty appears to closely resemble the distribution of persons of color, with the highest rates found along the south beltline and the north and east sides. There is also an elevated poverty rate in tracts including and surrounding the University of Wisconsin.

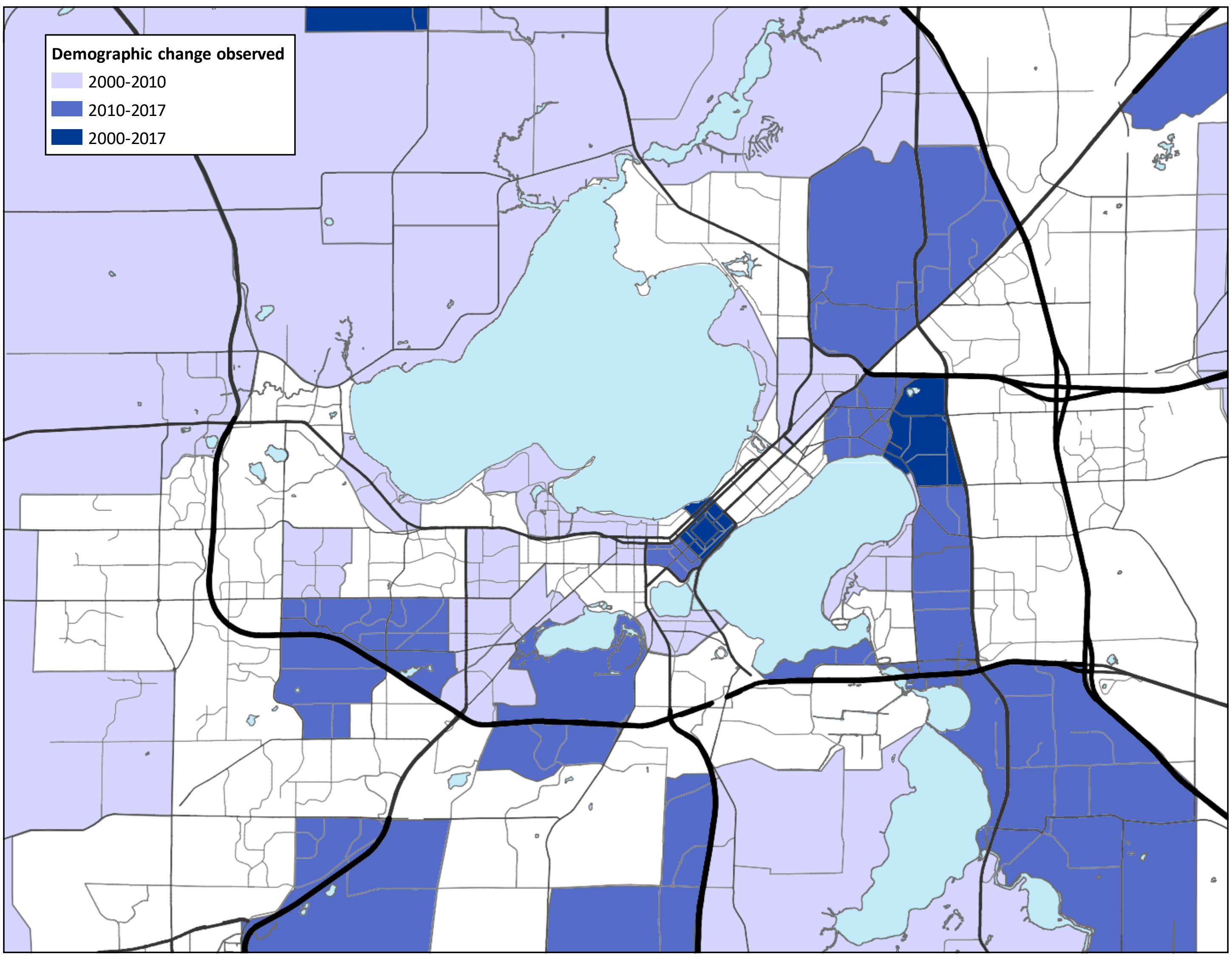


Demographic Change

Demographic Change was measured between 2000 and 2010, and 2010 to 2017. The Portland model considered change to have occurred if tract change rates exceeded the citywide change rates in three of the following categories:

- Rate of change of persons of color (if population decreased or increased slower than city rate)
- Rate of change of median household income.
- Rate of change in bachelor's degree education
- Rate of change of rented housing units (if tract increased owner-occupancy more than citywide rate)

This section of analysis may be the most challenging to interpret given larger demographic trends and changes occurring in Madison. Several tracts were shown as having demographic change, particularly downtown and other central neighborhoods.



Persons of Color

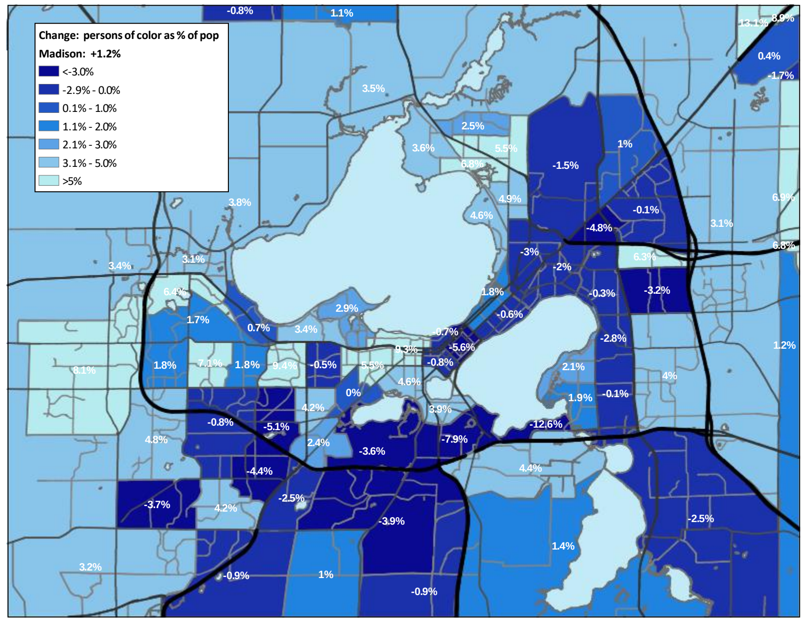
Since persons of color comprise a large share of Madison's overall population growth, virtually no tracts exhibited absolute decreases in this population. However, many tracts downtown and on the east side saw a relative increase in white population and a lower rate of increase in persons of color. The South Madison/Park Street area saw the largest decrease in the proportion of persons of color, a 7.9% decrease, a potential indicator of displacement. The largest increase in the rate of persons of color occurred on the already diverse north side, as well as along the University Avenue corridor.

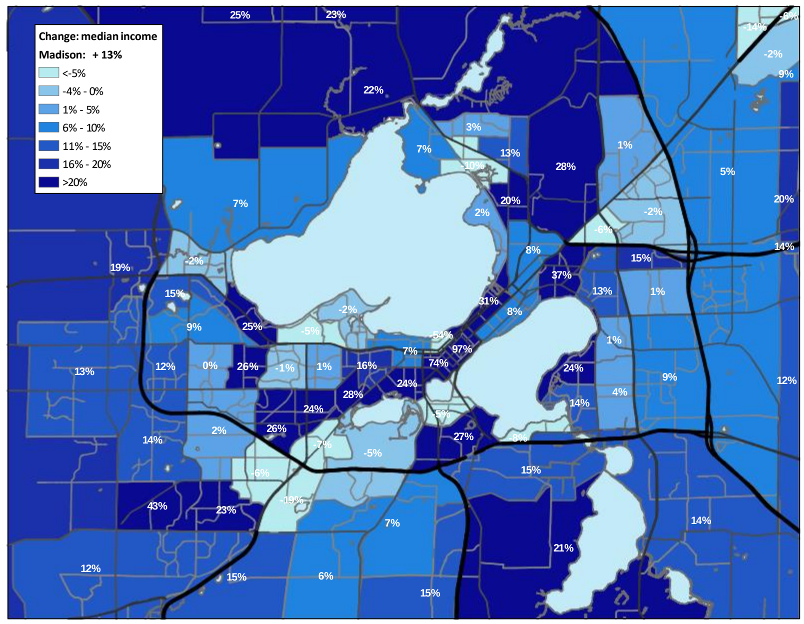
Household Income

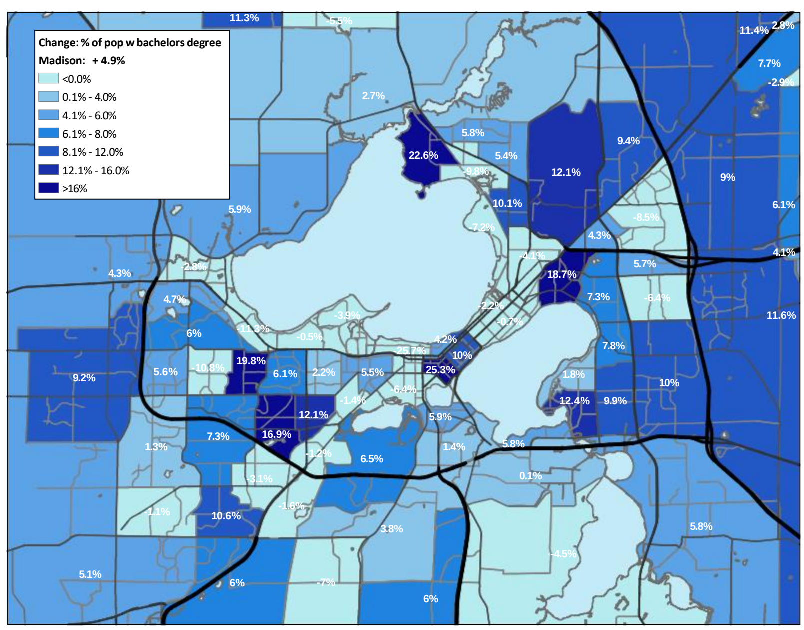
The largest increases in income appear to be clustered in near the Capitol and Monroe Street area with Tenney-Lapham and Atwood on the east side also having large increase. In contrast, several tracts along the south beltline, near East Towne and the Troy Drive area saw decreases in median household income. When median income changes are compared to the previously discussed Economic Vulnerability, a few tracts stand out. South Madison/Park Street saw a 27% increase in household income, Sherman saw 20% and Carpenter-Ridgeway increased 28%.

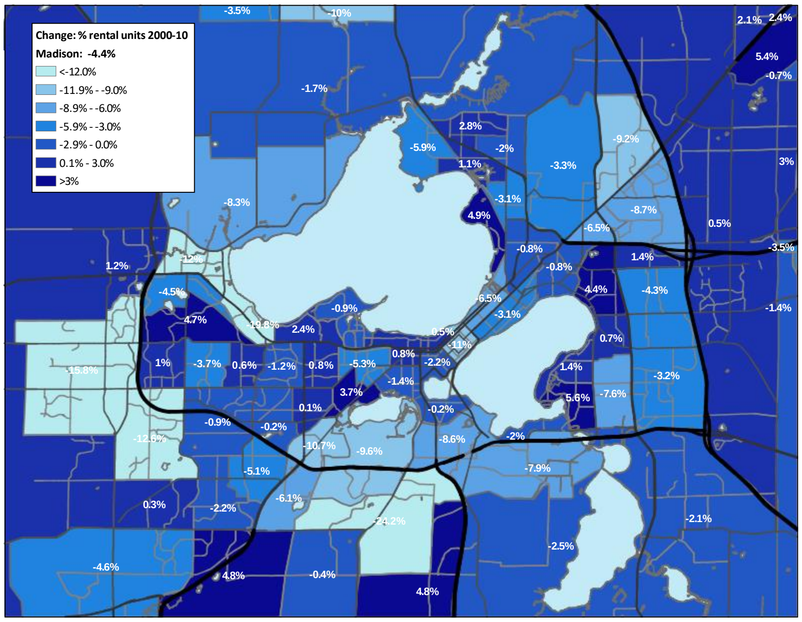
Educational Attainment

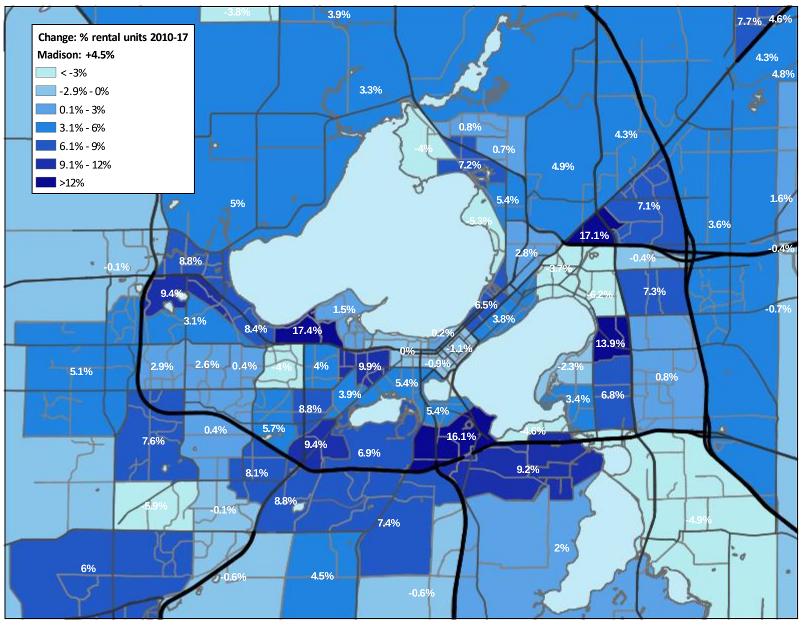
Many tracts which saw decreases in median income also saw decreases in the rate of population with Bachelor's degrees, or increases below the Citywide average of 4.9%. Tracts with the largest increases appear to be slightly less central than those with large increases in median income. When changes in educational attainment are compared against Economically Vulnerable tracts, Sherman and Carpenter-Ridgeway stand out again with 10% and 12% increases respectively.

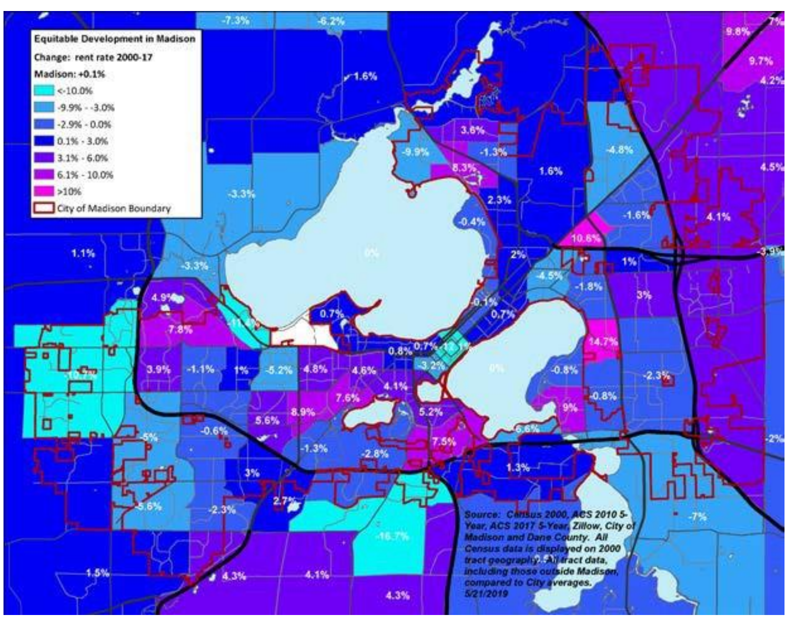












Rented Housing Units

Historically, approximately half of Madison's housing units have been rental and half owner occupied. However, two distinct patterns occurred in Madison between 2000 and 2017. Census data generally before the Great Recession (2000-10) showed the rate of rented housing decreased about 5%, indicating an increase in owner-occupancy. Between 2010 and 2017, the rate of rentals rebounded to 2000 levels.

Overall, the Capital Square area, Atwood, Hill Farms and East Towne areas saw larger shifts toward owner occupancy, while the near west and south sides shifted toward more rentals.

Certain tracts appear to be somewhat insulated from change as a result of a minimal variation in unit types, particularly in areas primarily comprised of rental apartments. This is the case with South Madison, which does not meet the criteria for demographic change despite decreases in persons of color and significant gains in household income.

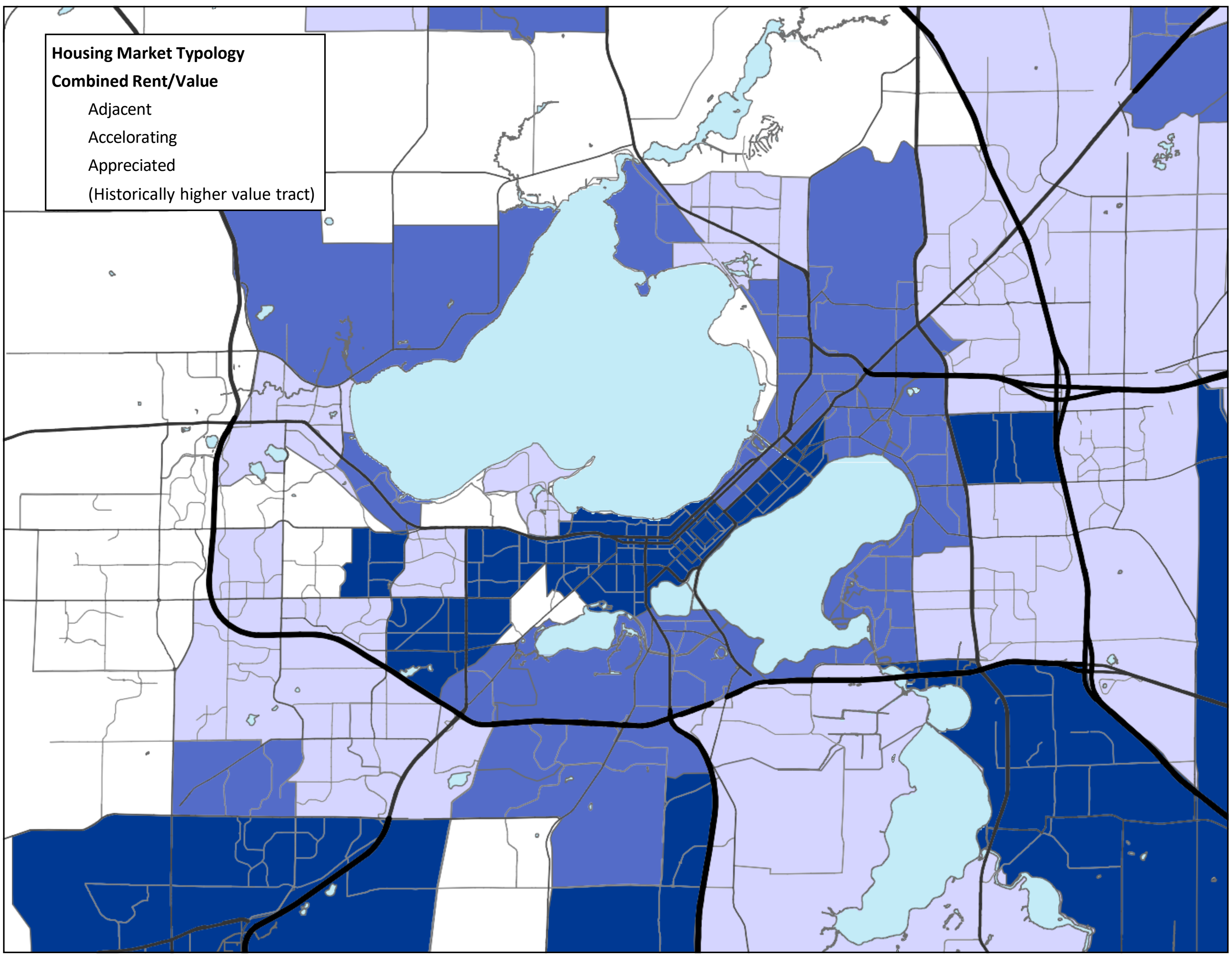
Housing Market

The last category examined was Housing Market. Using assessed values from single family homes, duplexes and condominiums in Dane County and rental data from Census and 5 year ACS, this analysis classified tracts by median values/rents and change over time with data from 2000, 2010 and 2017. Tracts were considered high value if their median value/rent was in the top 40 percentile of all Dane County tracts; similarly tracts were considered to have high appreciation if value/rent was in the top 40 percentile.

Three classifications were established by the Portland model, grouping tracts by value/ rent and appreciation rate

- “Adjacent” tracts are affordable (low or moderate value) with low or moderate value increase.
- “Accelerating” tracts are affordable but are seeing high value growth.
- “Appreciated” tracts were affordable (in 2000) but are now high value and with high appreciation.

This analysis was done for both rentals and ownership property types. These two data sets were merged by using the more severe typology for the overall tract value. A drawback to this approach is in tracts where there is a predominant housing type (owner occupied or rentals), the less common type can mask larger trends with the tract.



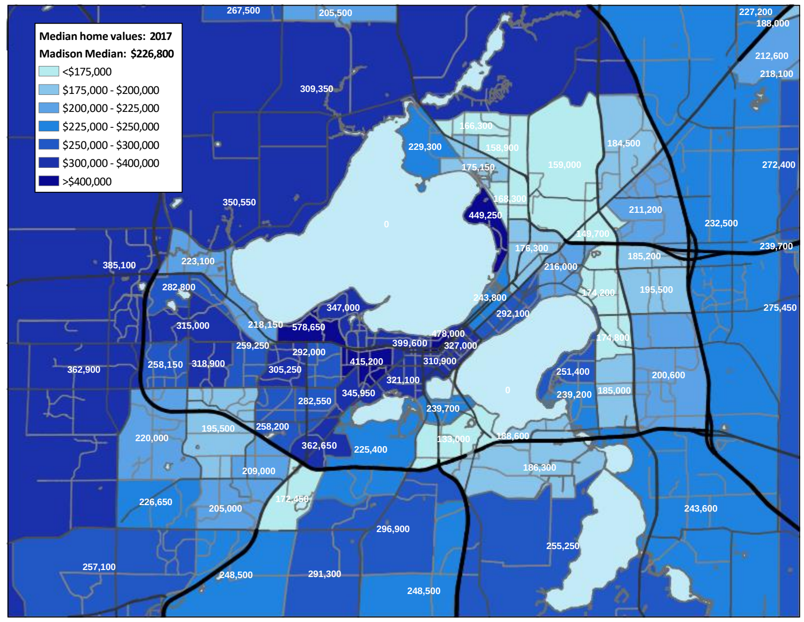
Home Values

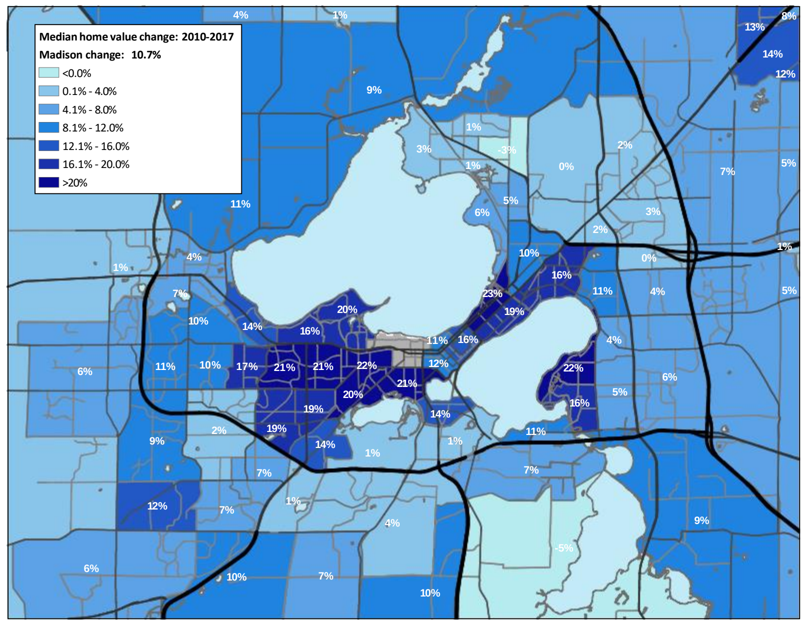
There is a clear geographic divide with assessed values. Values drop quickly beyond the isthmus and are also lower along the south beltline. Most central tracts, both east and west side, had very high levels of appreciation. Value increases were lower on the north side and along the southern beltline.

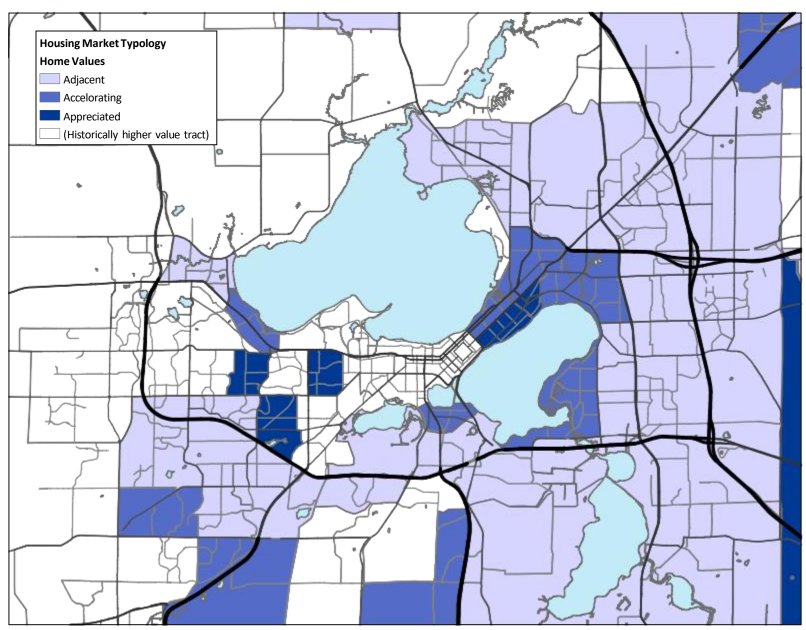
“Adjacent” tracts are generally on the east side, beyond Hwy 51 and north of Aberg Avenue and along the south Beltline.

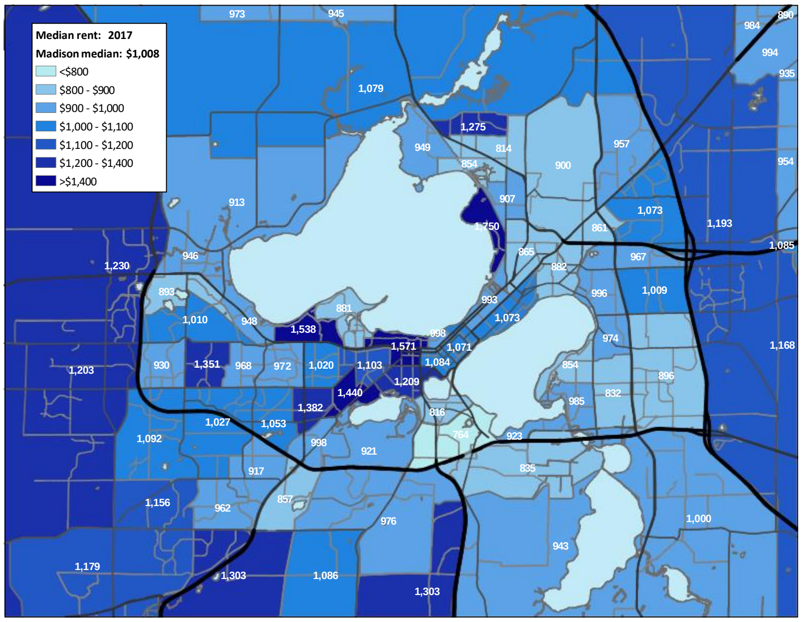
“Accelerating” tracts occupy much of the east side including Tenney-Lapham, Emerson East, Atwood and Eastmorland neighborhoods, as well as Bay Creek.

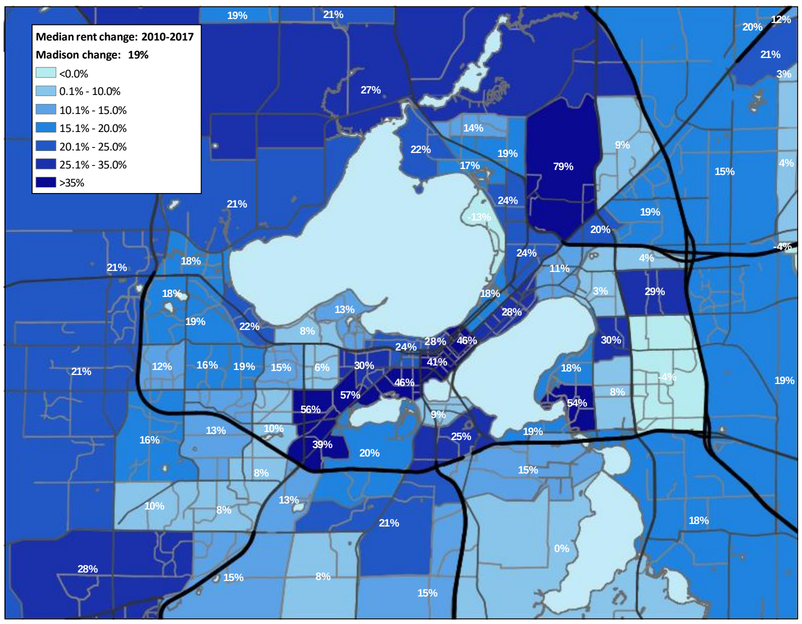
“Appreciated” tracts include Marquette and near west side tracts of Sunset Village, Midvale Heights and Glen Oak Hills. The remaining areas of Madison have median property values that are, and historically have been (at least back to 2000), relatively high. These areas are unlikely to experience large-scale displacement because few affordable options exist; historically these areas have been out of reach for a large portion of Madison residents.

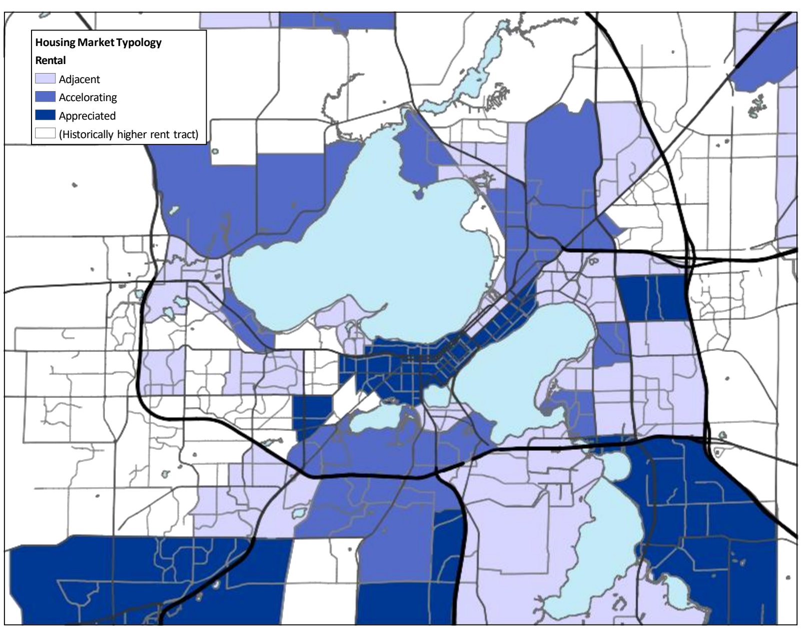












Rents

Like property value, rents on the east side beyond the isthmus are generally more affordable, along with those on the north and south sides. Also like value, central tracts typically had the largest increase in rent, effectively following a path from Monroe Street to East Washington Avenue. Two tracts that stand out are Sherman and South Madison, as both are more affordable, but also saw rapidly increasing rents.

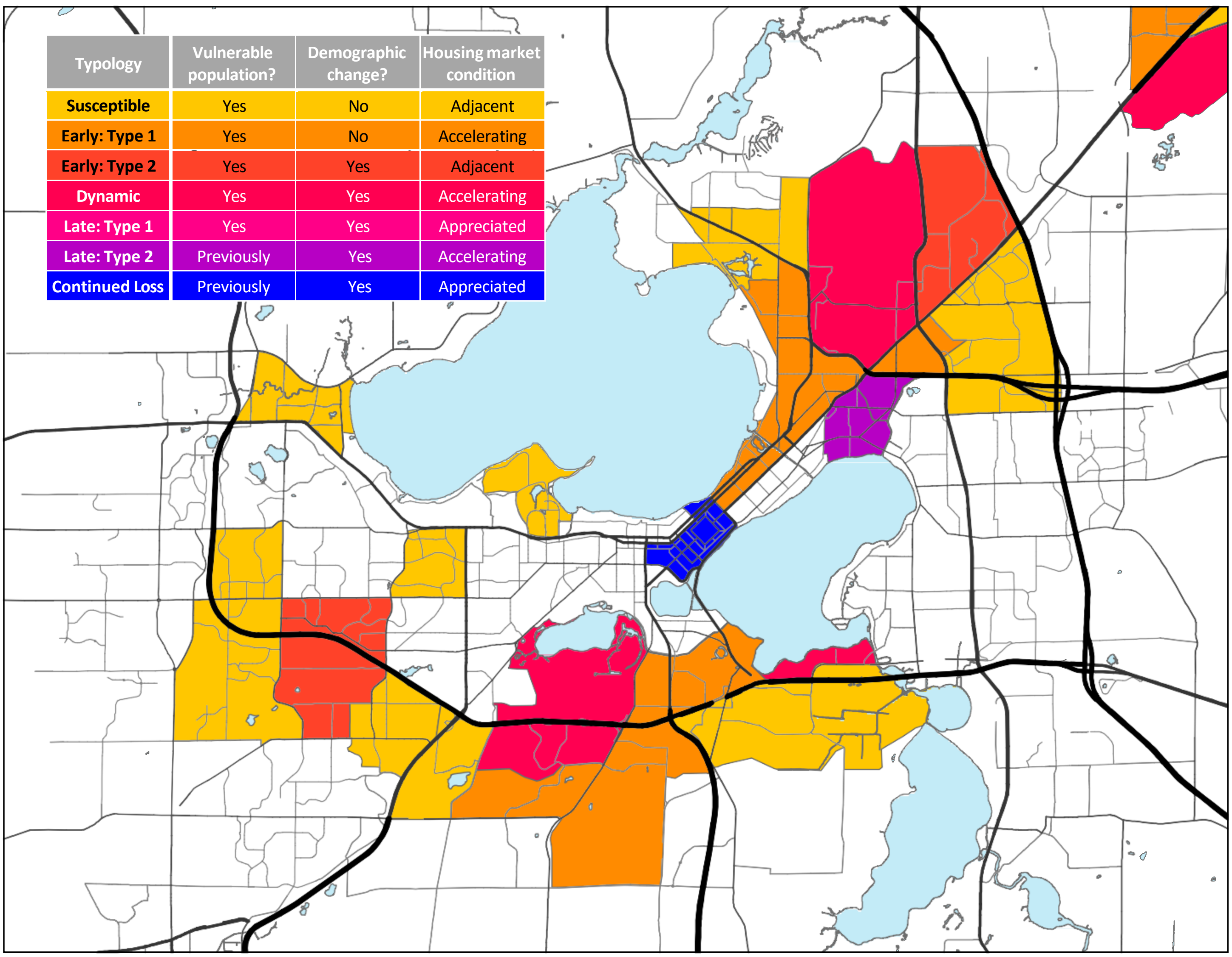
The typology patterns for rents are quite distinct from home values. There is a wider distribution of “Adjacent” (affordable) tracts including Hill Farms and Wexford Ridge on the west side. Most of the east side and south beltline is considered “Adjacent” or “Accelerating.” Many central tracts are “Appreciated” and no longer considered affordable, from Marquette through downtown and into UW Campus neighborhoods.

Gentrification and Displacement Typologies

The three elements of the data are combined to arrive at one of seven gentrification and displacement typologies. If tracts meet the criteria for “Economic Vulnerability”, the model then assigns typologies to each tract, ranging from “Susceptible” to gentrification or displacement (but none observed yet) to “Continued Loss”, which highlights areas where gentrification and displacement has already occurred. If tracts are not found to be Economically Vulnerable, they are not assigned a displacement typology.

Susceptible

Tracts with a vulnerable population, no recent demographic changes and affordable and stable housing are considered “Susceptible.” Largely on the perimeter of the City along major transportation corridors such as the beltline or Northport Ave, these areas have lower development pressures than more central areas. The most notable outlier is Hill Farms, which was assigned this typology due to the high numbers of relatively affordable rental units on Sheboygan Avenue. Centrally located with excellent transit service, walking distance to grocery stores and many other neighborhood amenities, this is one of the most attractive contexts for affordable housing and as such, is an important community resource.



Typology	Vulnerable population?	Demographic change?	Housing market condition
Susceptible	Yes	No	Adjacent
Early: Type 1	Yes	No	Accelerating
Early: Type 2	Yes	Yes	Adjacent
Dynamic	Yes	Yes	Accelerating
Late: Type 1	Yes	Yes	Appreciated
Late: Type 2	Previously	Yes	Accelerating
Continued Loss	Previously	Yes	Appreciated

Early Stages

These typologies may be indicative of a tract beginning to see gentrification or conditions leading towards displacement. “Early Type 1” tracts which include central areas of Tenney-Lapham, Emerson East, Sherman and South Madison, have not seen demographic change but observed more rapid rent/property value increase. The tract bound by Mineral Point, Gammon, Raymond and Whitney Way is the only “Early Type 2” typology, having seen some demographic change but not rapid growth in housing costs. The tract observed an increase in residents with bachelor’s degree, up 7 points to 51% which is on par with City average of 57%.

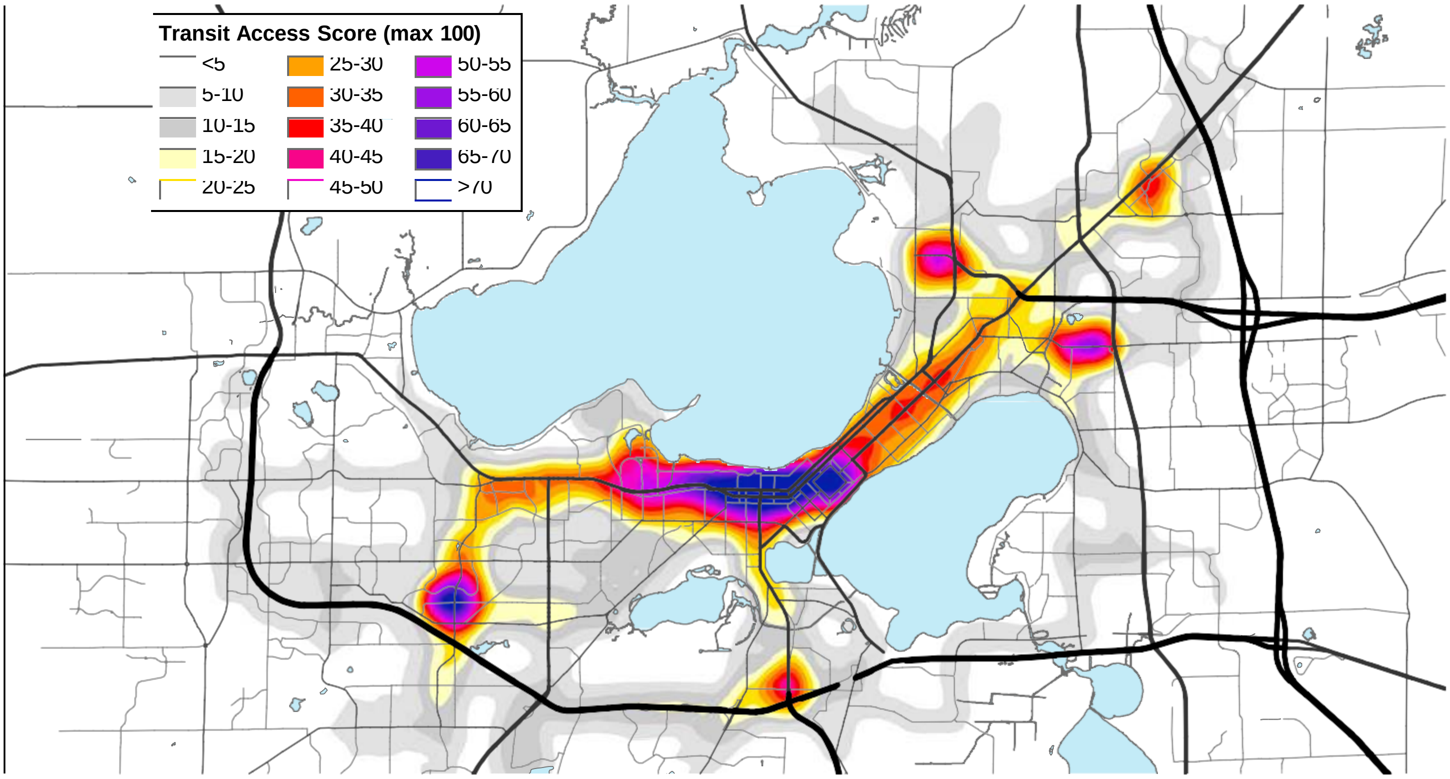
Dynamic stages

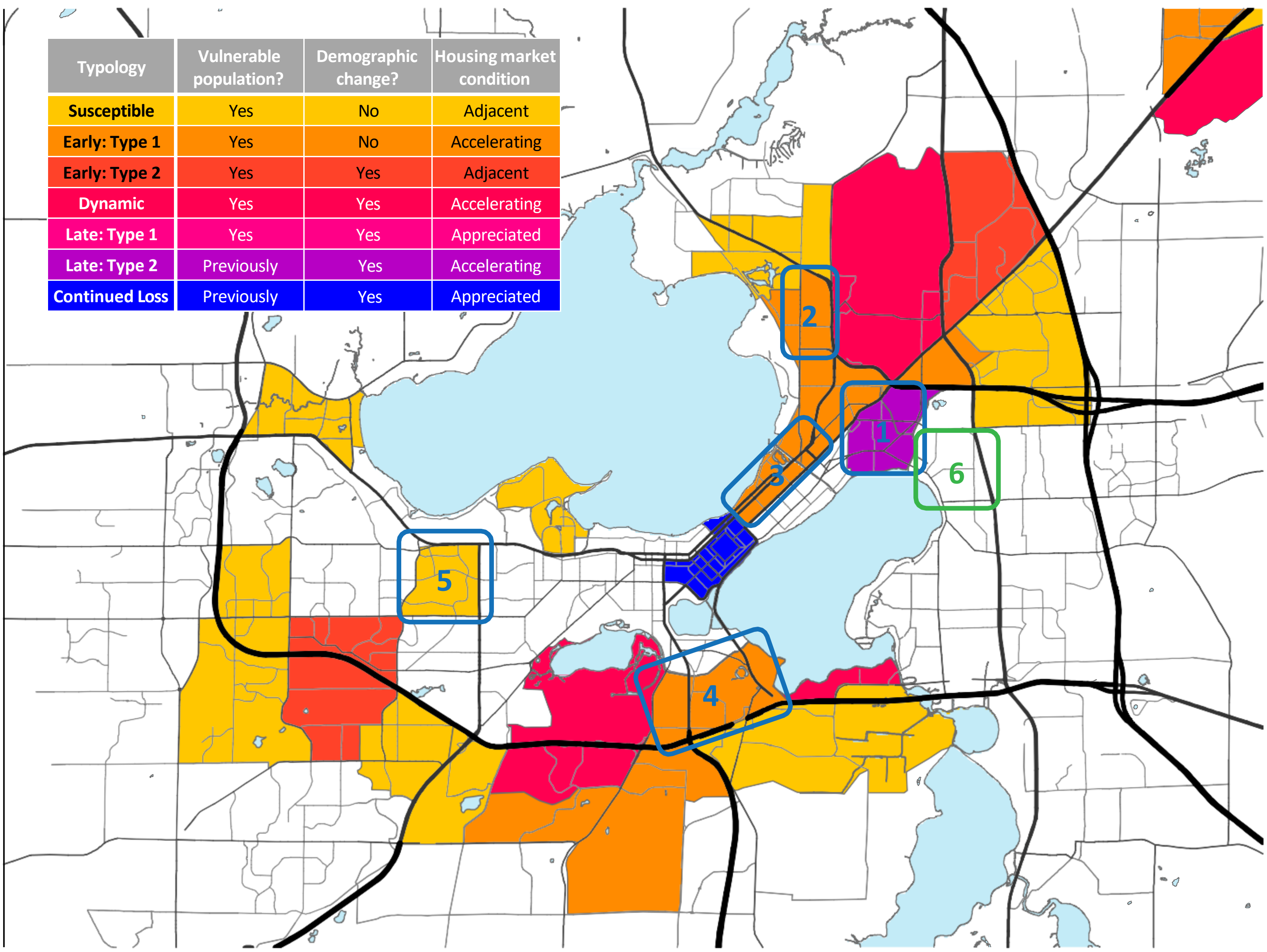
“Dynamic” tracts (Waunona/Lakepoint, Arbor Hills/Leopold and Carpenter Ridgeway) have observed demographic change and are seeing higher rent/property value increases but remain more affordable. Waunona/Lakepoint, an area with affluent lakefront properties and significantly more affordable multifamily inland, saw the largest decrease in persons of color, dropping from 37% to 24% between 2010 and 2017. It also had a consistent decrease in rental units between 2000 and 2017. In contrast, the tract has one of the higher concentrations of families below 185% of the poverty level and observed an 8% decrease in median income between 2010 and 2017. Arbor Hills/Leopold saw similar changes (decrease in persons of color and median income), however housing patterns are less clear. ACS data indicates a 20% rent increase between 2010 and 2017 5 year surveys; in contrast, Zillow Rental Index showed a significantly higher median rent in 2012 and 2018, but rents remained stable. Further investigation of this tract, which also includes housing in the arboretum, would be necessary to draw any conclusions.

The tract containing Carpenter Ridgeway also contains the CDA Truax Residences as well as the Oak Park Terrace mobile home park on Packers Avenue. This tract with higher levels of poverty saw median incomes rise 28% along with levels of college graduates nearly doubling to 27% between 2010 and 2017. According to 2017 5 year ACS data, median rents were low, $900, but increased 78% since the 2010 survey. This may indicate a sampling error and Zillow Rental Index doesn’t have comparative data for this geography.

Late stages

The Capitol Square and Atwood (which also includes Milwaukee Street and the Darbo-Worthington area) are in late stages of gentrification and displacement. Both were previously considered to have economically vulnerable populations, but increases in populations with a college degree and median incomes and decreases in rates of persons of color and rentals transitioned these areas out of this category. Atwood saw residents with bachelor’s degrees increase from 44% to 63%, which correlated with a 37% increase in median income. Rentals as a portion of housing units declined 4.5% between 2010 and 2017; at the same time home values increased by 16.4%, outpacing the citywide average of 10.7% and inflation of 12.1%. The Capitol Square and West Washington tracts saw the percentage of residents with college degrees rapidly increase to more than 70%, corresponding with median incomes nearly doubling between 2010 and 2017 and rents increasing by 40%.





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Dynamic	Yes	Yes	Accelerating
Late: Type 1	Yes	Yes	Appreciated
Late: Type 2	Previously	Yes	Accelerating
Continued Loss	Previously	Yes	Appreciated

Relationship to Transit Service

Transit service is particularly important to vulnerable populations that may have few other transportation options. Without adequate transit, individuals will face greater challenges reaching employment and educational opportunities, as well as daily needs such as groceries.

Madison's transit service is most effective inside the transfer points, as can be seen visually with the Transit Access Score graphic. When the transit access score is compared to displacement typologies a few concerning patterns emerge. First, there are few tracts showing significant amounts of continuing affordability in either rental or ownership in this central area of high transit service. Rentals in Tenney Lapham, Hill Farms, Darbo/Milwauke/Atwood and Bay Creek, and ownership in South Madison and Sherman are the only tracts with median rents/values that could be considered affordable with relatively low appreciation (classified as "Adjacent" in Housing Typologies). A few other tracts in this area could be considered more affordable now, but are appreciating rapidly ("Accelerating").

There is particular concern to maintain affordability in these areas, especially given the larger trend of rapid housing cost increases in central area.

Tract Case Studies

During the course of data evaluation, several tracts stood out and merited further discussion of the demographic and housing value trends. These tracts might help tell the story of the larger patterns happening in Madison.

1. **Atwood/Milwaukee/Darbo (Late Type 2)**
   This tract is one of the few identified as have likely seen significant displacement or gentrification in time period of the data analyzed (2000-2017). During this time, the rate of college graduates increased from 45% to 63%, with a corresponding increase in incomes far faster than the City average. Median rents increased by 50% and housing values doubled.
2. **Sherman and Northport (Early Type 1)**
   One of Madison's more diverse and affordable neighborhoods, the tract saw rates of persons with four year degrees increase by 10% along with a 25% increase in rents. Persons of color are also becoming a larger portion of the population in this tract with very good transit access.
3. **Tenney Lapham (Early Type 1)**
   While new development on East Washington Avenue gives the impression that Tenney Lapham may no longer be affordable, Census data reveals it may actually be helping contribute toward continued rental afforability. Median rents increases slower than the Citywide average and detailed look at spectrum of rent costs showed the most affordable 60% of rentals in Tenney Lapham appreciated only at the rate of inflation (12%) compared to a Citywide average increase of 19%.
4. **South Madison (Early Type 1)**
   This tract has the lowest rate of four year degrees, and the highest concentrations of persons of color, poverty and rentals (outside of the campus area) in the City. While it is the most affordable tract in City (median rent), both incomes and rents increased by 25% between 2010 and 2017. South Madison has some largest differences in demographics from adjacent tracts in the City. While 19% of people in South Madison have college degrees, 61% of those in Bay Creek have a degree. Poverty rate in South Madison is 61% compared to 13% in Bay Creek and persons of color comprise 67% of those in South Madison and 20% in Bay Creek. This may be a precursor to decreases in afforability starting in central locations and slowly moving outward. This is similar to the pattern of affordability that occurred on the east side: as the Marquette neighborhood appreciated, Atwood became more attractive, when Atwood became expensive, attention turned toward Eastmorland. These stark contrasts reinforce the need to attempt to retain affordable housing in this area.
5. **Hill Farms (Susceptible)**
   While home values in Hill Farms are relatively high, rentals are quite affordable and host a very diverse population. This tract has excellent transit access and is walking distance to multiple grocery stores, making it a very easy and affordable place to live without a car. This naturally occurring affordable housing is major asset for the City and efforts should be taken to preserve it.
6. Eastmorland (No typology)
   As a result of the methodology, Eastmorland was not considered to have a vulnerable population, and therefore was not assigned a typology. Very low levels of renters and few persons of color mask the economic displacement potential in an affordable neighborhood. Many of the other indicators of future displacement are presenting, including increasing rates of college degrees and accelerating housing values.

Data Discussion

No displacement risk does not mean continuing affordability

- So what does this mean? First, it's important to recognize that tracts not assigned a displacement typology often historically had higher values and are not affordable to a large swath of Madison residents. Thinking of it this way, tracts assigned a Susceptible, Early or Dynamic typology may be the only real concentrations of more affordable housing (particularly rental) in the City. There are certainly more affordable areas, such as Eastmorland, that are not assigned a typology. However, this generally results from those tracts being comprised of predominately of single-family homes and having very few rental options. If residents don't have the income, capital or credit to secure a mortgage, these areas are effectively off limits.

Without affordable options, transit access will decrease for lower income households

The central areas, particularly on the east side, had been more affordable but are becoming more expensive as a result of population change. This is pushing residents with lesser means to more peripheral areas, and importantly further away from effective transit service linking people to economic opportunities. Madison Metro's most effective transit service is generally inside the transfer points; in more peripheral areas outside the transfer points, service may only be peak hour or hourly during off-peak times and transfers are often required. As transit trips become longer, it becomes a less viable transportation option. The Madison Area Transportation Planning Board analyzed the transit system to understand what percentage of jobs were accessible by a 30 or 45 minute commute; as locations evaluated become further from the City center, the number of jobs accessible from those areas rapidly decreased.

Transit access and not exacerbating existing lower income areas have been two of the primary factors the City uses when determining which areas are eligible for the City's Affordable Housing Fund. Areas such as South Park Street are only eligible for funds to rehabilitate existing affordable units, rather than to build more in an area with a high concentration of assisted housing units.

Growth can be positive for neighborhoods

With a projected population increase of 70,000 over the next 25 years, a robust economy with more jobs than residents in the workforce, and a generational shift in housing preferences, it is unlikely growth pressures that can lead to displacement will subside. Some of the areas shown susceptible to or in early phases of displacement are likely to see market rate development in the coming years that will not be affordable to many existing residents. This growth and investment can be positive for the neighborhood: new residents can diversify incomes in a neighborhood and can be a stabilizing force against concentrated poverty and the cycle of problems it can create; new residents can support existing and new business, possibly ending food deserts and providing more healthy food options; park impact fees associated with residential development can help revitalize existing neighborhood parks. The challenge will be to leverage these improvements while maintaining existing character and encouraging new or rehabilitated housing affordable to existing residents.

All new housing may contribute to overall affordability

Further, it's important to continue to add housing at all price points to accommodate the growth in population. When a sufficient number of new units are not added, housing can become a scarce commodity and prices rapidly rise as demand exceeds supply. During and in the wake of the Great Recession, Madison's economy remained relatively strong and the population continued to grow. Construction, on the other hand, effectively stopped for 2-3 years. This sent the rental vacancy rate from a healthy 5% down to 1%, and was accompanied by rapidly rising rents. If supply doesn't keep up with demand, this will happen again and those at the bottom end of the income scale will be impacted most.

An example of how increasing units even on the high end of the income spectrum may help maintain affordability can be seen in Tenney-Lapham. Historically this neighborhood has been a diverse mix of owner occupied and rental housing, including some students from UW. The addition of several new multifamily buildings in the neighborhood and by campus may have shifted demand at the high end from older units and flats/duplexes. Now in a market with greater diversity in housing and more availability, older units may have to compete more on price. Possibly as a result, median rents in Tenney-Lapham have increased at a rate lower than the City average between 2010 and 2017 according to ACS five year data. Further, units renting for below $900 in 2010, (1,300; 60% of all units) appear to only have increased at the rate of inflation (12% total), far lower than the City average of 19%. According to the Zillow Rental Index, median rent in Tenney-Lapham increased less than 1% between 2012 and 2018. This data is further supported by MG&E rental vacancy data available at the zip code level. While 53703 includes more than Tenney Lapham, it is now one of the higher vacancy rates in Madison. At 4.23% vacancy, this may indicate supply is starting to catch up with demand resulting in slower rent increases.

Strategy Options

Nationally the topics of displacement and gentrification are drawing a lot of attention that has resulted in a significant volume of academic research, studies, strategies and programs that address the subject. For the purposes of this study, staff consulted three Anti-Displacement studies – Portland - Gentrification and Displacement Study, Milwaukee – Anti Displacement Plan and University of California, Berkeley Urban Displacement Study.

This section summarizes the strategies that have been suggested by these studies as possible future actions for mitigating displacement. Staff tried to customize these strategies in the context of the City of Madison by describing them, identifying any legal barriers to their implementation and noting whether the strategy is already being pursued by the City in some form.

Twenty different strategies are included here in all. These strategies have been divided into following categories, based on their ability to:

- Generate revenue for affordable housing
- Preserve affordable housing (both subsidized and naturally occurring)
- Retain residents and businesses
- Create new affordable housing
- Plan for inclusive, equitable development

Strategies to generate revenue for affordable housing:

Housing levy

Housing levy is a property tax assessment that raises funds for affordable housing preservation, production and assistance. The City of Seattle established a citywide housing levy in 2009 for 5 years and this became a key resource in producing affordable housing throughout the city. A new Housing Levy beginning in 2016 was passed again to build on the success of the 2009 levy and continue to address the housing challenges the city faces.

City of Madison currently does not have a housing levy in place. Establishing a housing levy would require voter approval. Careful planning and time is required to get the housing levy passed. The planning process for Seattle's housing levy began two years before the levy was initiated. For Seattle it was very important to get the support of non-profit organizations to get the levy passed and identify the type of programs that could be funded through this levy that would enjoy widespread public support. [6]

Housing Trust Fund

Housing trust funds (HTFs) are funds established by cities, counties and states to dedicate public sources of revenue to support affordable housing.

A major source of funding that the City currently uses to create affordable housing is the Affordable Housing Fund. The Affordable Housing Funds are similar to Housing Trust Funds in theory however do not function entirely as the HTFs. The Affordable Housing Fund (AHF) is supported by the City of Madison's general budget allocation and TIF extensions to help meet the housing needs of low and very low-income households. This program provides loans and grants to for profit and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new affordable rental and owner occupied housing.

This fund provides gap financing which allows developers to be more competitive in the LIHTC (Low Income Housing Tax Credits) applications to WHEDA (Wisconsin Housing and Economic Development Authority).

The City established the Affordable Housing Fund in 2014 to encourage developers to build affordable units in amenity rich areas with easy access to public transit. Targeted Rehab Areas that have elevated levels of lower income households are ineligible for new construction to prevent further concentration of poverty. Preferred areas are within walking distance of high frequency, daily transit, and are often in or near moderate or higher income areas.

Since its inception, AHF has supported 18 new affordable housing developments out of which eight are now completed, two under construction, three slated to start construction in 2019 and four more developments that have been proposed and are seeking WHEDA funding.

Developer exactions

Developer exactions similar to impact or linkage fees are often used as a strategy to offset the burdens of new development on the community. Exactions are levied on developers in exchange for the approvals to proceed with a project. Some

6. *Urban Institute 'In The Face Of Gentrification: Case Studies Of Local Efforts To Mitigate Displacement'*

jurisdictions have utilized developer exactions as part of a broader linkage program to support affordable housing. Linkage programs generally require exactions from developers in the form of construction of affordable housing or payment into a housing fund in return for permits or other concessions. Cambridge, MT requires commercial, hotel, retail and institutional developments pay a $3 linkage fee per sq/ft. This exaction creates a job-housing balance and helps maintain housing affordability. In this context the exactions represent an important linkage between the city's land use regulations and the city's economic and social equity concerns.[7]

City of Madison currently does not use developer exactions to generate funds for affordable housing. Even though Developer Exactions are not prohibited by Wisconsin State law the City might have very limited ability to use them. If there is a State law change that gives the City greater flexibility to pursue this strategy to generate funds for affordable housing it can either be applied on a project by project basis or through an ordinance.

Tax Increment Financing

Traditionally used to finance economic development projects, some jurisdictions attach other requirements to TIF legislation, such as requiring a certain amount of revenue to be set aside for developing affordable housing.

The City of Madison's TIF policy has several guidelines in place that benefits the community in various ways. For example; with the use of Traditional TIF developers receive TIF support from the City only if there is a financial gap thus ensuring that financing is in place for the project to move forward unlike other communities who often utilize TIF as a tool to incentivize developers. In case of Jobs TIF, the City requires a business to guarantee a certain number of jobs. In both the use of traditional TIF and Jobs TIF the City limits the amount of increments provided to the project to make sure TIF is available to fund public infrastructure projects. In the City of Madison Districts, such as TID #37 (Union Corners), have been created to fund infrastructure costs associated with larger projects including affordable housing. In the case of TID 37, additional funds were directly allocated to support affordable housing development projects. City's TIF Policy requires that where practicable 10% of the district's tax increments be set aside to assist affordable housing. Additionally state law allows for TIF districts to remain open for one year after paying off project expenses and associated debt service, which Madison has used as a primary funding mechanism for the Affordable Housing Fund.

Strategies to preserve affordable housing (subsidized and naturally occurring):

Rent Control

Rent control policies help maintain affordability by capping annual rent increases. Several cities such as Hoboken, Santa Monica, San Francisco, and Baltimore have enacted rent control legislations and ordinances to retain naturally occurring affordable housing. However, Rent control is currently prohibited by Wisconsin statute.

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7. *PolicyLink (2002) Equitable Development Toolkit: Developer Exactions*

Property Tax Relief

While homeowners are perhaps better prepared to, weather increased housing costs from rising values than renters are, rapid property tax increases can strain household budgets, particularly for elderly and others with limited incomes.

The City currently offers property tax assistance for seniors through a reverse-mortgage program, capped at the amount of property tax, and not usable for living expenses. This program allows senior homeowners (65+) to age in place without the added monthly expense of budgeting for annual property tax. The program is income restricted to 80% AMI (Area Median Income) households, with maximum liquid assets of $30,000.[8]

Beyond this, Wisconsin State Law limits the ability of local governments to provide any type of direct tax rebate or relief to individual groups of property owners. WHEDA (Wisconsin Economic Development Authority) offers a property tax deferral loan to elderly homeowners, but it may help residents in only limited situations. [9]

Eviction Protection Laws

Strong eviction protection laws can prevent eviction without just cause especially in neighborhoods that are experiencing rapid property appreciation.[10] The City of Madison historically had strong tenant protections; however, those have eroded since 2011 with several changes to the State's property owner-tenant laws that have been in favor of property owner's and made them more powerful and limited the ability of local governments to regulate the property owner-tenant relationship.

Wisconsin State Law currently allows a 5-day notice with the right to cure or fix the problem and a 14-day notice with no right to cure for term leases. 30-day pay or quit notice with right to cure or fix the problem is available only to tenants with a lease for more than a year and is the only notice they can be served.[11] A 5-day no-cure eviction notice is rare however given if there is suspicion of criminal activity. A change in state law to allow for greater time for right to cure available to tenants and increasing tenant protections within property owner-tenant law would greatly benefit low-income tenants who are at risk of being evicted. [12]

Retain expiring-subsidy units

LIHTC (Low Income Housing Tax Credits) program provides the largest available source of subsidy to create affordable housing. Projects funded with LIHTC is required by federal law to remain affordable for at least 15 years after the credits are issued. Moreover any project funded after 1992 are also subject to a 15 year extended use period that is enforced by WHEDA after the initial 15 year compliance period, which can essentially double the life of these affordable units.[13] After the 30 years period expires, new strategies will be required to preserve the affordability of the LIHTC Units in order to prevent potential displacement.

This is a challenge that most cities are facing across the country. A meaningful solution to this challenge will require partnership and resources from all levels of Government – local, state and federal government. The City is currently in the process of the reviewing the list of expiring units and determining what the next steps would be.

8. *City of Madison 'DRAFT Analysis of Impediments to Fair Housing Choice' Report*
9. *City of Milwaukee 'Anti-Displacement Plan', February 2018*
10. *PolicyLink (2002) Equitable Development Toolkit: Just Cause Eviction Controls*
11. *Tenant Resource Center – Eviction Information*
12. *City of Madison 'DRAFT Analysis of Impediments to Fair Housing Choice' Report*
13. *City of Milwaukee 'Anti-Displacement Plan', February 2018*

Real Estate Transfer Taxes

Speculation is a short term investment in property in order to gain fro quick resale at a higher price. Speculation can often gentrify neighborhoods and displace poor residents by bringing in more affluent buyers and renters. To prevent speculation and its debilitating effects on the housing market Vermont and Washington DC impose Real Estate Transfer taxes. Real Estate Transfer Taxes acts as an anti-gentrification measure that reduces the profits from speculation.

Some other measures that cities like Davis, CA have taken to discourage speculation is by prohibiting sale of residential property within a year of its acquisition. In the private sector, banks and developers have attempted to discourage speculation by imposing conditions on loans and sales.

Strategies to stabilize neighborhoods to retain residents and businesses:

Resident ownership Models

Resident ownership models such as cohousing, housing cooperatives and Community Land Trust (CLT) help expand homeownership opportunities and assist low-income individuals to remain in their units or homes rather than being displaced because of rising rents and property values.

- Limited Equity Housing Cooperatives (LEHC)
  Cooperative housing allow people to own and control multiunit housing collectively through cooperative structures. There are different types of cooperative housing. LEHC, benefit low-income people by enabling tenants to remain in their apartments as co-owners rather than be displaced because of rent increases. If a rental property is converted to an LEHC by giving priority to current neighborhood residents in becoming co-op owners the LEHC can prevent displacement as housing is removed from the rental housing stock.
- Community Land Trusts
  A community land trust (CLT) is a private, nonprofit corporation created to provide access to secure, affordable housing for community members. Community land trusts improve housing affordability by separating the ownership of land and housing. The CLT has permanent ownership of the land, which is leased to low- and moderate-income households.[14]

There is currently one community land trust in Madison – the Madison Area Community Land Trust that sells high-quality, energy-efficient homes at below market prices to low-moderate income households.[15]

Madison Area Land Trust Homeownership Program funded by the City of Madison retains ownership of the underlying land and sells the improvement (house) to qualified homebuyers.[16]

14. *PolicyLink (2002) Equitable Development Toolkit: Community Land Trusts*
15. *Madison Area Community Land Trust*
16. *2016 City of Madison Housing Report*

Homeownership Programs

Homeownership Programs provide down payment and closing-cost assistance to first-time homebuyers and provide funds for home repair and rehab to reduce the financial burden of homeownership.

The City of Madison currently administers various programs such as the 'Home-Buy the American Dream' program, 'Home Rehab Loans' program, Special Assessment Loans, Section 8 Homeownership program and so on to reduce the financial burden of homeownership specially for the low-moderate income first-time homebuyers. The Home-Buy the American Dream provides down payment assistance to low income first-time homebuyers. This program operates as a deferred loan, and is not due until the title is transferred, home is sold, or the borrower refinances their mortgage in a cash-out transaction. Other programs such as the Homebuyers Rehabilitation Loans provide financial incentives to upgrade housing units in need of rehabilitation, resulting in an improved housing stock.

Commercial Stabilization

Displacement of businesses are often prevented through programs and policies that are designed to foster support and break down barriers to local entrepreneurship and business development ('carrots') rather than through restrictions or regulations ('sticks').[17] City Governments and their partners in small business development (such as lenders, Chambers of Commerce, other business development organizations) offer a wide array of resources and support through technical assistance, financial advising, microlending, design assistance, and façade improvements; streetscape improvement projects and so on. For example; the City of San Francisco administers a Legacy Business Program, nearly $2 million is set aside from the city's general fund to support historic small businesses and provides them with an employment and rent subsidy. City of Austin for its East Austin neighborhood that was gentrifying provided a loan of up to $20,000 to new and existing businesses to relocate to the East Austin neighborhood.

The City of Madison currently administers several economic development funding programs:

- Facade grants
- Coop Program
- Healthy Retail Access Program
- Cap Revolving Loan
- City Match for Kiva Loans
- Enhanced TIF Policy
- CDBG Business Loan Program

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17. *City of Milwaukee 'Anti-Displacement Plan', February 2018*

Targeted Economic Development

Targeted Economic Development can be provided through programs that are dedicated towards providing job training and business development for residents in at-risk areas. For Seattle's Central Area the Chamber of Commerce established the Urban Enterprise Center (UEC), a non-profit affiliate that identified lack of jobs as the primary issue in the area. To address this issue UEC's two initiatives were job creation and business development by sending letters to employers to hire people of inner city areas, get employees job ready and match with employers, fund community based organizations to help develop businesses, require new businesses to hire 50 percent of their workforce from the local community and such other programs.

The City of Madison is currently working on a program that aims to target business development and job creation towards areas that need it the most. The City also currently uses economic development tools such as Opportunity Zones to support workforce development, increase access to employment, ensure access to affordable housing and lower barriers to entrepreneurship. In addition to the City's efforts, grassroots organizations such as Urban League have workforce development programs that help train and connect individuals with employment.

Strategies to create new affordable housing:

Density Bonuses

Tools such as density bonuses incentivize developers by allowing for greater densities when affordable housing is included in a proposal, which could generate additional affordable housing opportunities. Projects are allowed to exceed density or height limits normally allowed by zoning if the units are restricted for occupancy by households under a specified income level.

However, Wisconsin statutes prohibit the use of density bonuses for affordable housing or for zoning decisions made based on the condition that residential units remain affordable, as it is seen as a form of rent control.[18] If optional or voluntary density bonuses are not viewed in the same legal context as mandatory rent control, there may be a path to utilizing this tool.

Inclusionary Zoning

Inclusionary Zoning refers to a local zoning ordinance that requires developers to provide a certain number of affordable, income-restricted housing units within new developments. Inclusionary zoning as a tool creates new affordable housing.

Inclusionary Zoning is currently prohibited by the Wisconsin State Statute, which limits municipalities from enacting Inclusionary Zoning ordinances. City of Madison had an Inclusionary Zoning Ordinance which was in effect from 2006 to 2009 for owner occupied housing.[19] Inclusionary Zoning for renter-occupied housing units was never implemented, as the courts deemed it a form of rent control, which is prohibited by Wisconsin statute.

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18. 2016 White House Housing Development Toolkit – City of Madison

19. 2016 White House Housing Development Toolkit – City of Madison

Land Banking

Approaches such as land assembly or land banking can be utilized to strategically acquire vacant and underutilized properties to leverage them for equitable development, including affordable housing.

While the City of Madison has previously acquired major redevelopment properties to better control development outcomes and possibly to include affordable housing components, the program is largely inactive now. Major projects which the City has acquired for the purpose of facilitating redevelopment include the former Don Miller properties on the 700 and 800 blocks of East Washington Ave, Union Corners, and Royster Corners, which are either redeveloped or in process. It appears the two large barriers to continuing this program are a lack of adequate funding and a lack of established policies to guide land banking activities. Developing formal policies and investigating funding sources would benefit future acquisitions of land for redevelopment by focusing funding towards the most significant opportunities.

Adjust zoning standards

Adjusting the zoning code standards and thresholds can allow for greater flexibility in affordable housing development. In the City's response to the White House Housing Development Tool Kit, staff had identified three paths where zoning standards could be adjusted to encourage more affordable housing

- Adjust thresholds (# dwelling units, building size, height, etc.) between permitted and conditional uses to "relax" the zoning code and allow more "by-right" development.
- Revisit and relax the requirement for Plan Commission approval of the demolition of existing buildings.
- To establish a comfort level with "by-right" development, add maximum height maps to the zoning code to better manage expectations.

Currently, all exclusively residential buildings over 8 units and nearly all mixed use buildings over 24 units require some form of discretionary approval, from Plan Commission, UDC and/or Common Council. This lengthens the development process, adding carrying costs and uncertainty. Further, these unit number thresholds may not work well in tandem with requirements of lot area per unit and usable open space per unit, which effectively operate on a unit per acre scale.

Another alternative that the City could consider pursuing is to expedite the permitting process by fast tracking land use approvals for affordable housing development to accelerate the addition of new affordable housing units.

Impact Fee Waivers

Many communities have developed impact fee waivers, exceptions, and rebates in an attempt to create new affordable housing. The City of Madison currently requires every development containing residential units to pay park impact fees to offset the costs associated with parkland acquisition and improvement. However, after the City's 2015/16 Park Land Dedication Ordinance update, park impact fees can be waived for units that meet the affordability criteria.

Accessory Dwelling Units

Accessory dwelling units also referred to as granny flats, accessory apartments, or second units are single-family dwelling units that include an additional housing unit. They are often seen an opportunity to expand the supply of the affordable housing stock. Madison currently allows ADU however, financing ADU can often be a barrier for limited income families. The ADU ordinances is crafted around an external structure, such as a residential unit over a two car garage. While this may be desirable building form, it is very expensive and often isn't compatible with typical residential mortgages. Additionally, all ADUs are conditional uses and require an often contentious decision by the Plan Commission.

ADU regulations should be evaluated to determine if modifications could benefit the City's efforts to encourage affordable housing. Possible strategies include greater emphasis on less-costly ADUs in the principal building and shifting to a permitted use in some or all cases. This approach may be better suited to help existing homeowners weather increases in housing costs in rapidly appreciating areas by providing an option for an additional source of income. Further, in most cases an ADU would not result in a greater number of occupants than are already allowed; the zoning code currently permits owner-occupied single family homes to be occupied by one family and up to four roommates.

Loan Guarantee Programs

Loan Guarantee Programs provide guarantees to lenders to assist in financing new housing construction for lower income families. Guarantees maybe up to 25 percent of the original principal loan amount. State of Oregon through their Housing and Community Services department offers a Loan Guarantee Program to lenders to assist in the financing of new housing construction or for the acquisition and/or rehabilitation of existing housing for low and very low income families.

Strategies to plan for inclusive, equitable development:

Community Impact Report or Health Impact Assessment/Environmental Impact Assessment

Tools such as Community Impact Reports (CIRs) can be utilized during early stages of development process to assess fiscal, employment, housing, neighborhood services, and such other impacts of projects. CIRs provide a mechanism for documenting and considering all of the public costs and benefits of proposed projects to inform public approval and subsidy decisions. Other tools such as Health Impact Assessments or Environmental Impact Assessments are similar to CIRs that include socio-economic impacts of developments; and are used to minimize adverse effects of development.

Other cities are utilizing these tools in following ways: City of Petaluma, California requires developers to complete a Fiscal and Economic Impact (FEIA) process for large commercial projects-25,000 square feet or larger. The FEIA measures impacts on existing local businesses, net sales tax revenues, job quality and wage and benefit levels. Tools such as Health Impact Assessment have been used for the Twin Cities Central Corridor light rail project that presented findings related to economic development, affordable housing, and transportation for affected communities.

Community Benefit Agreements

Tools such as Community Benefit Agreements (CBAs) with developers for commercial, retail, mixed-use and residential projects often provide a framework to include living wage jobs, local hiring, and/or affordable housing. Should City of Madison consider using tools such as Community Benefits Agreements - 'Community Benefits Agreements: Making Development Projects Accountable' a handbook written by Good Jobs First and California Partnership for Working Families is a great resource for CBAs. This handbook covers the CBA basics, pros and cons, implementation, monitoring and enforcement, and range of benefits that community groups can negotiate. It also includes several examples as well as CBA language from existing agreements.

Indirect/Other Strategies

Some other strategies that were recommended by Committee members during the Boards, Commission and Committee's review process of this white paper included the following:

- Providing technical support to non-profits
- Exploration of missing middle housing
- Evaluation of non-traditional options for affordable housing

Conclusion

The previous section of this study summarized various strategies that are possible future actions for preventing displacement. Some of those strategies currently have legal barriers to implementation such as **inclusionary zoning, rent control, density bonuses, and stronger eviction protection laws**. Creating partnerships at the State level and advocating for state law changes may be the best approach if these potential long-term strategies are to be implemented.

Some of these strategies summarized in the Strategy Section are also currently being implemented by the City of Madison and this white paper acknowledges and encourages continuation and strengthening of these efforts. Strategies such as the **Affordable Housing Fund** have substantially increased the supply of affordable rental units in the City of Madison since inception. Along with the Affordable Housing Fund other strategies such as **Land Banking, Community Land Trusts, Impact Fee Waivers, Accessory Dwelling Units, Property Tax Assistance, Homeownership Programs, Economic Development/Commercial Stabilization programs and TIF**, are also being used by the City and they should be continued and strengthened.

Strategies such as **Adjusting Zoning Standards, Housing Levy, Developer Exactions, Community Benefits Agreements, Community Impact Reports and Retain expiring-subsidy units** are currently not being implemented by the City of Madison however, this white paper recommends considering these strategies. Some of these recommended strategies are resource intensive; some would require code changes; voter approval; others might require commitment not just from the City of Madison but also its residents, community partners and other levels of government. Some of these strategies can be implemented very easily while others cannot. The strategy section summarizes some of these questions but does not go into extensive details, which is beyond the scope of this paper.

A major goal staff hopes to accomplish from this white paper is to spur discussions on this topic among policy makers, residents and businesses about how the city and its partners can take efforts to promote equitable development. This type of development would help prevent displacement of long-term renters and homeowners who are vulnerable to displacement.

Summary Table of Equitable Development Strategies				
Strategies currently implemented by City of Madison				
	Strategy	Early	Middle	Late
1.	Affordable Housing Fund	X	X	X
2.	Land Banking	X	X	
3.	Housing Cooperatives	X	X	
4.	Community Land Trusts	X	X	
5.	Impact Fee Waivers	X	X	X
6.	Accessory Dwelling Units	X	X	X
7.	Property Tax Assistance		X	X
8.	Homeownership Programs	X	X	
9.	TIF (Tax Increment Financing)	X	X	X
10.	Economic Development/Commercial Stabilization Programs	X	X	
Strategies recommended to be implemented by the City of Madison				
1.	Adjusting Zoning Standards	X	X	X
2.	Housing Levy	X	X	X
3.	Developer Exactions	X	X	X
4.	Retain Expiring Subsidy Units	X	X	X
5.	Community Impact Report or HIA/EIA	X	X	X
6.	Community Benefit Agreements		X	X
Strategies pre-empted by Wisconsin State Law				
1.	Inclusionary Zoning		X	X
2.	Rent Control		X	X
3.	Density Bonuses	X	X	X
4.	Eviction Protection Laws	X	X	

Table 1: Equitable Development Strategies

Table 1. Above summarizes the Equitable Development Strategies. It identifies if the strategy is currently being implemented by the City of Madison, if the strategy is pre-empted by State Law, and if the strategy is being recommended. Also at what stage of displacement these strategies can be applied. The six types of displacement typologies are collapsed into three categories; Early includes susceptible and both types of early gentrification neighborhoods, Middle includes dynamic neighborhoods; late includes late type 1 and 2 and continued loss neighborhoods.