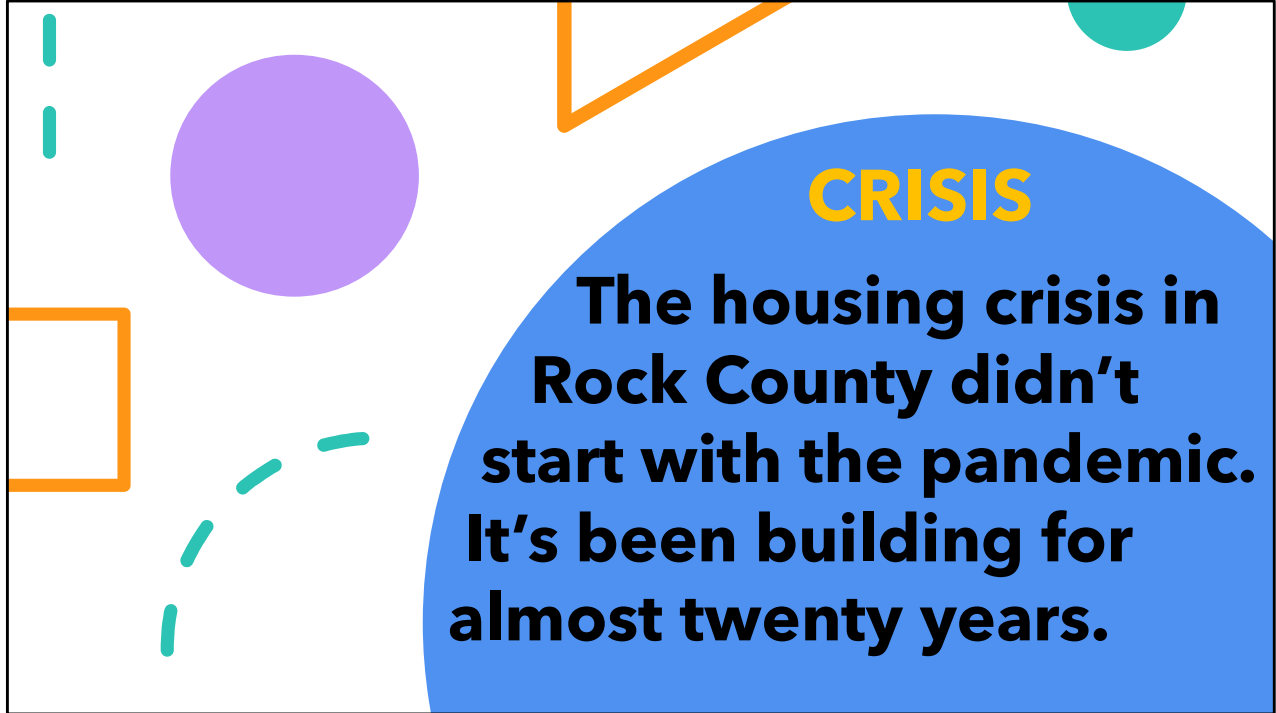
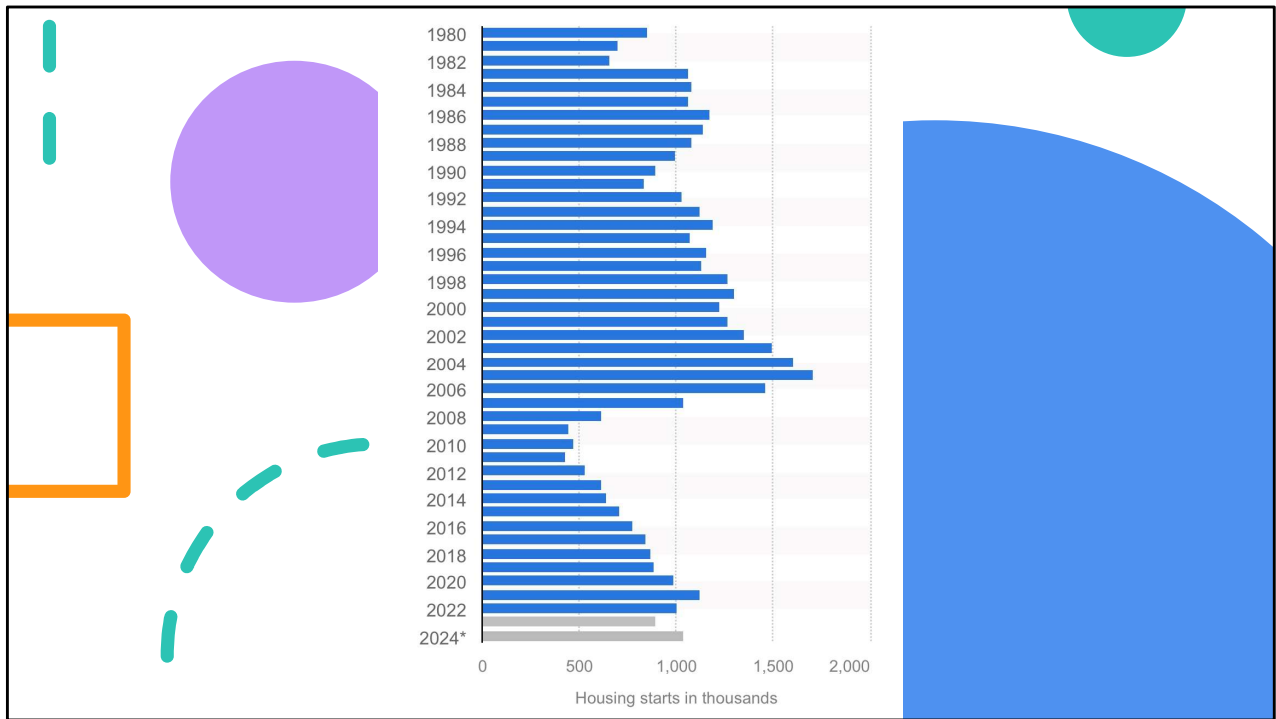


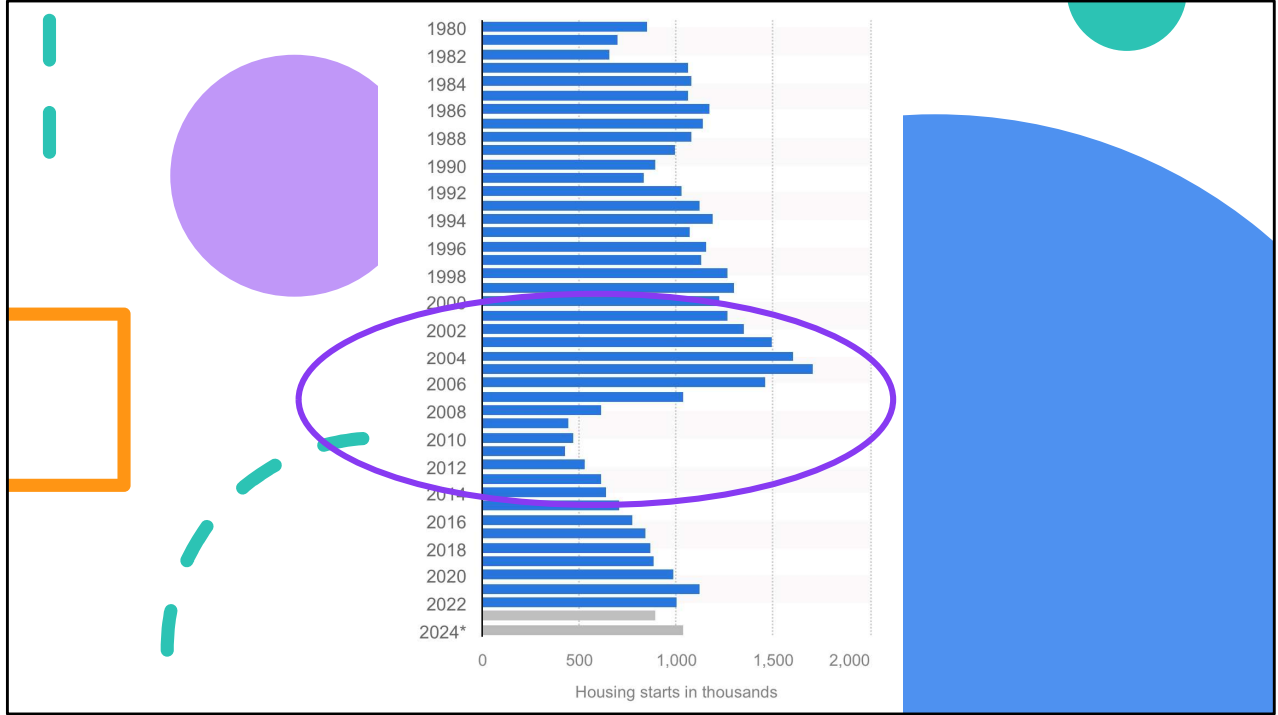
I'm sure that this isn't the first time that you've heard the phrase "HOUSING CRISIS," but for many people, the crisis isn't obvious. If I have a decent roof over my head that I can afford, I might conclude that, if there is indeed a crisis, it's somebody else's crisis, not mine. I'd like to suggest that there is, in fact, a crisis and that it affects all of us.



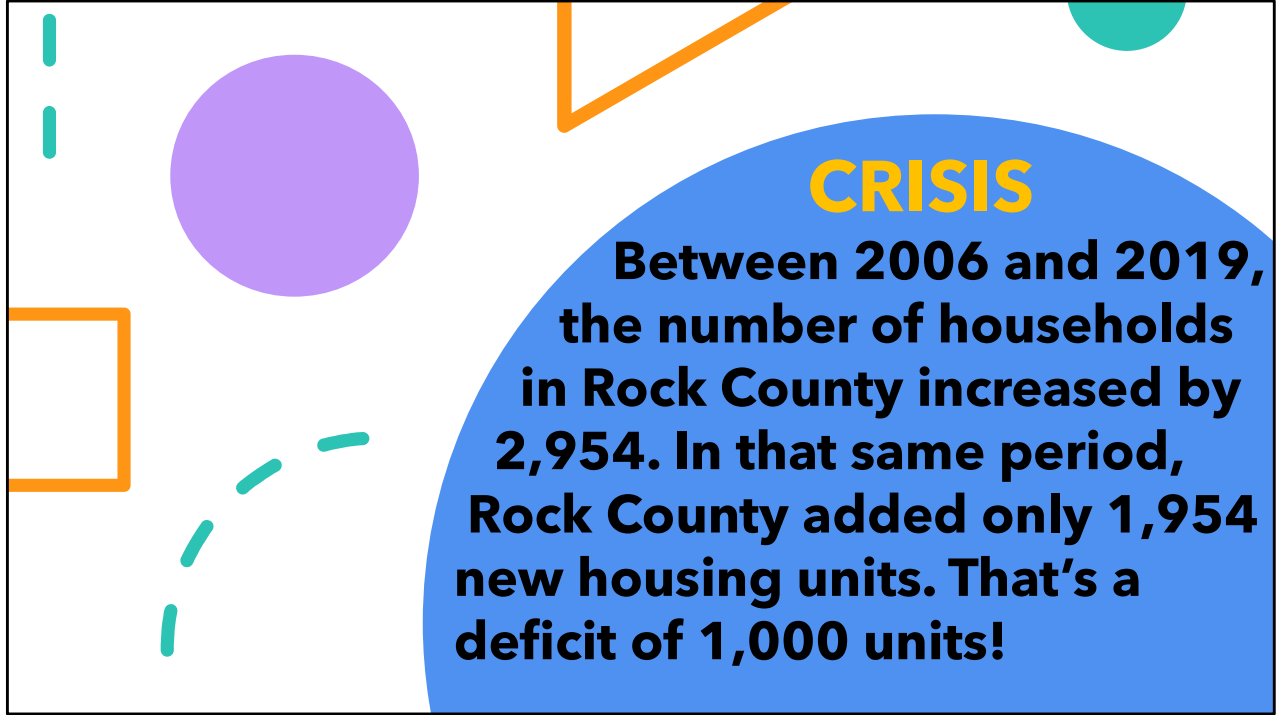
You may associate the phrase “housing crisis” with the COVID-19 pandemic, but the crisis started long before 2020. The pandemic made the crisis more visible as many people, particularly those working in service industry jobs, found themselves unable to afford their rent. However, to fully understand the Rock County housing crisis, we need to go back almost 20 years.



Rock County, like most areas of the country, experienced a housing boom in the early 2000s.



This was followed by a housing bust that accompanied the recession that started in late 2007. In Rock County, the situation was made even worse with the 2008 closure of the General Motors plant in Janesville. Essentially, the construction of new housing, both single-family homes and multi-family units came to a screeching halt.

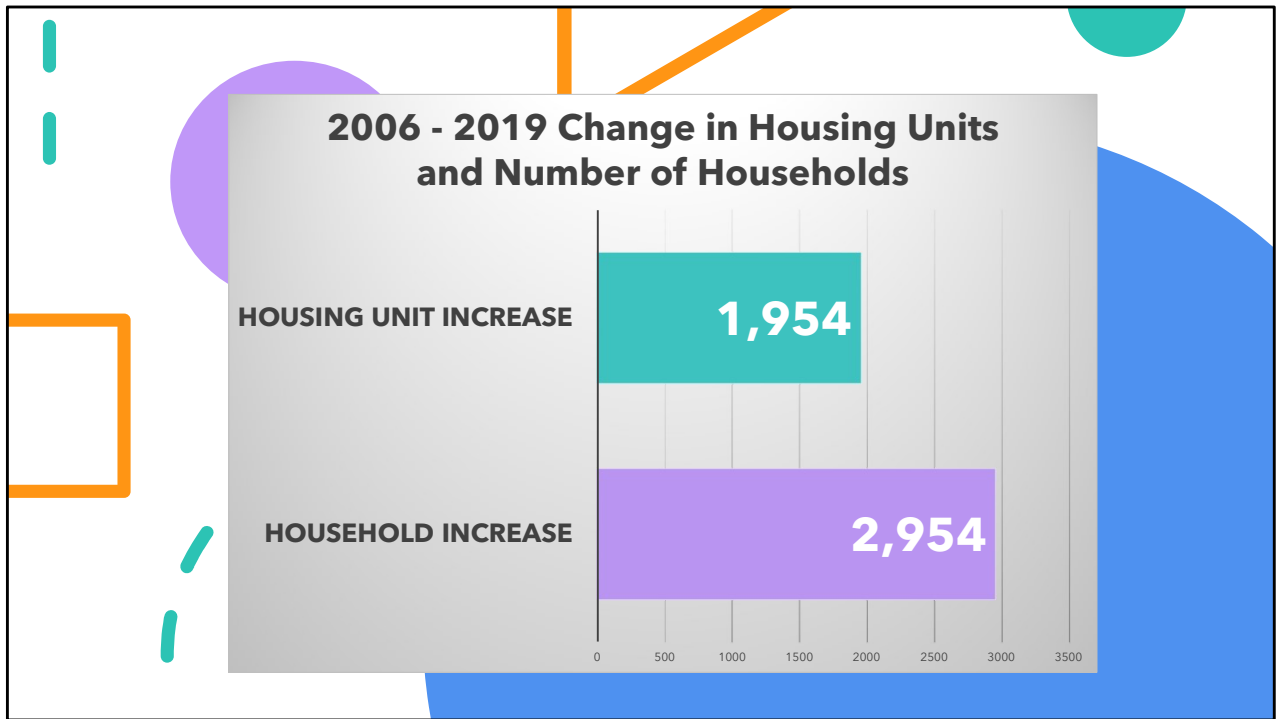


CRISIS

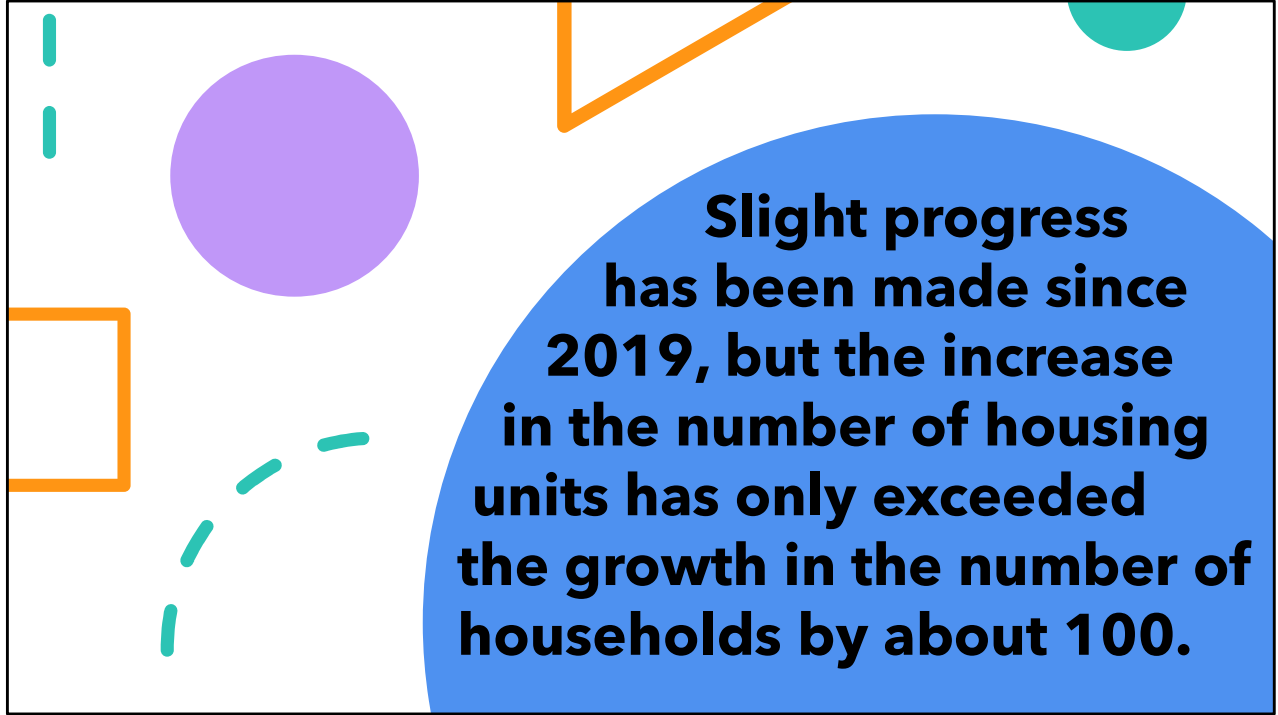
Between 2006 and 2019, the number of households in Rock County increased by 2,954. In that same period, Rock County added only 1,954 new housing units. That's a deficit of 1,000 units!

The infographic features a white background with several abstract shapes: a large purple circle, a teal circle, an orange square, a teal dashed line, and a blue semi-circle on the right side. The word 'CRISIS' is written in bold yellow letters on the blue semi-circle. The main text is in bold black letters.

To make matters worse, the number of households in Rock County grew at a much faster pace than the number of housing units that were added.



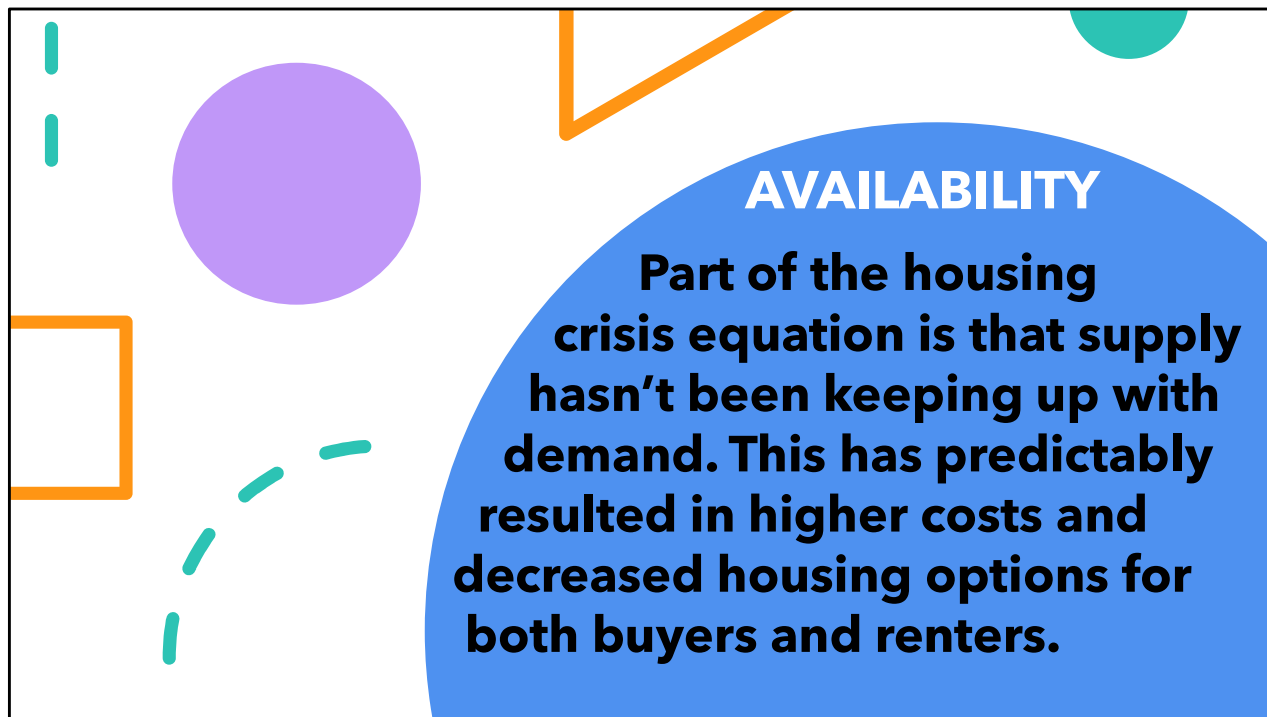
Between 2006 and 2019, Rock County gained 1,000 more households than housing units.



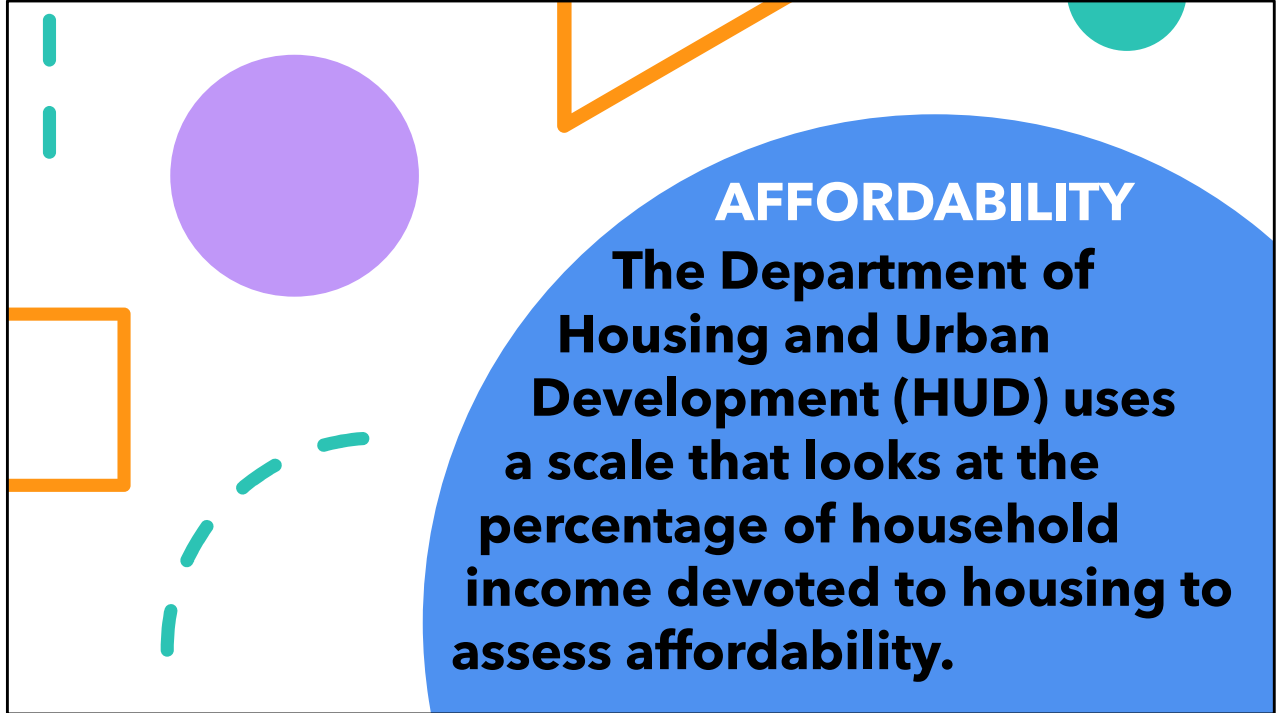
The housing picture in Rock County *HAS* improved a bit in the last couple of years, but the rebound has been very slow. From 2019 through last year, about 100 more new housing units were built than the number of households that were added.



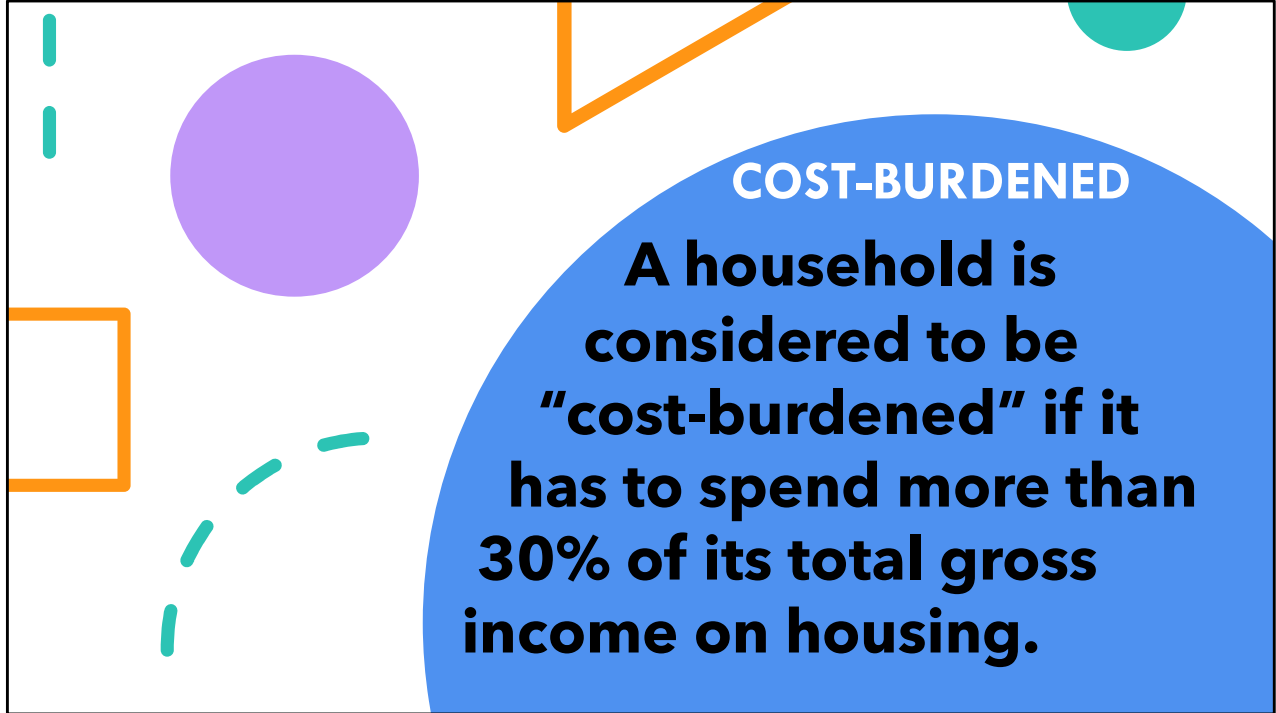
Two major factors contribute to the housing crisis. AVAILABILITY and AFFORABILITY.



As we've seen, on the **AVAILABILITY** side, the supply hasn't been keeping up with the demand. Simple economics tells us that when scarcity exists, prices will rise. So availability and affordability go hand in hand.



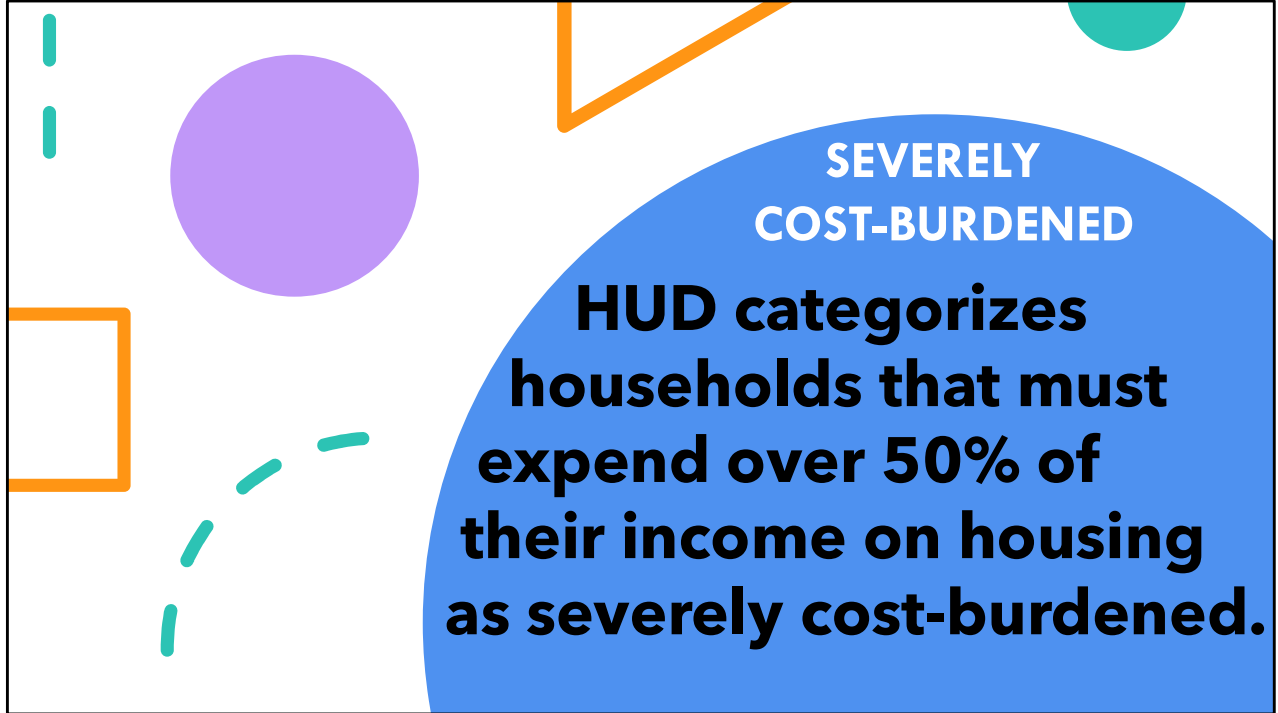
The supply side is easy to understand, but affordability is a little more complex. What does **AFFORDABLE** mean anyway? The US Department of Housing and Urban Development uses a scale that looks at the percentage of total household income devoted to housing to assess affordability.



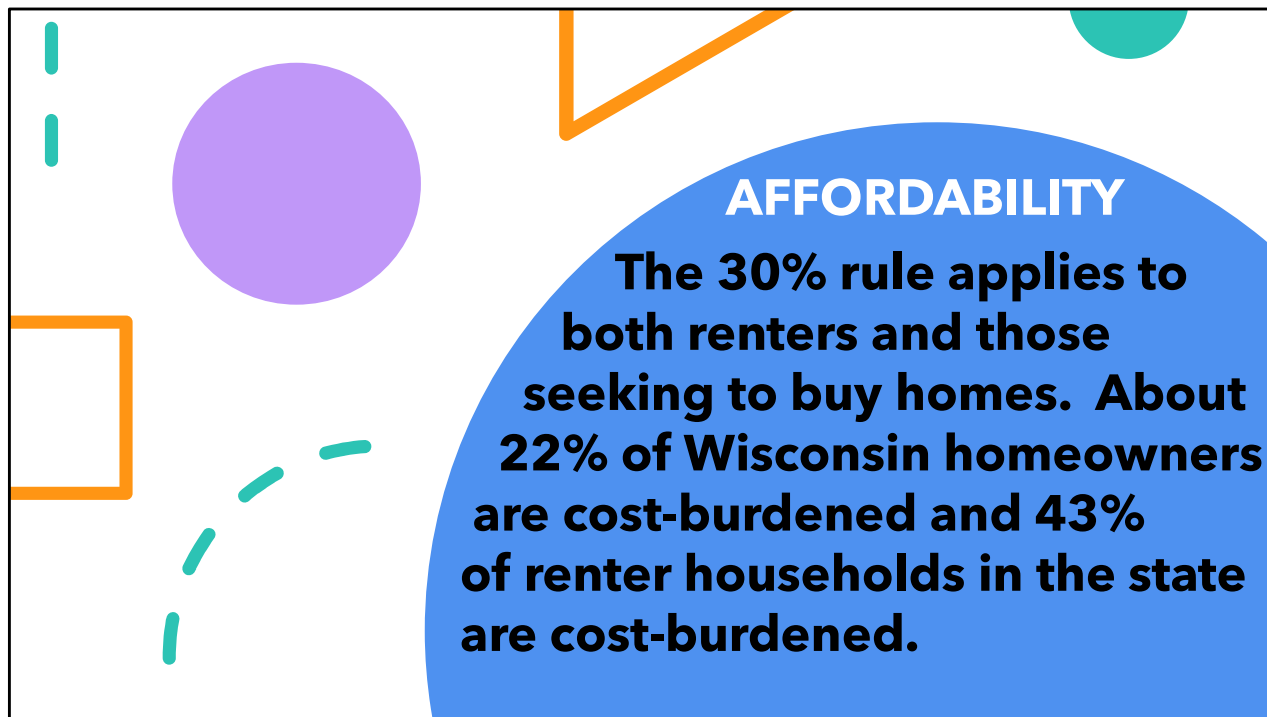
COST-BURDENED

A household is considered to be "cost-burdened" if it has to spend more than 30% of its total gross income on housing.

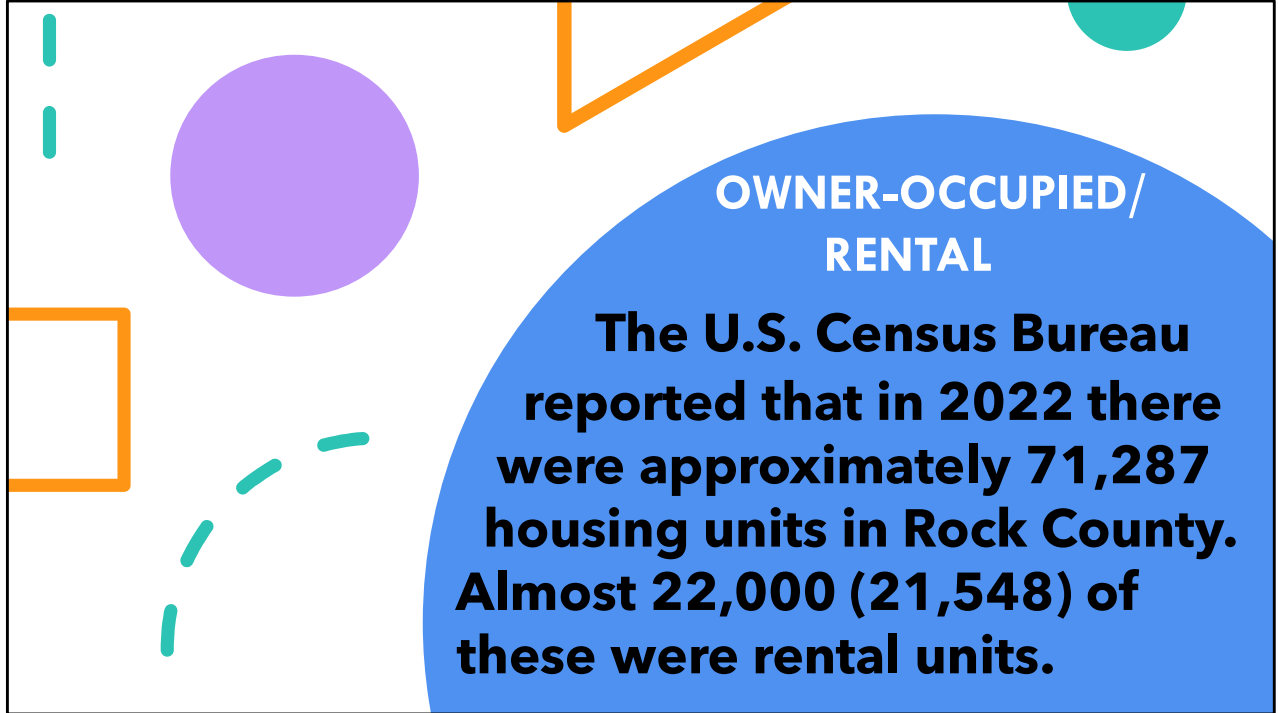
In general terms, a household is considered to be "cost-burdened" if it must spend more than 30% of its gross income on housing. Housing costs aren't just rent or mortgage payments. Housing costs also include related costs like utilities.



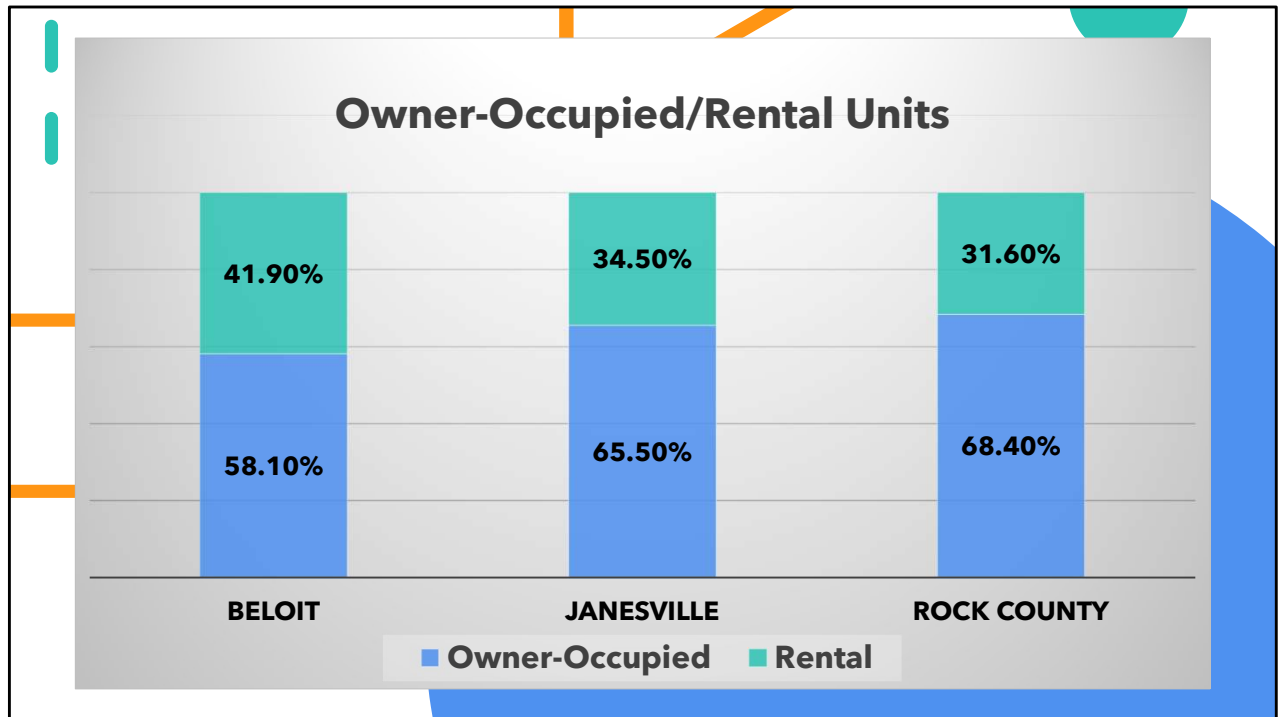
If a household expends more than 50% of its gross income on housing, the household is considered “severely cost-burdened.”



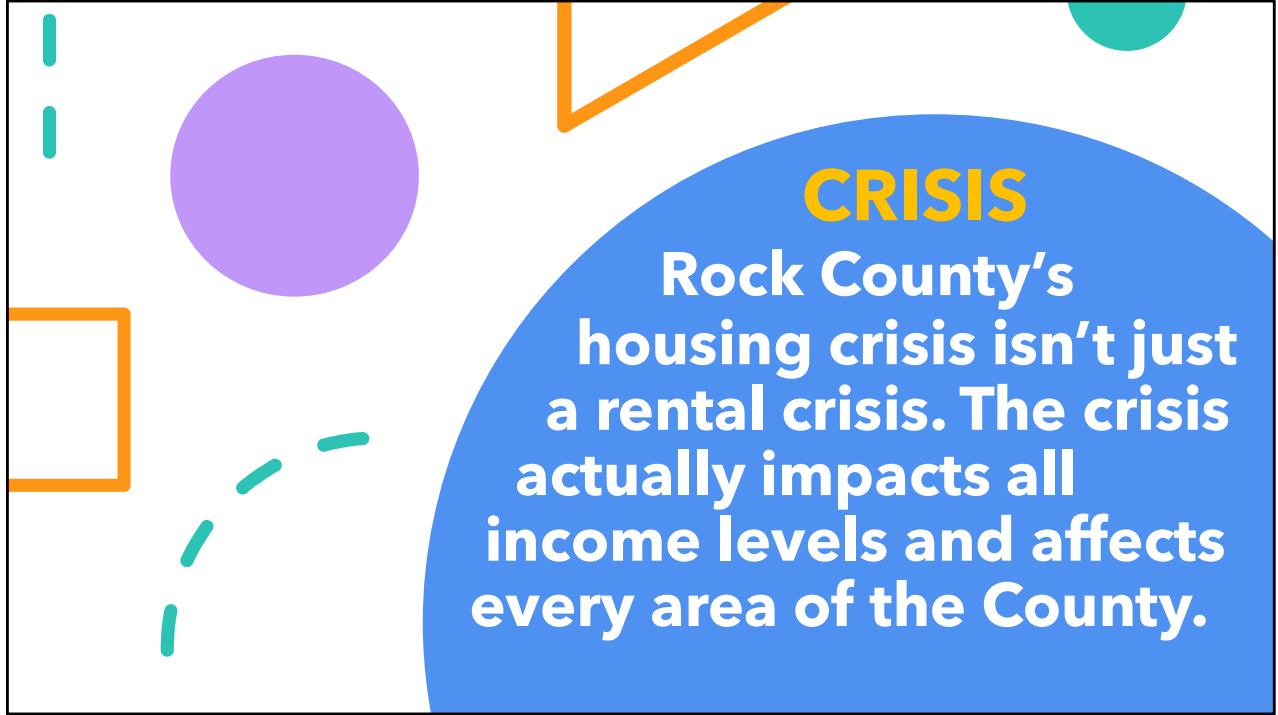
The 30% rule is widely applied to both renters and potential home buyers. Using this measure, about 22% of Wisconsin HOMEOWNERS are cost-burdened and 43% of Wisconsin renter households are cost-burdened. To get a feel for what being cost-burdened is like, do a little math in your head. Consider **YOUR** household income and multiply that by 30%. I'd hazard a guess that anyone devoting 30% or 50% of their total income on housing would find it to be exceedingly challenging.



Here are some of the basic facts and figures for Rock County. The Census Bureau tells us that there were 71,287 housing units in Rock County in 2022. Of these, about 21,500 or about 30% were rental units.



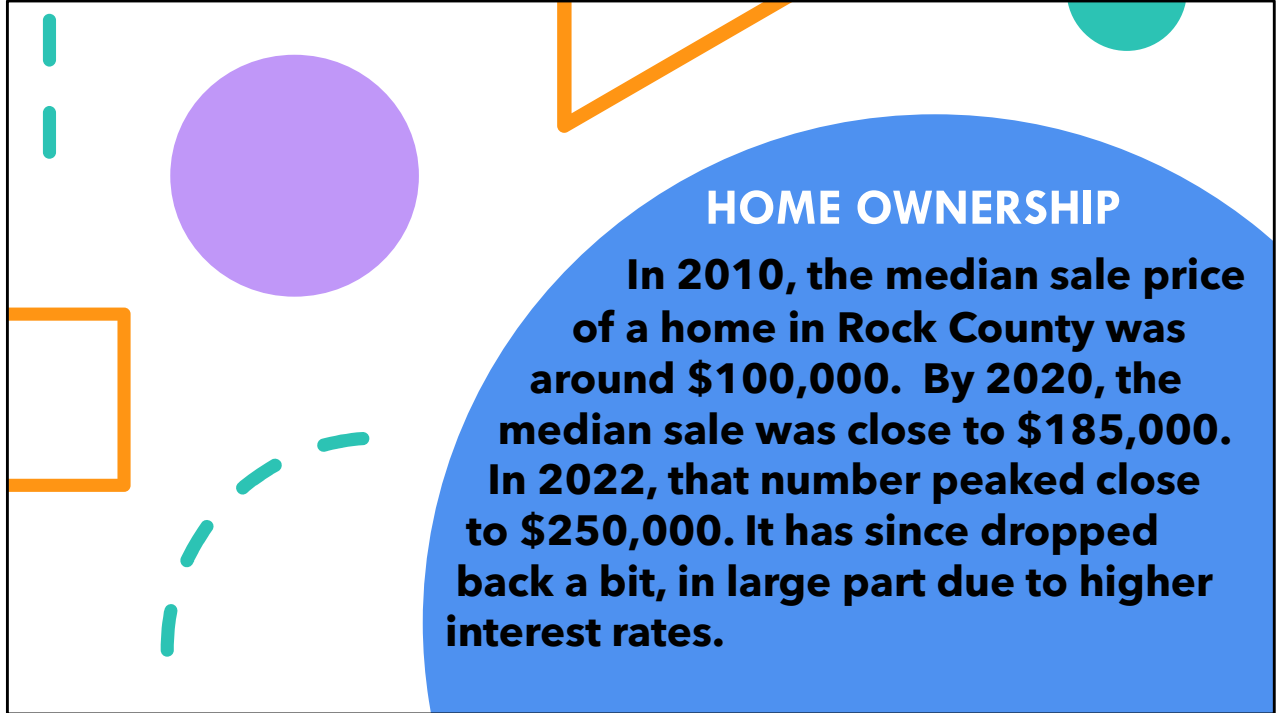
However, the percentage of rental units does vary depending on location in the County. For example, over 40% of the housing units in Beloit are rental units. The bar labeled “ROCK COUNTY” reflects everything in Rock County other than the City of Beloit and the City of Janesville.



We tend to think of the housing crisis as a rental crisis. In fact, the crisis doesn't just affect the rental market.



The crisis affects ***HOME OWNERSHIP, THE RENTAL MARKET, WORKFORCE RECRUITMENT AND ECONOMIC DEVELOPMENT***, and it also brings with it significant ***SOCIAL SERVICE*** costs.



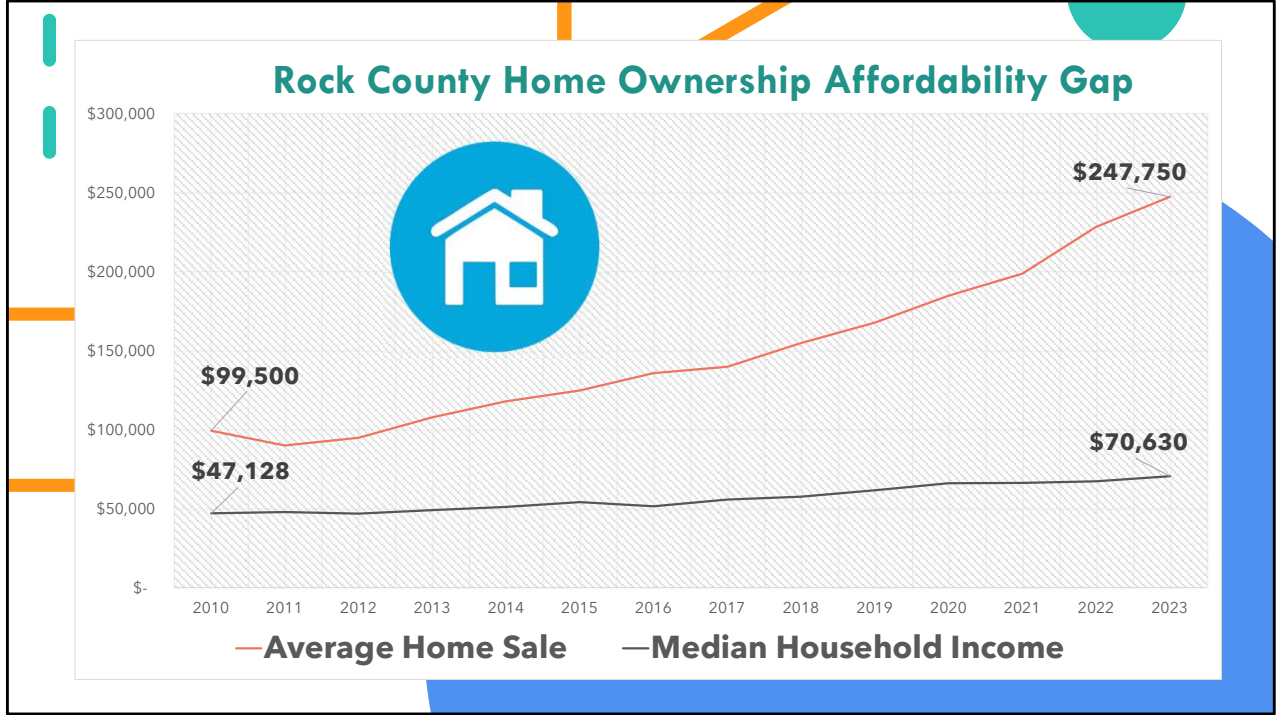
Let's look at HOME OWNERSHIP first. The Wisconsin Realtors Association reports that in 2010, the median sale price of a single-family home in Rock County was about \$100,000. By 2020, that number was \$185,000. The median sale price of a single-family home peaked near \$250,000 in 2022 and has now receded a bit, in part because of higher interest rates. That said, the higher interest rates mean that the real total cost associated with home ownership are even higher now than they were in 2022.

HOME OWNERSHIP

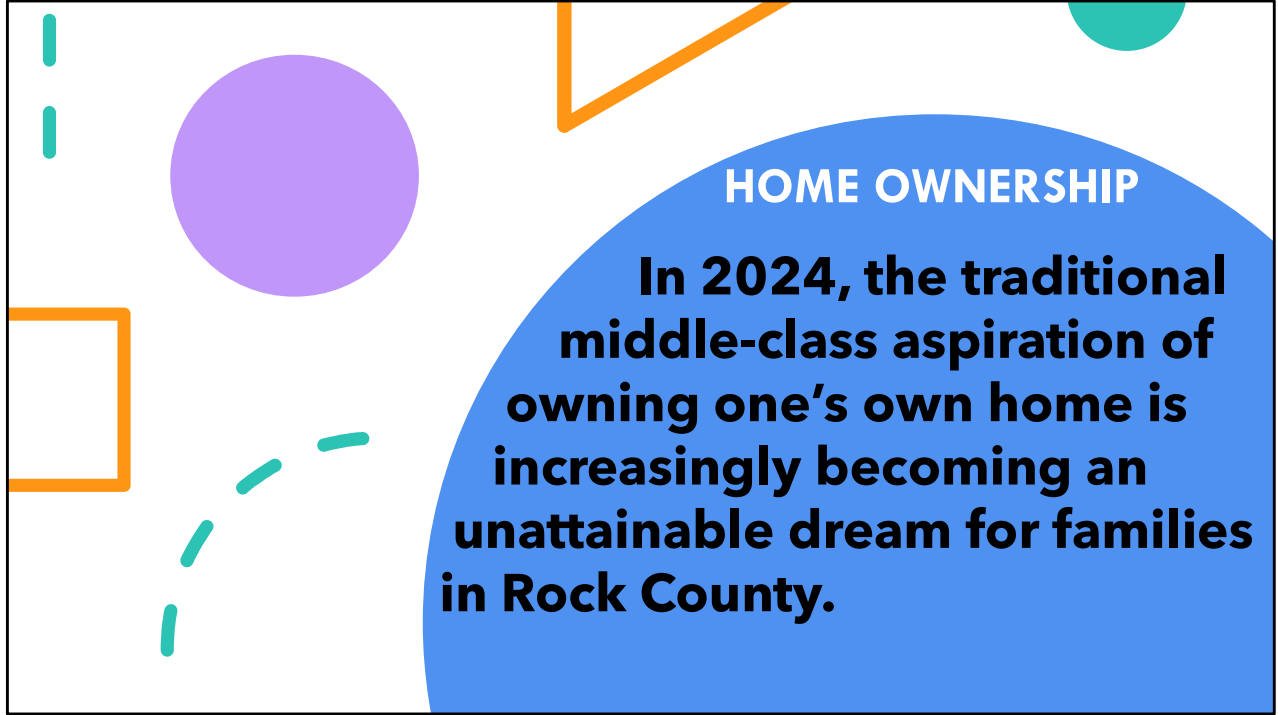
During the same period, the median household income increased at a much slower rate from \$47,128 to \$70,630. The combined result is a growing gap in affordability.

The infographic features a white background with several abstract geometric shapes: a large purple circle, a teal circle, an orange square, a teal dashed line, and an orange line. The text is contained within a blue semi-circular shape on the right side.

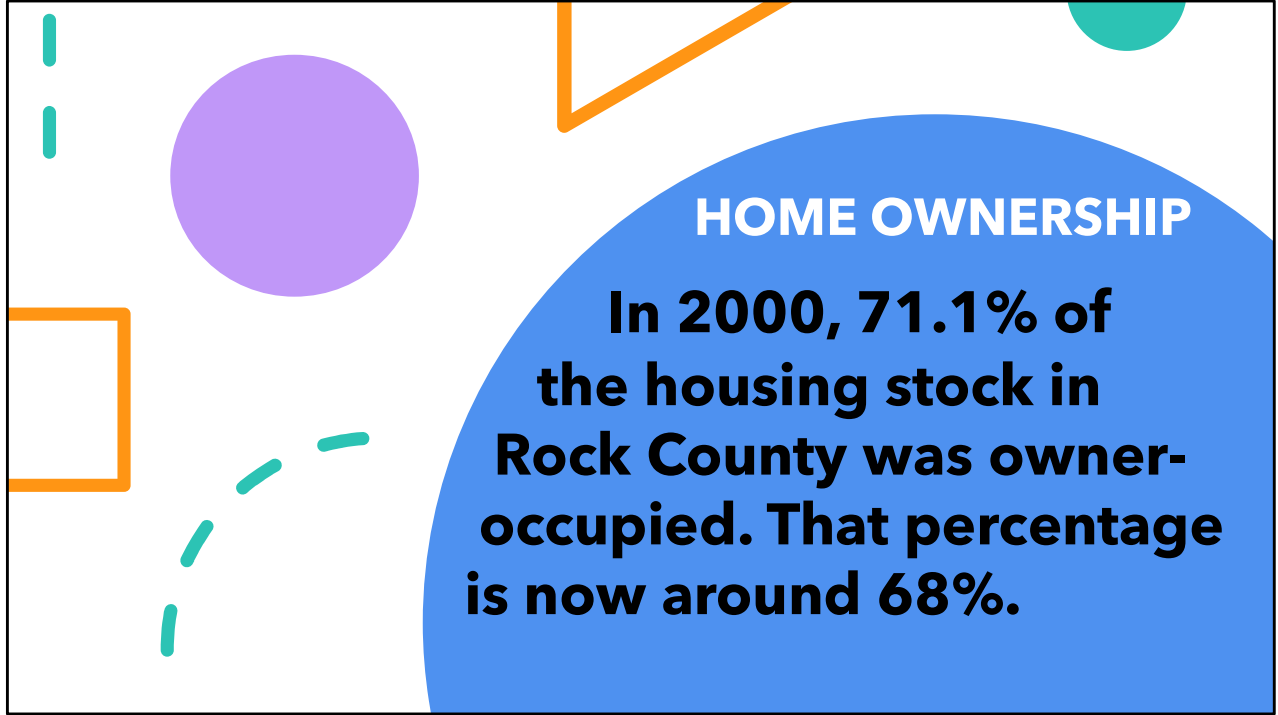
During the same period (2010 – 2022), the median household income increased at a much slower rate.



The affordability gap for potential home buyers in Rock County has increased. In 2010, the ratio between median household income and the median cost of a home was 2.11 to 1. In other words, the average sale was a little over twice the median household income. In 2023, that ratio jumped to 3.51 to 1. In other words, three and a half times the median income instead of twice the median income.



Many middle-class households are being priced out of the home-buying market.



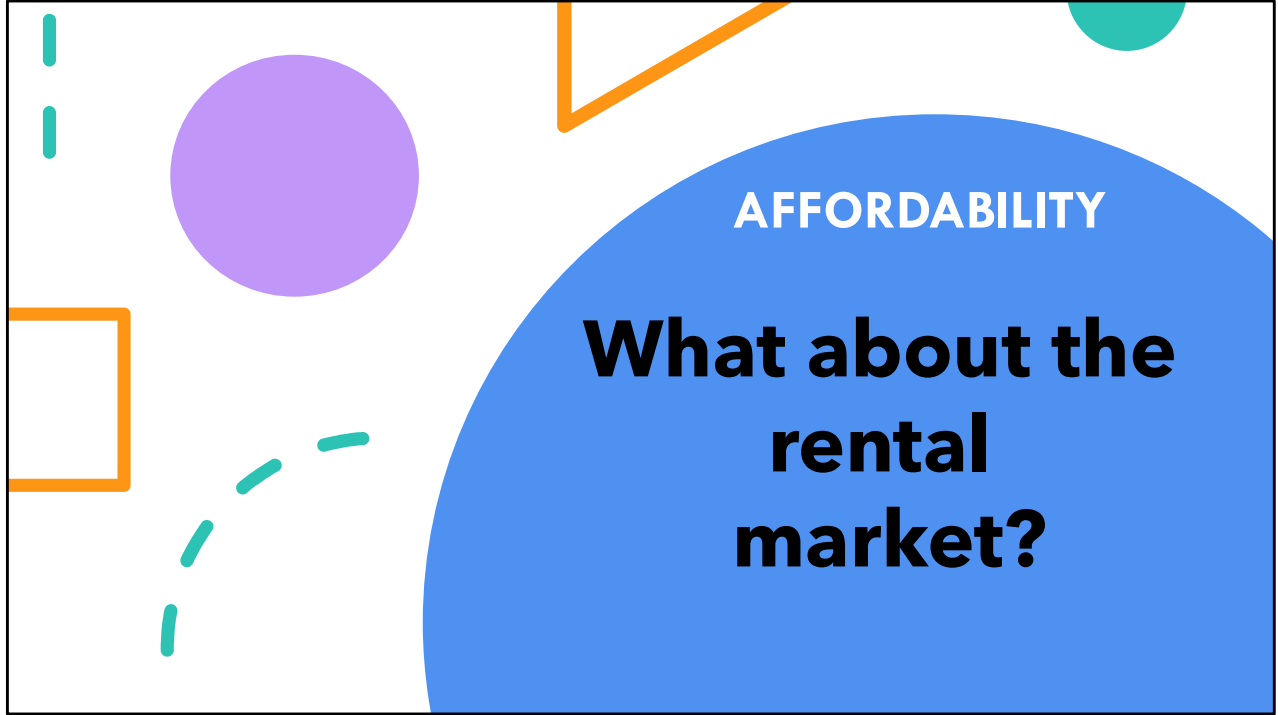
One result is that the owner-occupied percentage in Rock County has fallen.



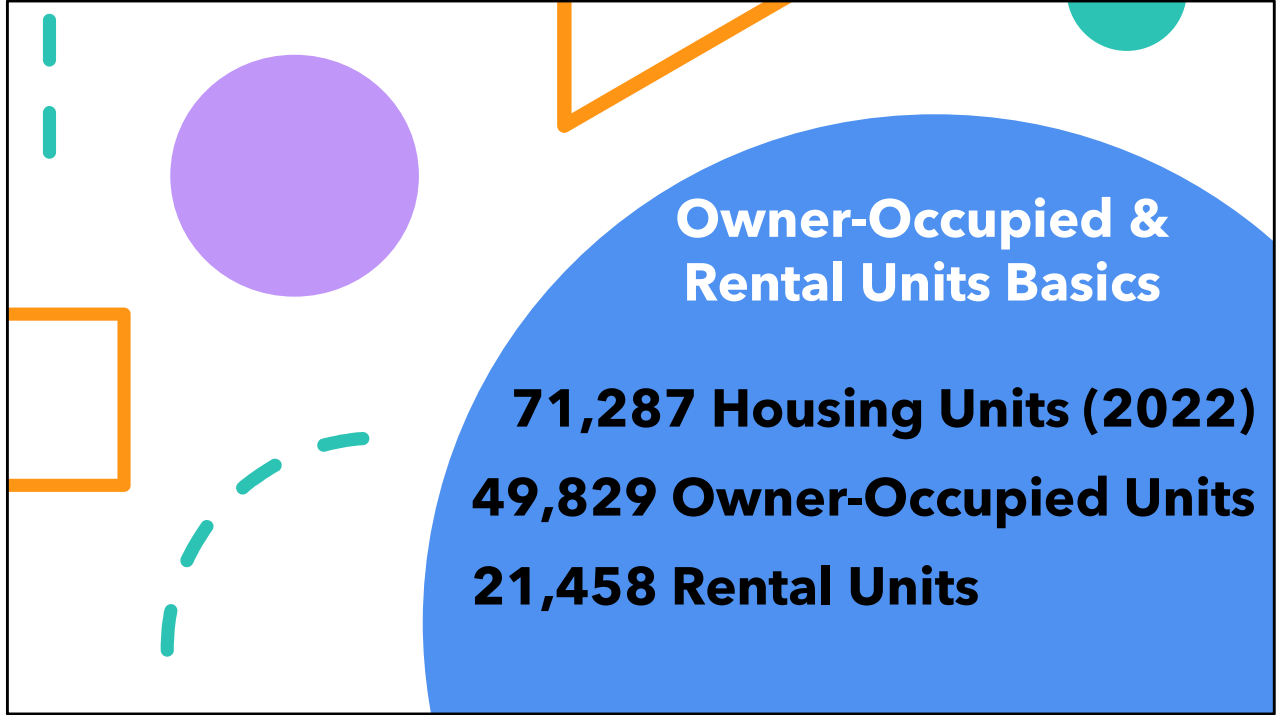
CONNECTIONS

The lack of affordable homes to buy places even more pressure on the rental market as those who in the past might have purchased homes, rent instead.

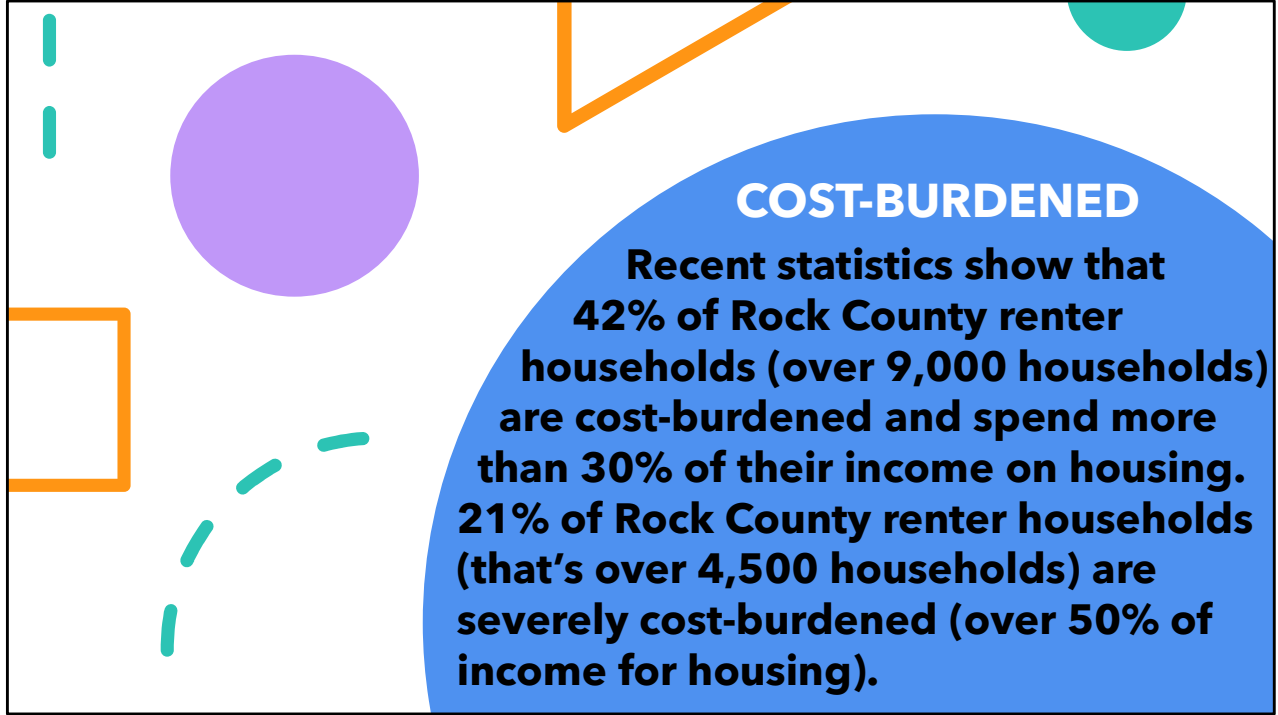
Ironically, this places even more pressure on the rental market as simple economics forces more people to rent rather than to buy.



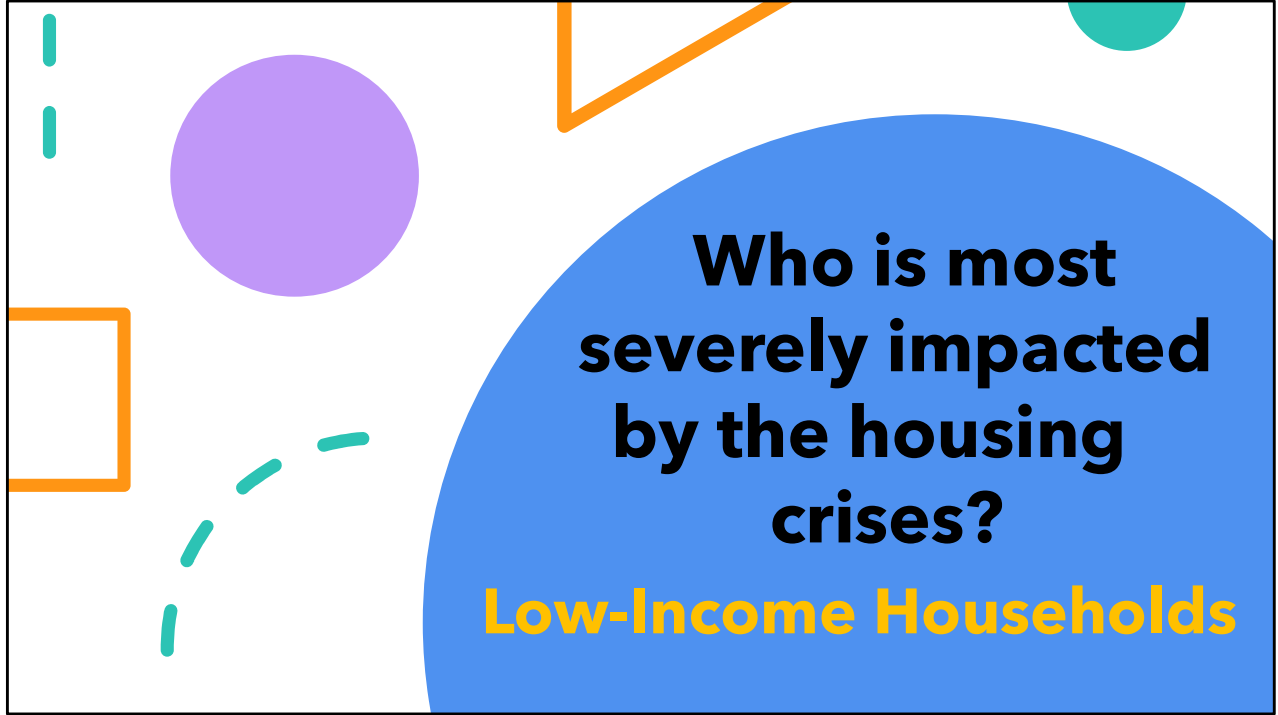
Well, what about the rental market?



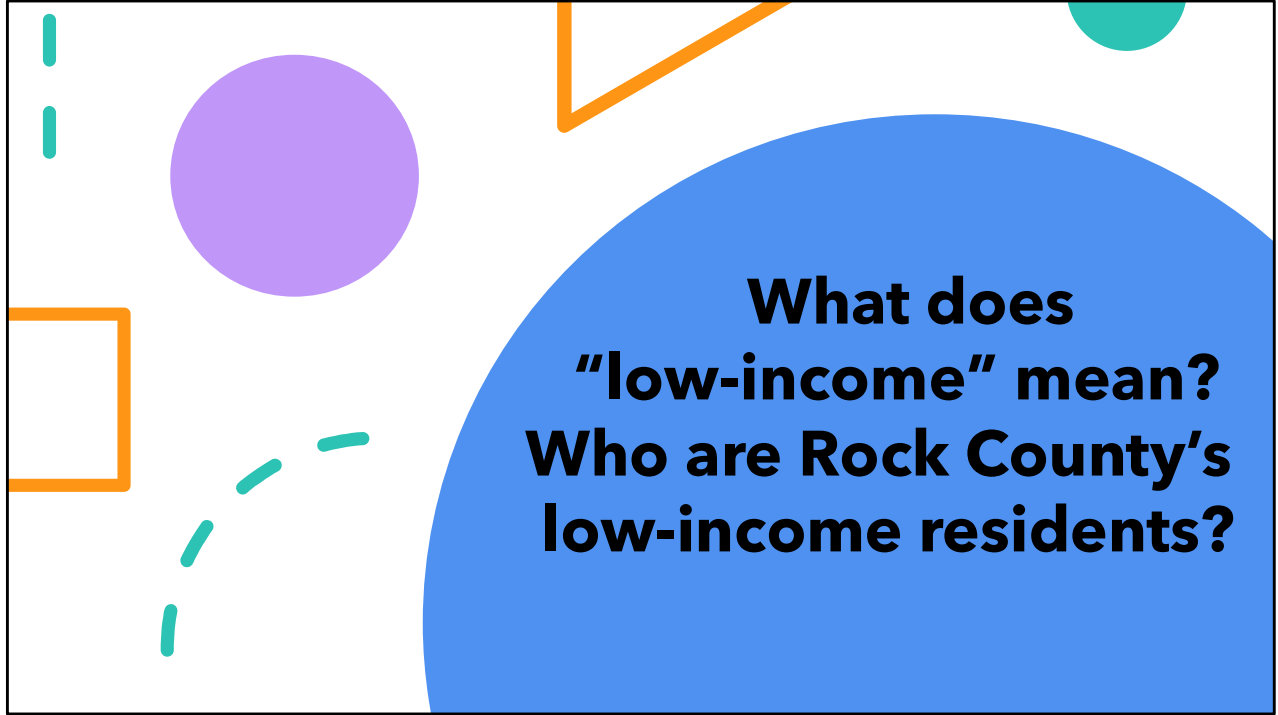
Just to refresh your memory, here are the Rock County statistics for Owner-Occupied vs. Rental units.



Across Rock County, more than 9,000 renter households are “cost-burdened” and 4,500 households are “severely cost-burdened.”



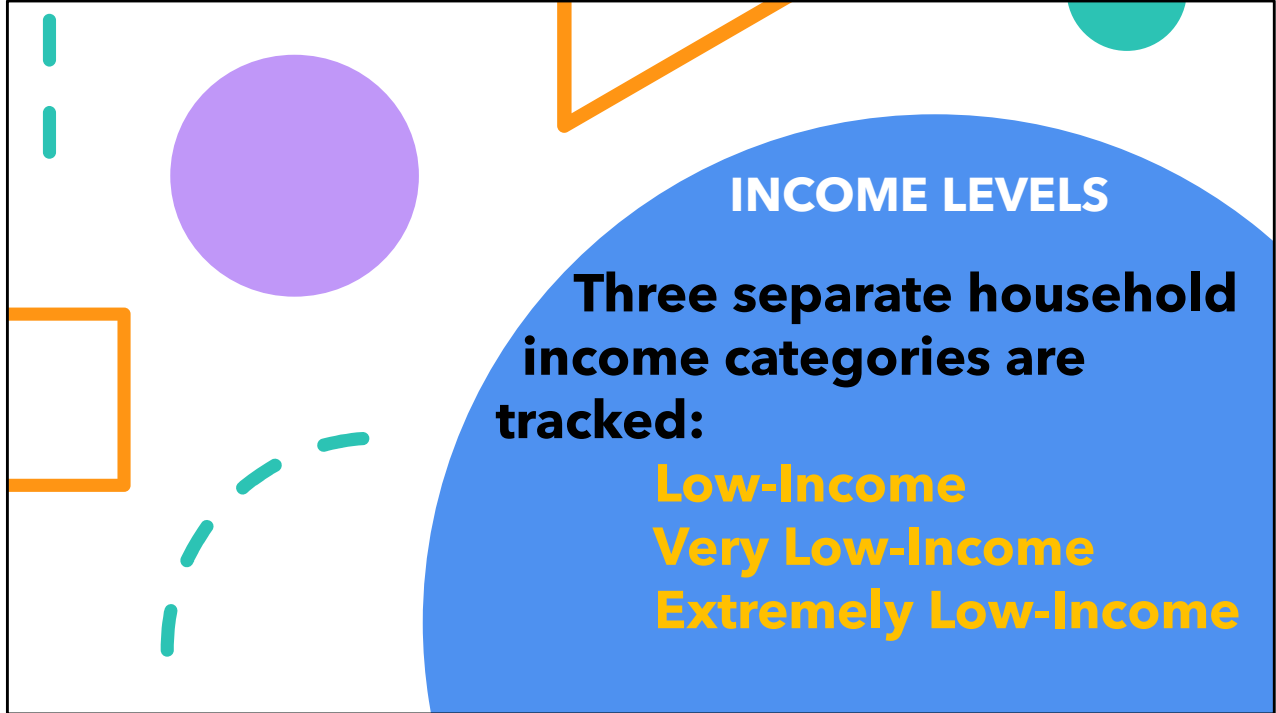
Not surprisingly, the lower the household income, the more acute the housing crisis becomes.



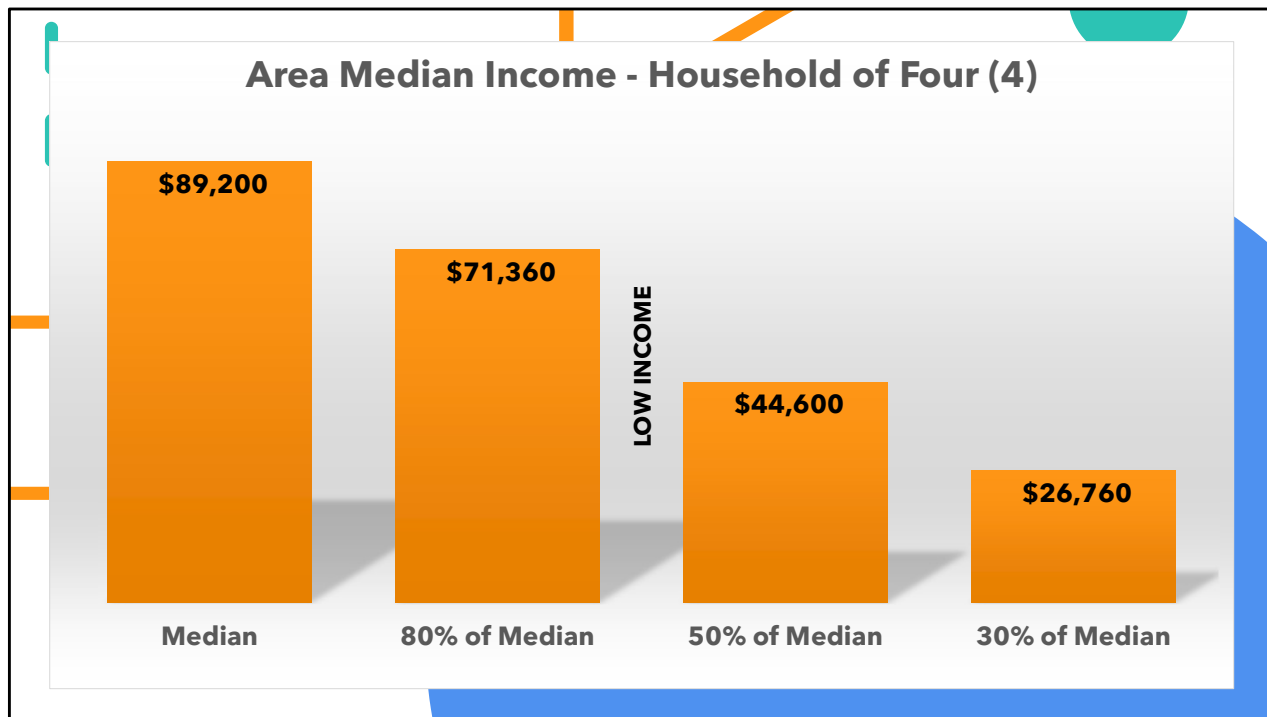
But what does “low-income” mean? Who are Rock County’s low-income residents? You may be surprised by the answer, and we’ll get to that in a minute after offering a couple of definitions.



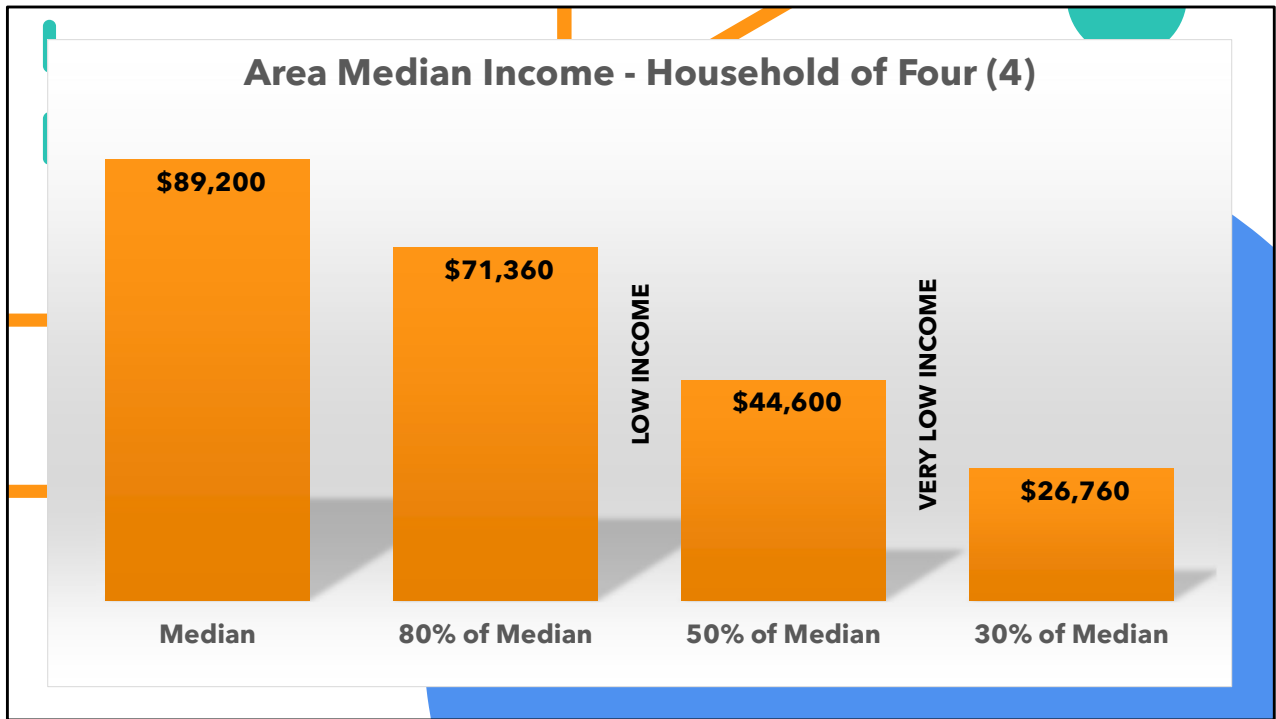
We'll turn back to the Department of Housing & Urban Development for some definitions. HUD calculates something that it calls "adjusted median incomes" by regions of the country, recognizing that Wisconsin is different than places like California, Hawaii, Alabama, and Alaska.



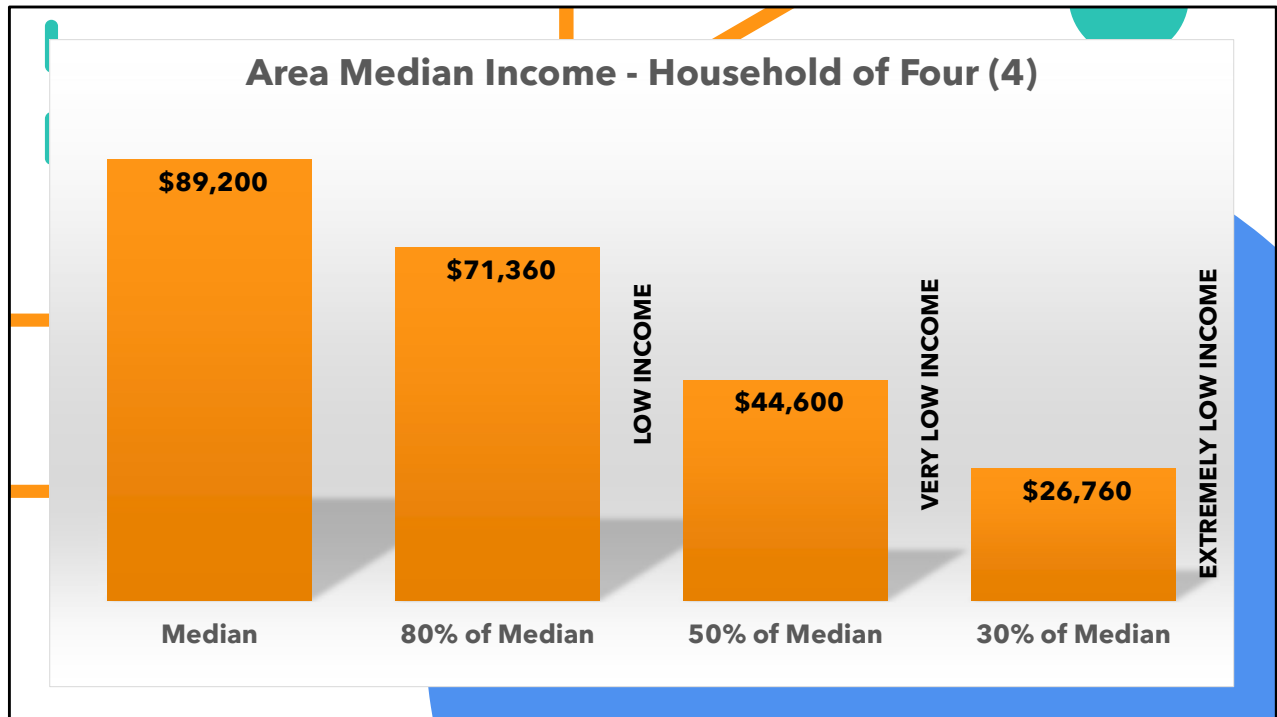
They apply these adjusted household incomes to arrive at multiple regionally adjusted income categories. The categories of greatest interest to us are “Low-Income,” “Very Low-Income,” and “Extremely Low-Income.”



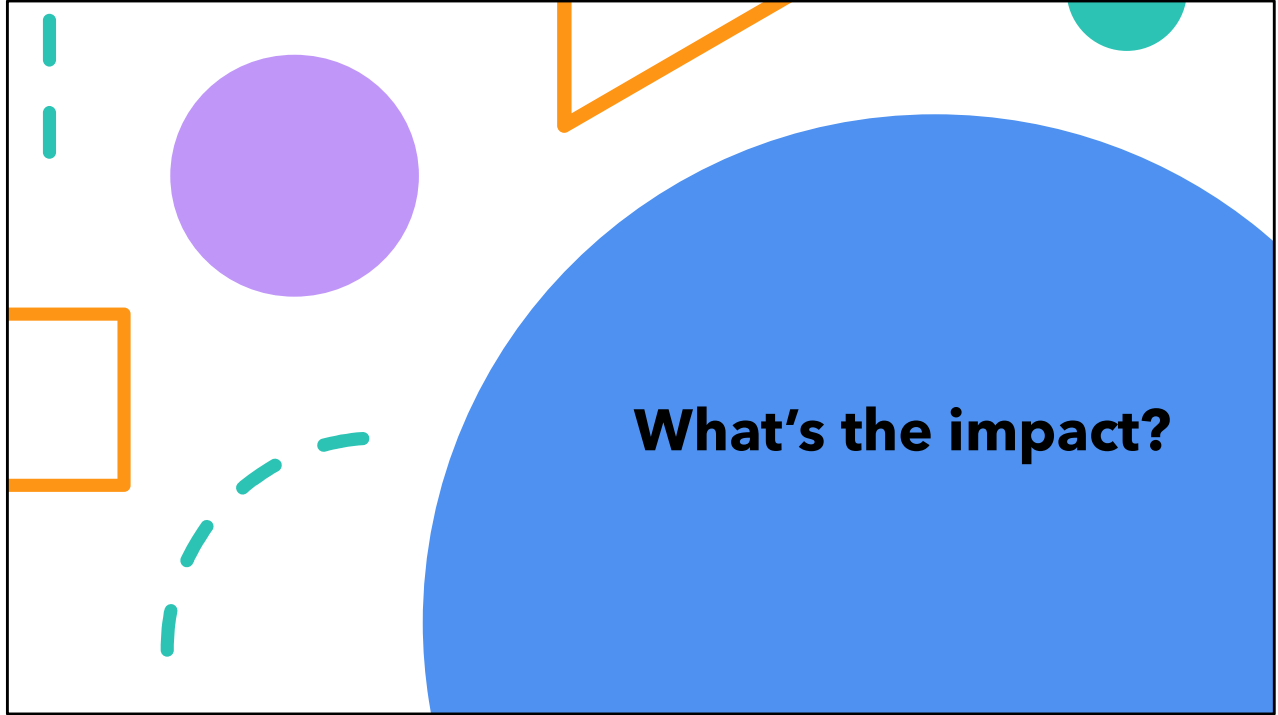
Median incomes are also adjusted by the number of people in a household. The current median household income (remember from your high-school math courses that median means the mid-point) for a household of four in Wisconsin is \$89,200. In other words, half of the four person households in Wisconsin have incomes above \$89,200 and half have incomes below \$89,200. A household of four in Wisconsin is considered to fall into the “Low-Income” category if its income falls between \$44,600 (50% of the median) and \$71,360 (80% of the median).



A household of four in Wisconsin is considered to be “Very Low-Income” if its income falls between \$26,760 and \$44,600 (50% of the median).



A household of four falls into the “Extremely Low-Income” category if its income is less than \$26,760 (30% of the median).



What does this mean for real families and individuals?

HOUSING GAP

A March 2023 gap report documents 4,485 “Extremely Low Income” households in Rock County. For every 100 such households, only 54 affordable (less than 30% of gross household income) housing units existed.

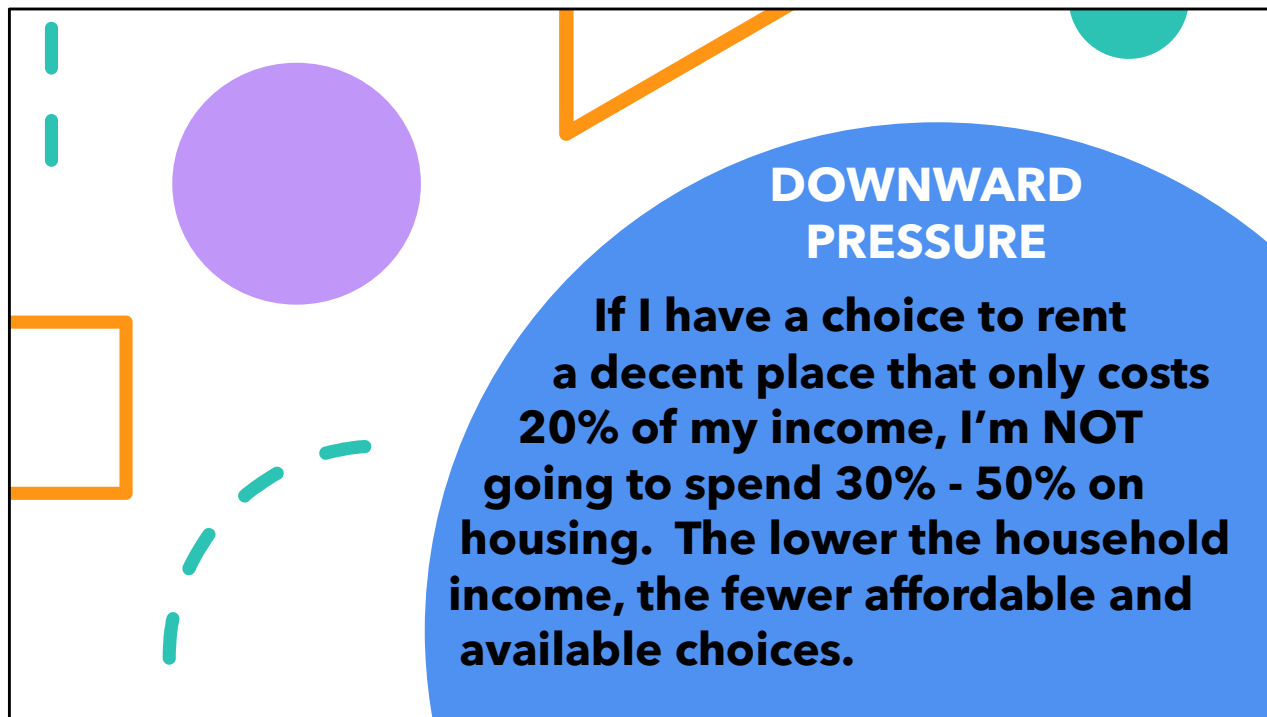
A report published in 2023 that uses U.S. Census and HUD statistics says that there were 4,485 “Extremely Low-Income” households in Rock County. For every 100 households in the County falling into that category, only 54 units existed that would cost less than 30% of gross household income.

HOUSING GAP

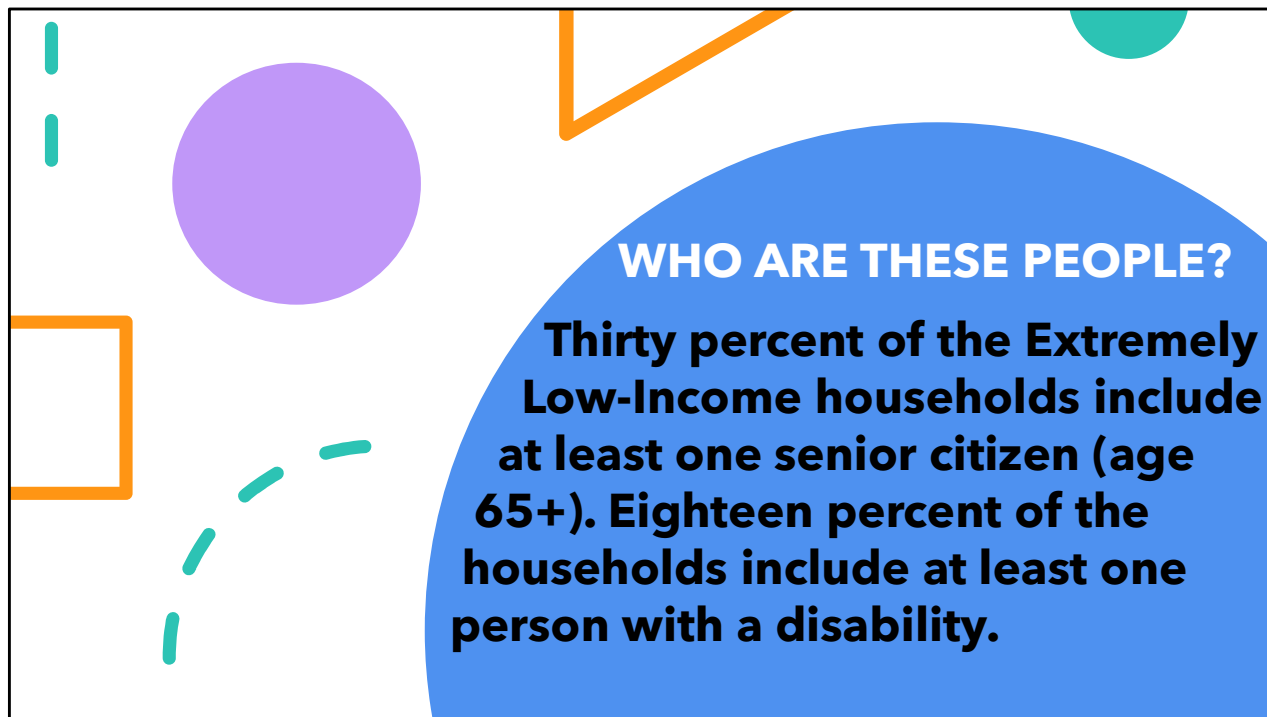
However, the situation is actually even worse than that. For every 100 Extremely Low-Income households, only 23 units were both affordable (less than 30% of gross household income) and available (not already occupied).

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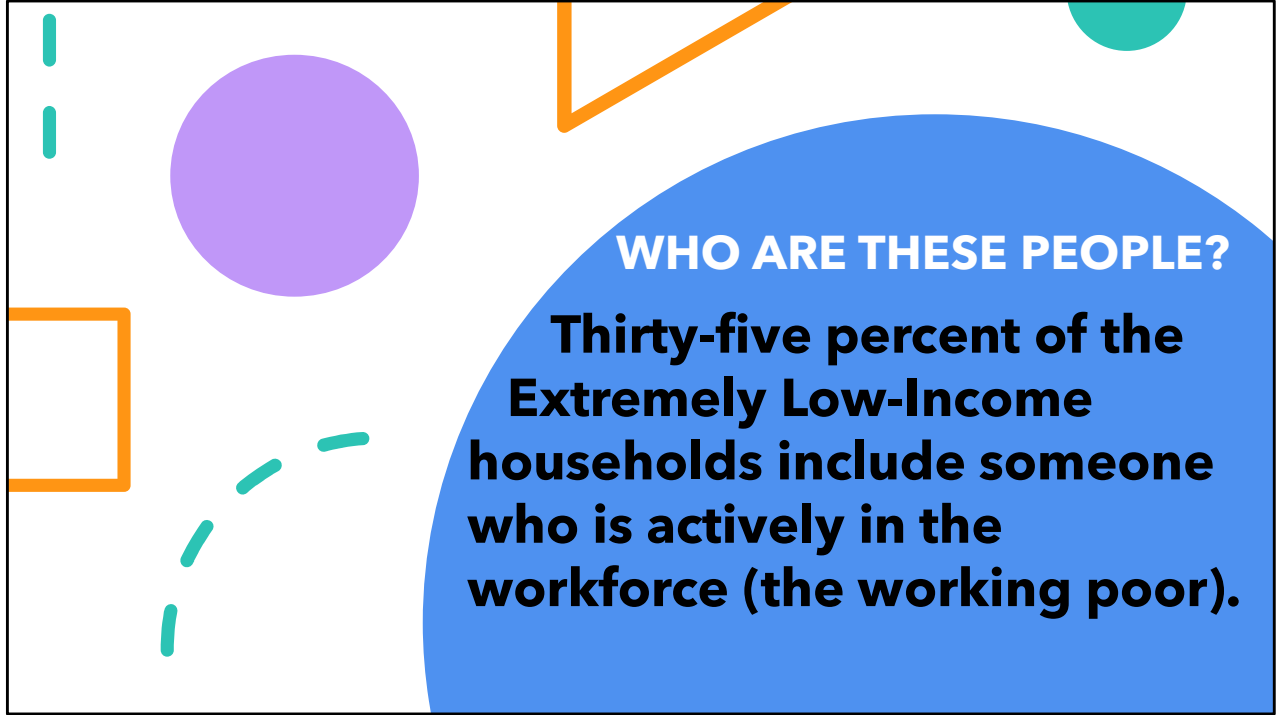
Unfortunately, the situation is even worse than that, because many of the units that might be affordable are already occupied by families with higher income levels.



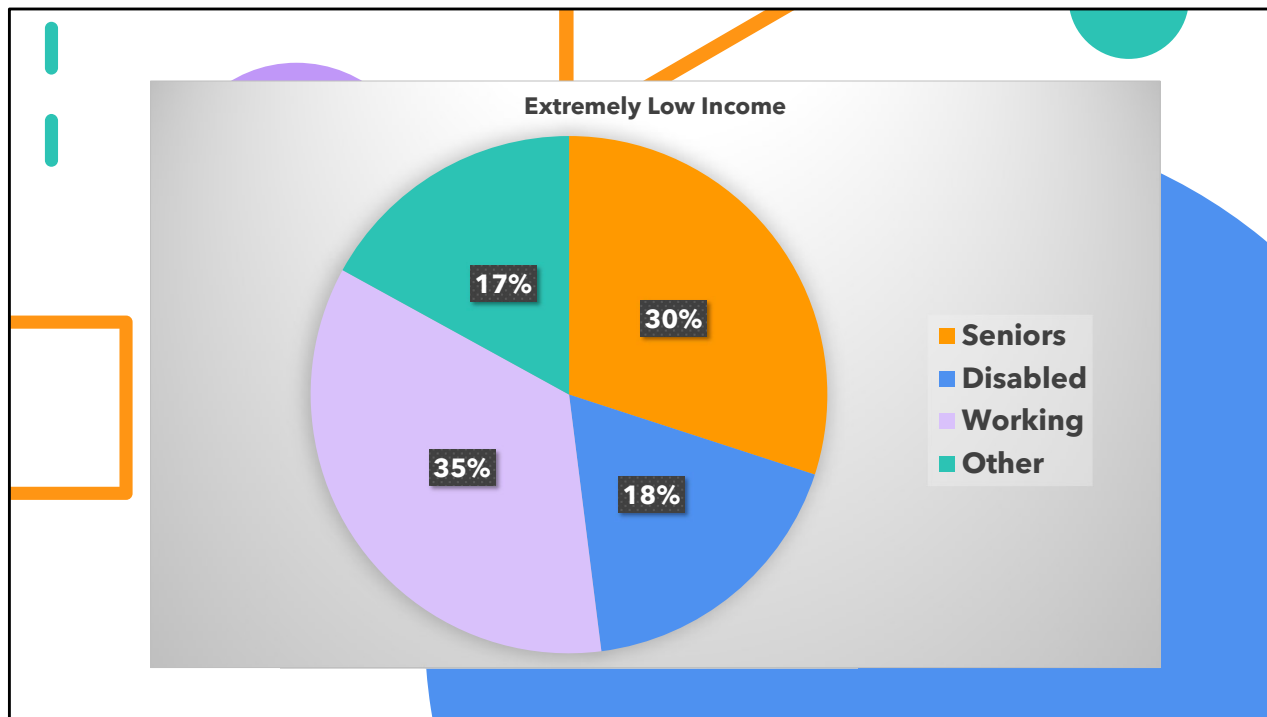
People occupying these affordable housing units are simply families that are fortunate enough to find suitable housing that costs them less than 30% of their gross income. In other words, there is downward pressure from the top that leaves fewer and fewer housing options for those with very low and extremely low incomes.



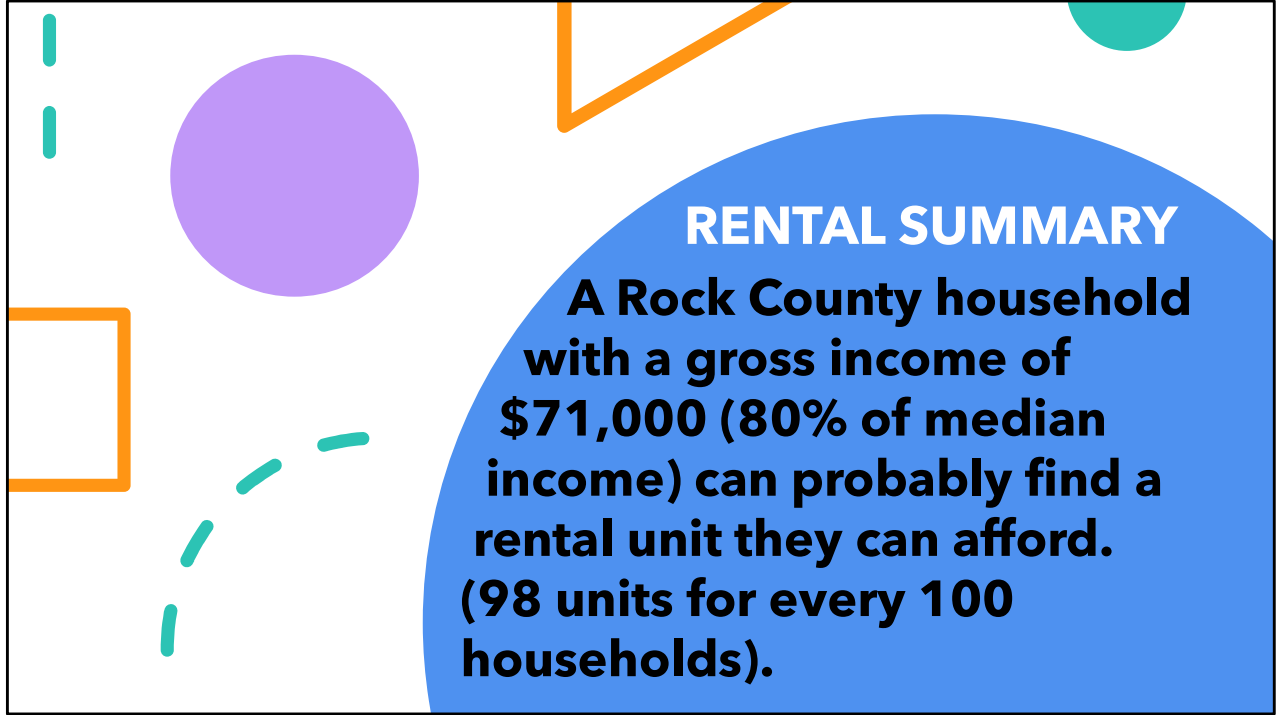
I told you that we'd get back to identifying who falls into the "extremely low-income" category and that you might be surprised by the answer. Thirty percent (30%) of extremely low-income household include at least one senior-citizen. Eighteen percent (18%) include at least one person with a disability in a household without a senior citizen. In other words, these statistics aren't double counted. For example, a household with both a senior and a person with a disability is counted only in the senior category.



Thirty-five percent (35%) of extremely low-income households include someone who is actively in the workforce.



Here's the total breakdown of households falling into the Extremely Low-Income category. Almost half of the individuals and families that are most severely impacted by the housing crisis are elderly and the disabled. In many instances these households include veterans, people with major health problems, and households including individuals confronting mental-health issues.

An infographic with a white background and a black border. It features several abstract shapes: a purple circle, an orange square, a dashed teal line, and a large blue semi-circle on the right side. The text is positioned within the blue semi-circle.

RENTAL SUMMARY
A Rock County household with a gross income of \$71,000 (80% of median income) can probably find a rental unit they can afford. (98 units for every 100 households).

Let's summarize the rental gap picture. A Rock County household with a gross income over \$71,000 can probably find a rental unit that it can afford.

RENTAL SUMMARY

A Rock County household with a gross income of \$45,000 (50% of median income) will have a much harder time finding a rental unit. (66 units for every 100 households).

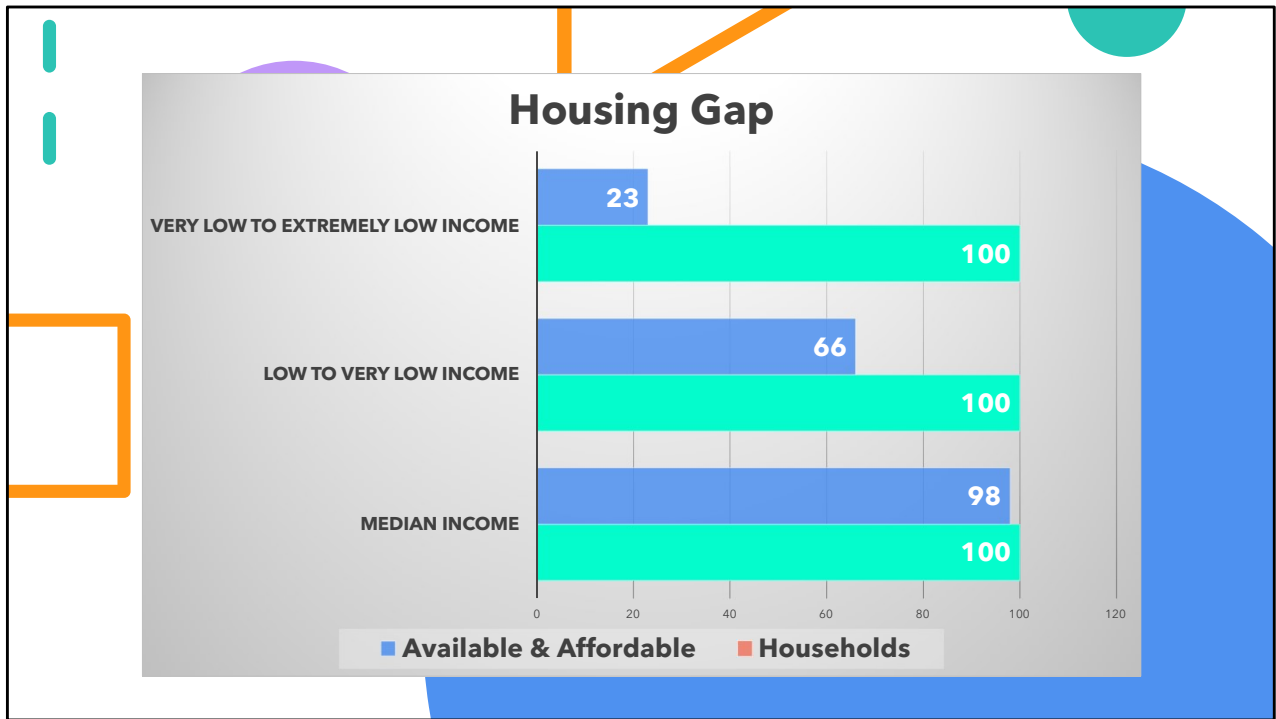
A household with an income around \$45,000 will have a considerably harder time finding a rental unit. Based on Census and HUD statistics, the GAP study says that only 66 affordable units are available for every 100 households needing shelter.

RENTAL SUMMARY

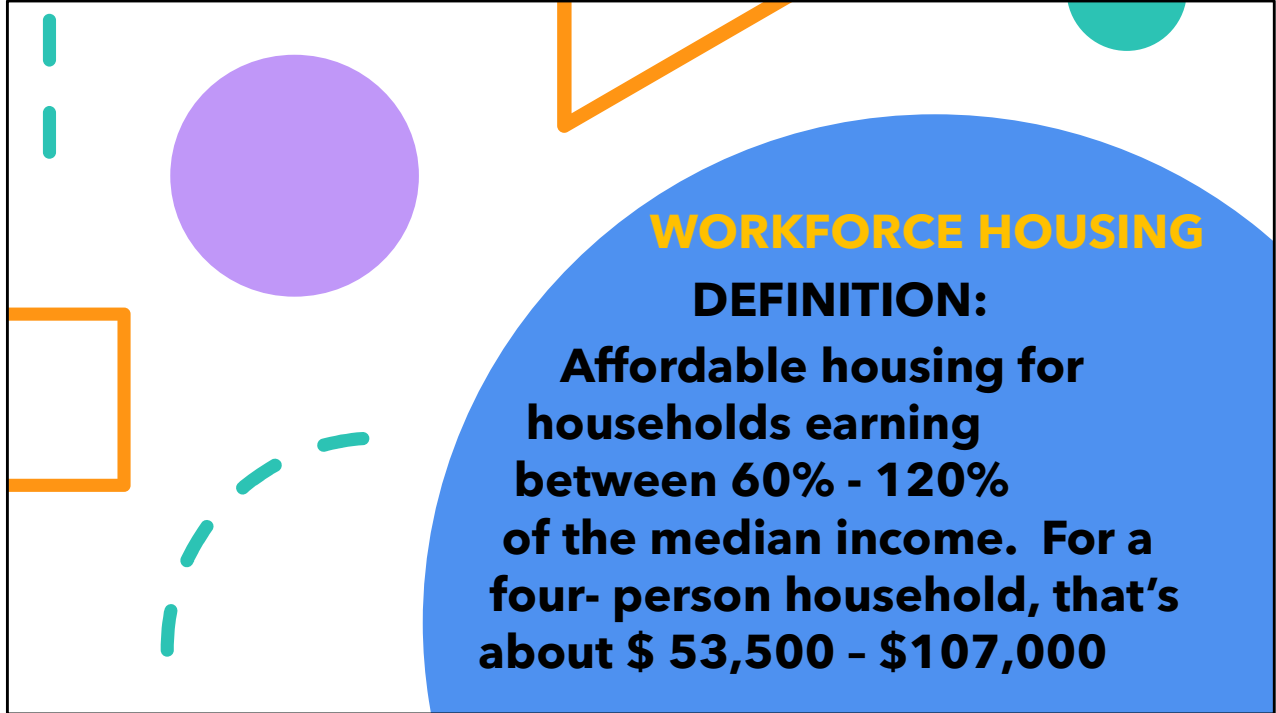
A Rock County household with a gross income under \$27,000 (30% of median income) faces an almost impossible task. (23 units for every 100 households).

The infographic features a white background with several abstract shapes: a large purple circle, a teal circle, an orange square, a teal dashed line, and an orange triangle. The text is contained within a blue semi-circular shape on the right side.

Finally, households of four with incomes below \$27,000 are faced with an almost impossible task. Only 23 units are affordable and available for every 100 in need.



Here is what the rental situation looks like Countywide.



When I started, I mentioned that the housing crisis impacts not just home buyers and renters, but that it also has an impact on economic development and drives social service costs as well. We could easily do a separate presentation on so called “workforce housing.” A general definition of workforce housing is housing located in close proximity to the workplace that is affordable (remember the 30% rule) for households earning between 60% - 120% of the area median income. For Wisconsin, that translates into a household income somewhere between \$53,500 - \$107,000.

WORKFORCE HOUSING

A four-person household with an income at 60% of the median (\$53,500) enters the “cost-burdened” territory if they have to expend over \$1,300 for housing (including all utilities).

A four-person household with an income at 60% of the median (\$53,500) would enter “cost-burdened” territory if they had to spend more than \$1,300 per month (including utilities) on their housing costs.

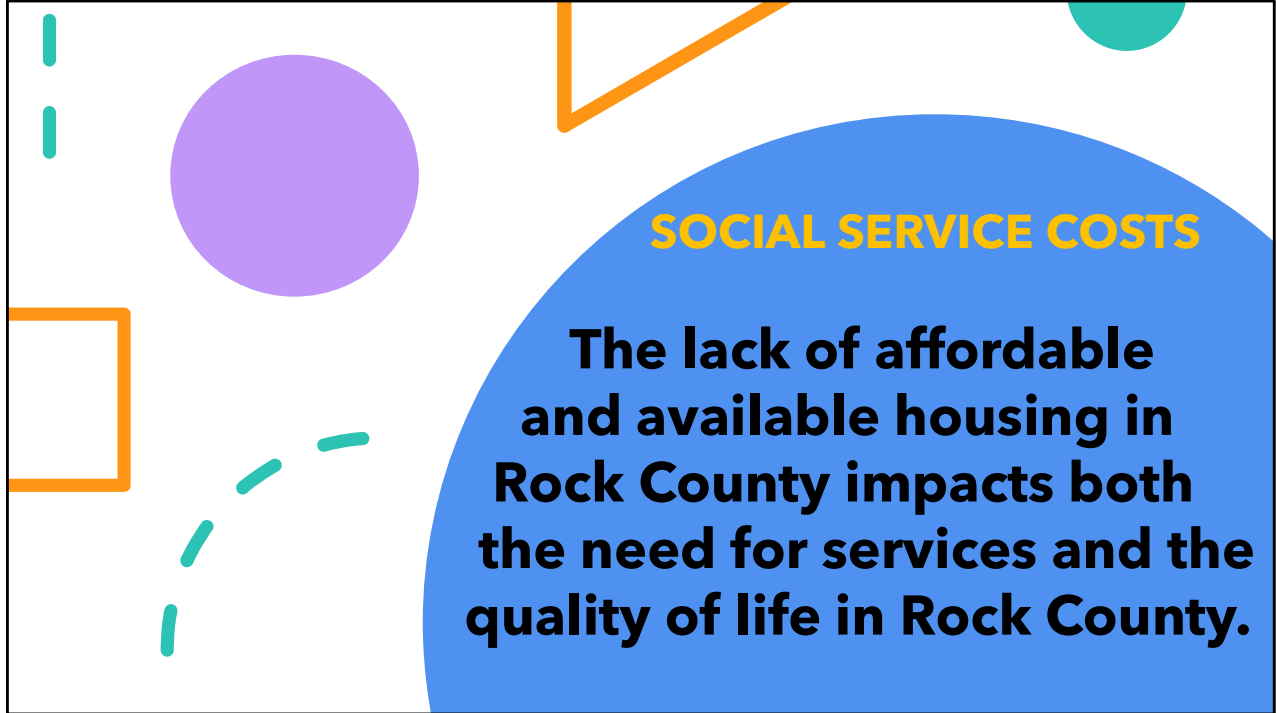
WORKFORCE HOUSING

A four-person household with an income at 80% of the median (\$71,360) enters the “cost-burdened” territory if they have to expend about \$1,750 for housing (including all utilities).

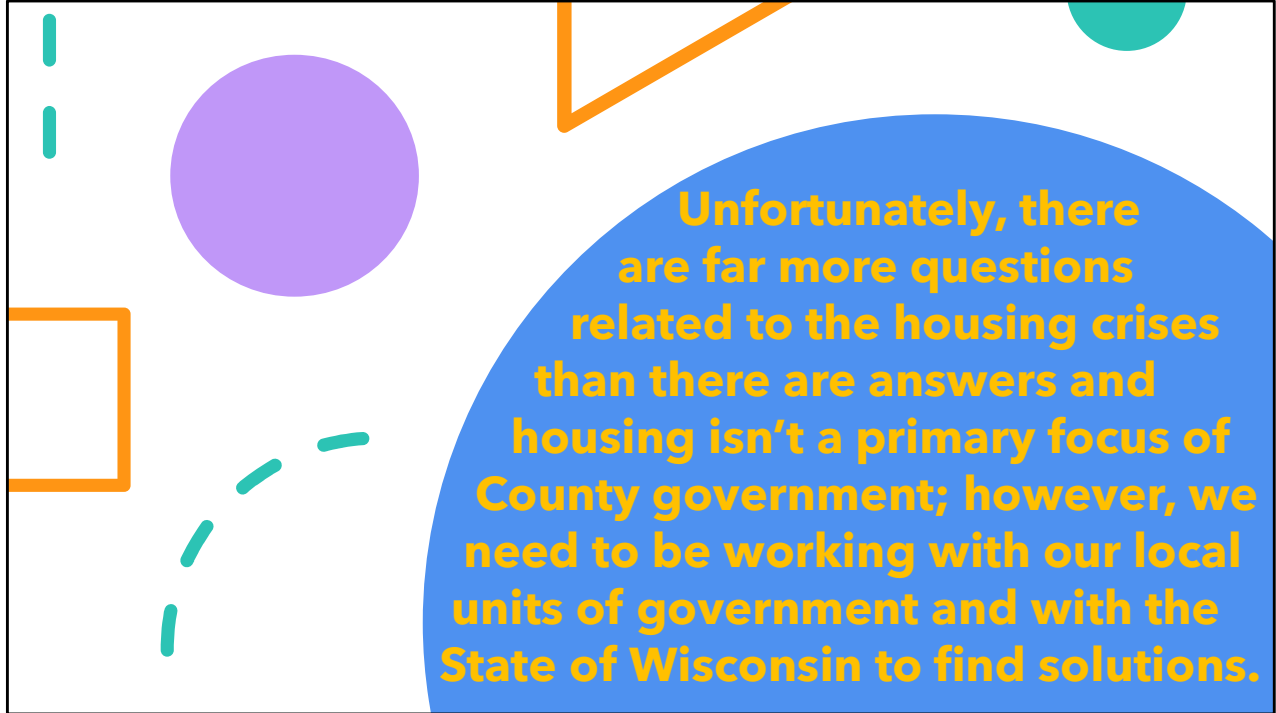
A four-person household with an income at 80% of the median (\$71,360) would enter “cost-burdened” territory if they had to spend more than \$1,750 per month on their housing costs (including utilities).



Potential employers that are looking for locations to relocate or start new businesses are increasingly concerned about workforce recruitment. For the potential businesses that we want to attract and/or retain, the availability of workforce housing is a key component.



Finally, the social service costs associated with the housing crisis are significant. People who can't find suitable housing are faced with tremendous obstacles. People who can't find housing may be doubling up with other family members, they may be "sofa-surfing," they may be living out of their car, or they may be living on the streets. I'm relatively certain that our Rock County Human Services Department could do a whole program on the social service costs related to the housing crisis, but I'll just offer a few examples... the crisis results in the need for homeless shelters, transitional housing, and housing vouchers to place temporarily homeless individuals and families in hotels. Furthermore, the crisis exacerbates health and mental health challenges that are costly to address. The list goes on and on.



Wisconsin counties don't have the primary responsibility for housing. Municipalities have considerably more connection to the housing crisis. Decisions that are made regarding housing development, zoning ordinances, and a host of other actions that fall under the purview of municipalities affect what can be built and where it can be built. However, there are several programs that the Rock County Housing authority oversees including the HOME program. Furthermore, the Housing Authority is currently working with local governments and actively seeking proposals and for the allocation of ARPA funds in the 2024 budget for workforce and affordable housing that we do oversee. The current schedule is to bring recommended projects to the full board for consideration in May. The housing crisis in Rock County is real and it affects all of us.

