

Attachment 3

The *Total Cost and Relation to Household Income and Findings Related to Single-Family Housing Development Costs* sections beginning on page IV-10 were revised as follows:

The regional land use plan recommends that most new urban residential development near major employment centers in the outlying areas of the Region occur at a medium density (2.3 to 6.9 dwelling units per acre), which could include a mix of single-family and multi-family development. Single-family development should occur on lots that are approximately one quarter-acre in size (about 10,000 square feet) to achieve a medium density, which would also facilitate the development of neighborhoods with schools, parks, and other neighborhood facilities.

The cost to construct a modest 1,100 square foot single-family home on a 10,000 square foot lot in a new subdivision could be as low as \$121,200 to \$155,520. The cost estimate is based on \$60 to \$86¹ per square foot for construction costs (\$66,000 to \$94,600), which includes the cost of permit fees and financing; \$35,000 for the engineering work and installation of site improvements and impact fees; and a raw land cost equal to 20 percent of the total home and lot package (\$20,200 to \$25,920). The monthly housing cost would be \$1,090 to 1,323.² This cost is far less than the average value of new single-family housing recently developed in the Region. The average value of the 1,261 single-family homes constructed in the Region in 2009, not including the value of the land, was \$273,305.³ Figure IV-12 shows an example floor plan of a 1,100 square foot home constructed on a 10,000 square foot lot. Figure IV-12 also shows a site plan for a home constructed on a 5,000 square foot lot, which may be more appropriate for infill development in existing high density residential areas. Figure IV-13 shows examples of façade materials that are both attractive and affordable.

When discussing housing cost elements, it is useful to consider the budget constraints of moderate-income households (households earning 80 percent of the Region's median household income). The median annual household income in the Region in 2008 was \$55,200, which means a moderate-income household earned about \$44,160 in 2008. Monthly housing costs should not exceed 30 percent of a household's monthly income, or about ~~\$1,104~~~~\$1,020~~, to remain affordable. The purchase price of a home would have to be about ~~\$123,000~~~~\$141,000~~ for the monthly housing costs to be ~~\$1,104~~~~\$1,020~~ or less; assuming a down payment of 3.5 percent, an interest rate of

¹ The range is based on estimates provided from Brookstone Home Builders and RS Means 2008 construction data for a one story economy class home in the Milwaukee area.

² Assumes a down payment of 3.5 percent of the cost of the home, a 4.25 percent interest rate on a 30-year fixed-rate mortgage, a property tax rate of \$17.86 per \$1,000 of assessed value (the net tax rate for the Southeastern Wisconsin Region in 2009 as reported in the document entitled Property Values and Taxes in Southeastern Wisconsin, Public Policy Forum, August 2009), a property insurance cost of \$42.00 a month, a private mortgage insurance (PMI) cost of \$44.25 to 62.00 a month, and \$225.00 per month for utilities (water, sewer, electric, and gas).

³ Data obtained from MTD Marketing Services LLC.

4.25 percent (minimum down payment and interest rate required for a FHA loan in June 2010), and including taxes, property and private mortgage insurance, and utilities. A household earning the median annual income of \$55,200 could afford a home costing \$164,000 (\$1,380 a month).⁴ If the down payment is increased to 10 percent, a moderate-income household could afford a home with a purchase price of about ~~\$130,000~~~~\$117,000~~ and a household earning the median annual income could afford a home with a purchase price of about \$173,000. The monthly cost range of the modest single-family home described in this section is generally compatible with the housing budget of a household earning a moderate to median income. Communities should consider the characteristics of the modest single-family home as a benchmark to encourage the development of single-family housing that is affordable to a wide range of households.

Map IV-11 shows sewered communities in the Region where construction of affordable new single-family homes would be difficult due to minimum lot size requirements larger than 10,000 square feet or minimum floor area requirements larger than 1,100 square feet. Of the 146 cities, villages, and towns in the Region, 88 communities provide sanitary sewer service to all or the majority of residents. Of the 88 sewered communities, 40, or about 45 percent, include a district in the local zoning ordinance that allows single-family residential development with lot sizes of 10,000 square feet or less and home sizes of 1,100 square feet or less. The remaining 48 sewered communities either require minimum lot sizes larger than 10,000 square feet, home sizes larger than 1,100 square feet, or both. Maps IV-12 through IV-18 show areas in each County that have been designated in local government comprehensive plans for the development or redevelopment of single-family homes at densities equating to 10,000 square feet or less per housing unit.

The availability of affordable single-family housing, including existing single-family housing and accounting for the cost of transportation to work, by sub-regional housing analysis area will be discussed in Chapter VI, *Job/Housing Balance*.

[Note: Figures IV-12 and IV-13 and Maps IV-12 through IV-18 are under preparation.]

Findings Related to Single-Family Housing Development Costs

As previously stated, much of the cost associated with government regulation of housing is necessary to assure that new development meets acceptable standards relating to the health, safety, and welfare of the public and protection of the environment; however, ~~the policies listed below~~~~there are policies that~~ could facilitate the development of more affordable housing while maintaining these standards. ~~The policy areas listed below may be considered by local governments to reduce the gap between the housing budget of moderate income households~~

⁴ Assumes a down payment of 3.5 percent of the cost of the home, a 4.25 percent interest rate on a 30-year fixed-rate mortgage, a property tax rate of \$17.86 per \$1,000 of assessed value, a property insurance cost of \$42.00 a month, private mortgage insurance (PMI) cost of \$65.38 a month, and \$225.00 per month for utilities.

~~(\$1,020 per month) and the cost of housing that meets general affordability guidelines for lot and home size (\$1,090 per month).~~ Additional methods to reduce housing costs, such as funding programs to reduce land costs, may also be needed to reduce housing costs to affordable levels for ~~moderate or~~ low-income households.

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