

Housing Choice & Opportunities
City of Madison

March 23, 2023

Home Buyers Round Table

Realtor Training

Brief History of Homeownership

Inequality + Time= Intergenerational Poverty and a Wealth Gap

- Not everyone has had the OPPORTUNITY to own a home and build wealth.
- Since or country's founding, someone has been excluded from owning a home:
  - Native Americans, Enslaved, Women, People with disabilities, Immigrants, People of Color
- Structural and Systemic Racism
  - Redlining (HOLC- Home Owners Loan Corporation)
  - Racially Restrictive Deeds and Covenants
- Fair Housing Act of 1968 – Great victory but… flawed in its race neutral.

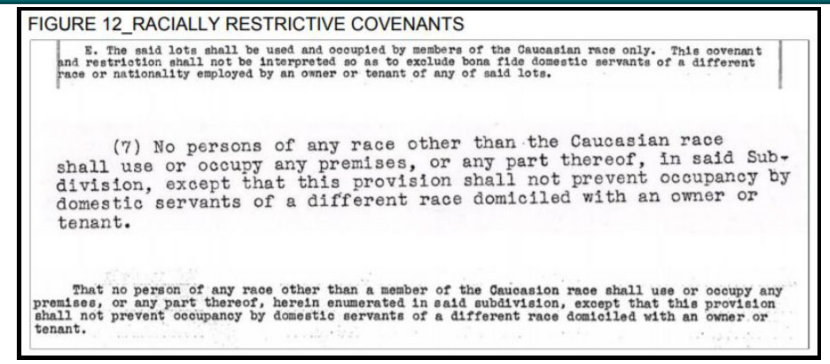


FIGURE 12_RACIALLY RESTRICTIVE COVENANTS

E. The said lots shall be used and occupied by members of the Caucasian race only. This covenant and restriction shall not be interpreted so as to exclude bona fide domestic servants of a different race or nationality employed by an owner or tenant of any of said lots.

(7) No persons of any race other than the Caucasian race shall use or occupy any premises, or any part thereof, in said Subdivision, except that this provision shall not prevent occupancy by domestic servants of a different race domiciled with an owner or tenant.

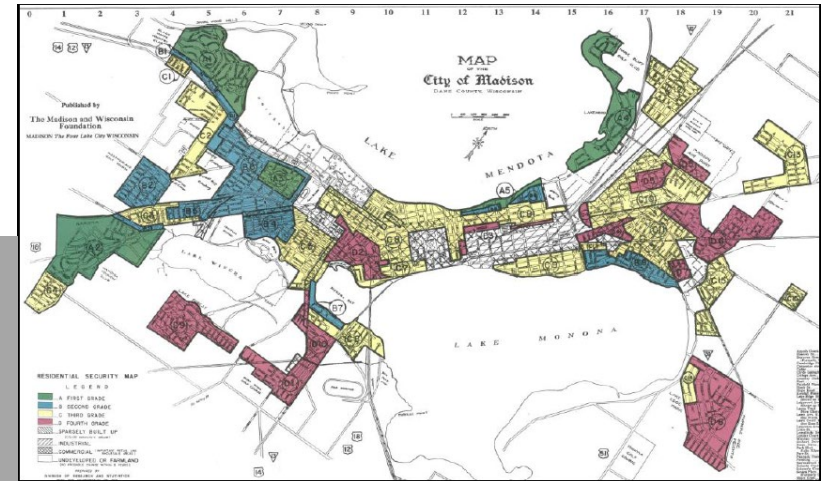
That no person of any race other than a member of the Caucasion race shall use or occupy any premises, or any part thereof, herein enumerated in said subdivision, except that this provision shall not prevent occupancy by domestic servants of a different race domiciled with an owner or tenant.

Green "Best"

Blue "Still Desirable"

Yellow "Declining"

Red "Hazardous"



Home Owner's Loan Corporation

Madison, WI. 1937.

Current


DOJ announces a $31 million redlining settlement with LA-based City National Bank

Updated January 12, 2023 · 2:03 PM ET

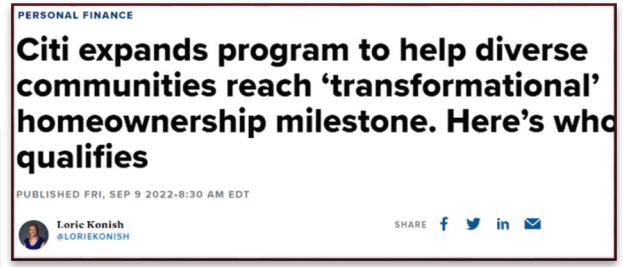
THE ASSOCIATED PRESS


NATIONAL

A Black Woman Says She Had To Hide Her Race To Get A Fair Home Appraisal

May 21, 2021 · 5:00 AM ET

JILL SHERIDAN


PERSONAL FINANCE

Citi expands program to help diverse communities reach 'transformational' homeownership milestone. Here's who qualifies

PUBLISHED FRI, SEP 9 2022-8:30 AM EDT

Lorie Konish @LORIEKONISH

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fanniemae.com/newsroom/fannie-mae-news/enhancements-help-expand-homeownership-opportun

Fannie Mae Introduces Enhancements to Help Expand Homeownership Opportunities for Underserved Borrowers

December 6, 2022

Updates enhance the underwriting process to support loans where no borrower has a credit score


Press Release

Fannie Mae Launches Rent Payment Reporting Program to Help Renters Build Credit

September 27, 2022

Fannie Mae Takes Another Step to Bolster Equitable Access to Credit for More Consumers


The New York Times https://www.nytimes.com/2022/11/02/realestate/racial-bias-home-appraisals.html

Widespread Racial Bias Found in Home Appraisals

Researchers found evidence of a persistent practice that gives higher values to homes when the occupants are white, and devalue them if the owners are people of color.

By Debra Kamin

Nov. 2, 2022

LEARN + DISCUSS:

Slow growth in renter households, larger growth in homeownership markets.

	2010-2018		2018-2020	
	CAGR	Total Growth	CAGR	Total Growth
Population	1.2%	10%	1.2%	2.5%
Households	1.3%	10.5%	1.5%	3%
Renter HHs	2.5%	22.3%	0.9%	1.8%
Owner HHs	0%	-0.2%	2.1%	4.3%
HHs < $30,000	-1.3%	-10%	-3.9%	-7.7%
HHs $30 - 50,000	-0.2%	-1.8%	-2%	-4%
HHs $50 - 75,000	0.3%	2.6%	1.5%	3%
HHs $75 - 100,000	1.2%	10.3%	3.2%	6.4%
HHs > $100,000	5.9%	58.1%	6.7%	13.9%

Household growth remained consistent. Decreases in lowest income brackets and nearly all growth occurring in highest income brackets.

Source: City of Madison 2022 Housing Snapshot Report.

**CAGR : Compound Annual Growth Rate*

Housing Demand

Change in Madison Households, by Size, 2010-2021				
Household Size	2010	2021	Change (2010-2021)	Avg. Ann. Growth Rate
1-person households	36,829	51,215	14,386	3.52%
2-person households	34,206	42,108	7,902	2.09%
3-person households	14,126	14,790	664	0.61%
4-or-more person households	15,842	15,825	-17	0.20%
Total Households	101,003	123,938	22,935	1.95%

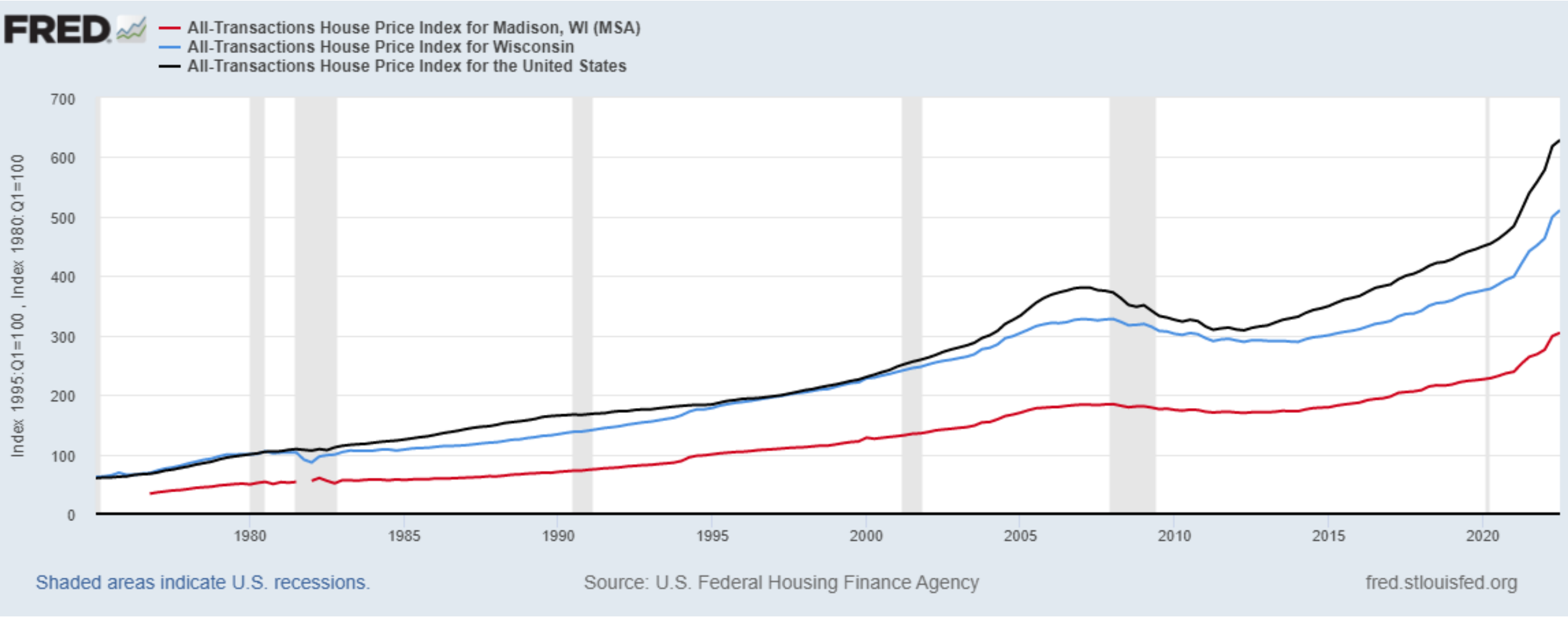
Growth mostly in 1 to 2 person households. Smaller average household size.

Housing demand for 1 to 2 person households means…

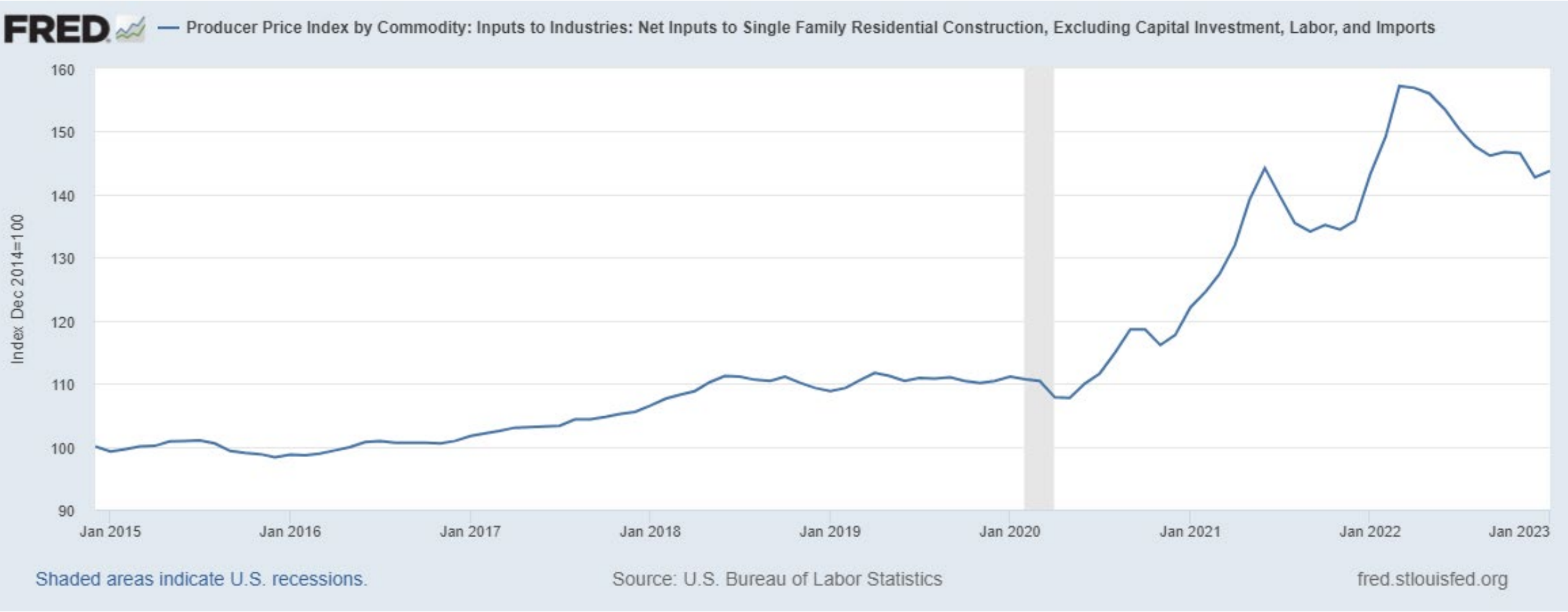
smaller unit types and a variety

Madison house prices up 36.2% since 2019

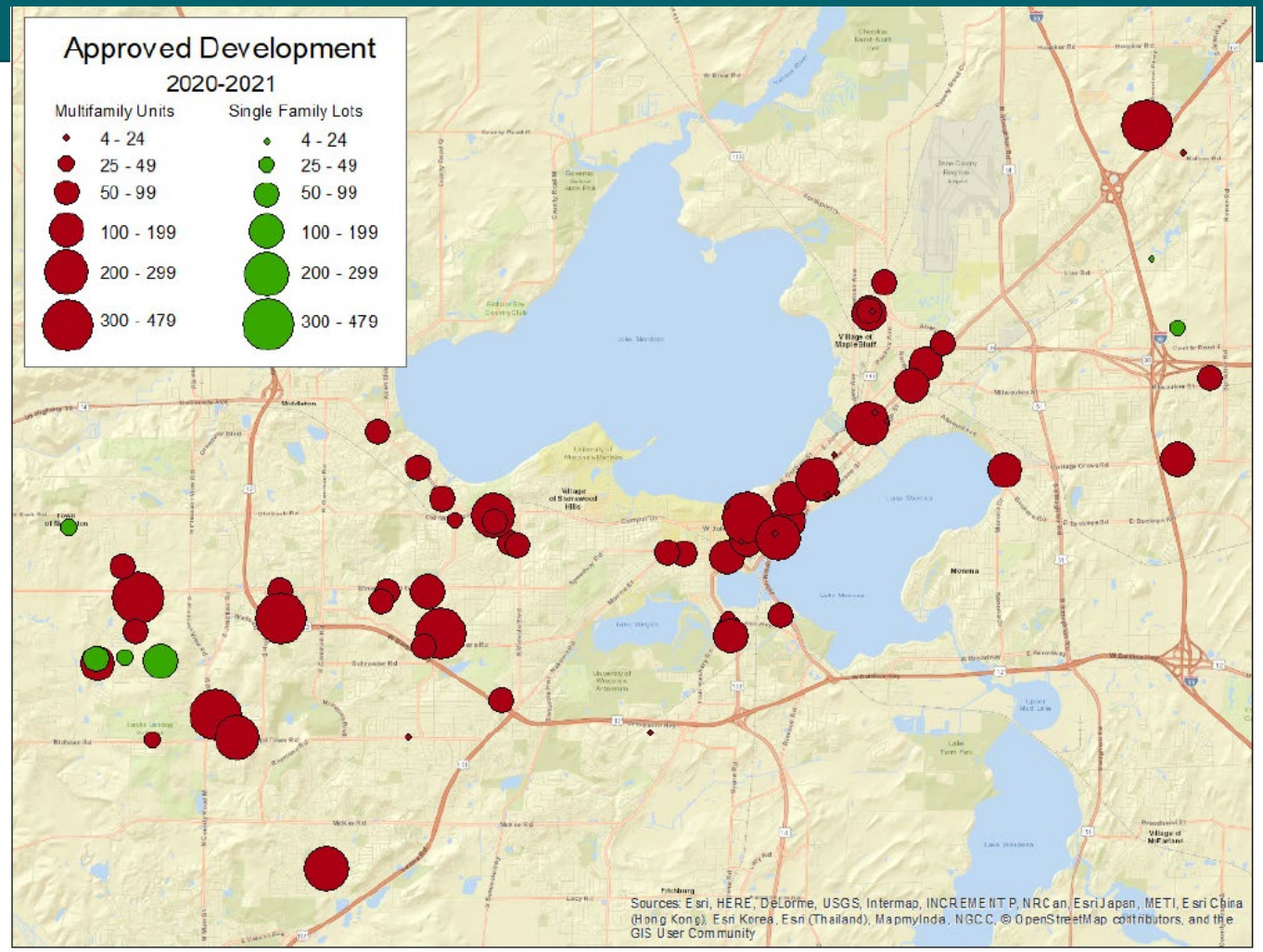
Median cost of home in Madison MSA was $375,000 Q4 2022.



SF constructions costs up nearly 30% (Jan 2020-Jan 2023)



Dispersion of **NEW** housing approvals



Madison has seen strong multifamily growth on infill and redevelopment sites. Developing peripheral areas have seen a mix of single- and multi-family development.

Source: City of Madison 2022 Housing Snapshot Report.

Affects of Interest Rates

How interest rates affect affordability:
Consider a family in Wisconsin with the median family income: $80,844

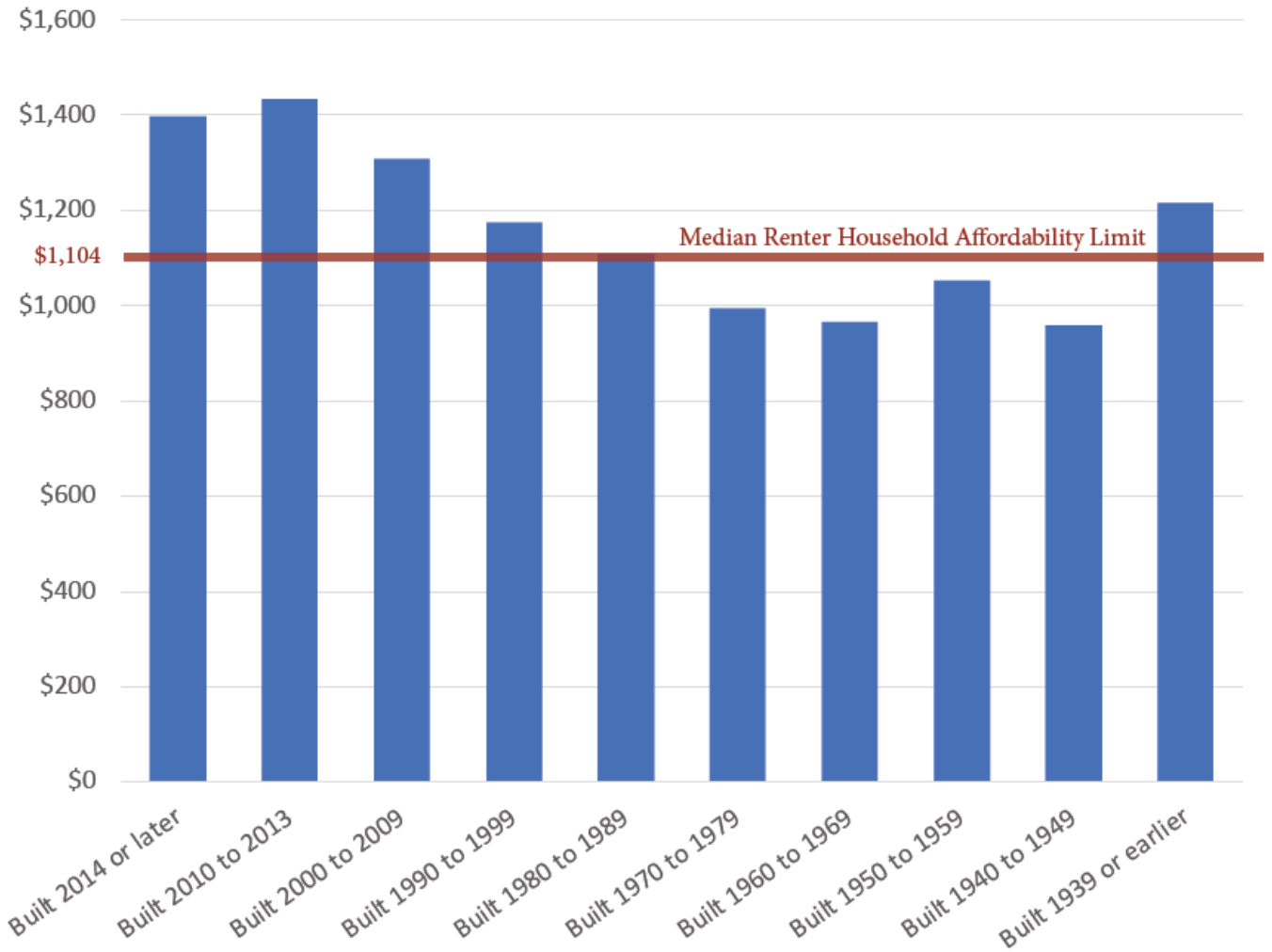
[Assuming 20 percent downpayment; adequate credit scores, other debt, etc.]

25 percent of income can support Principal + Interest (NAR Affordability Index).

Mortgage payments (P+I) of $1684.25 per month.
March 3rd, 2022: Interest rate (30-year fixed) 3.76% = mortgage of $363,233.
June 16th, 2022: Interest rate (30-year fixed) 5.78% = mortgage of $287,670.
Decline in "house purchasing power" of $75,563.

Sources: Dr. Kurt Paulsen. Take Root WI Housing Summit presentation " The homeownership landscape in Wisconsin". June 2022.

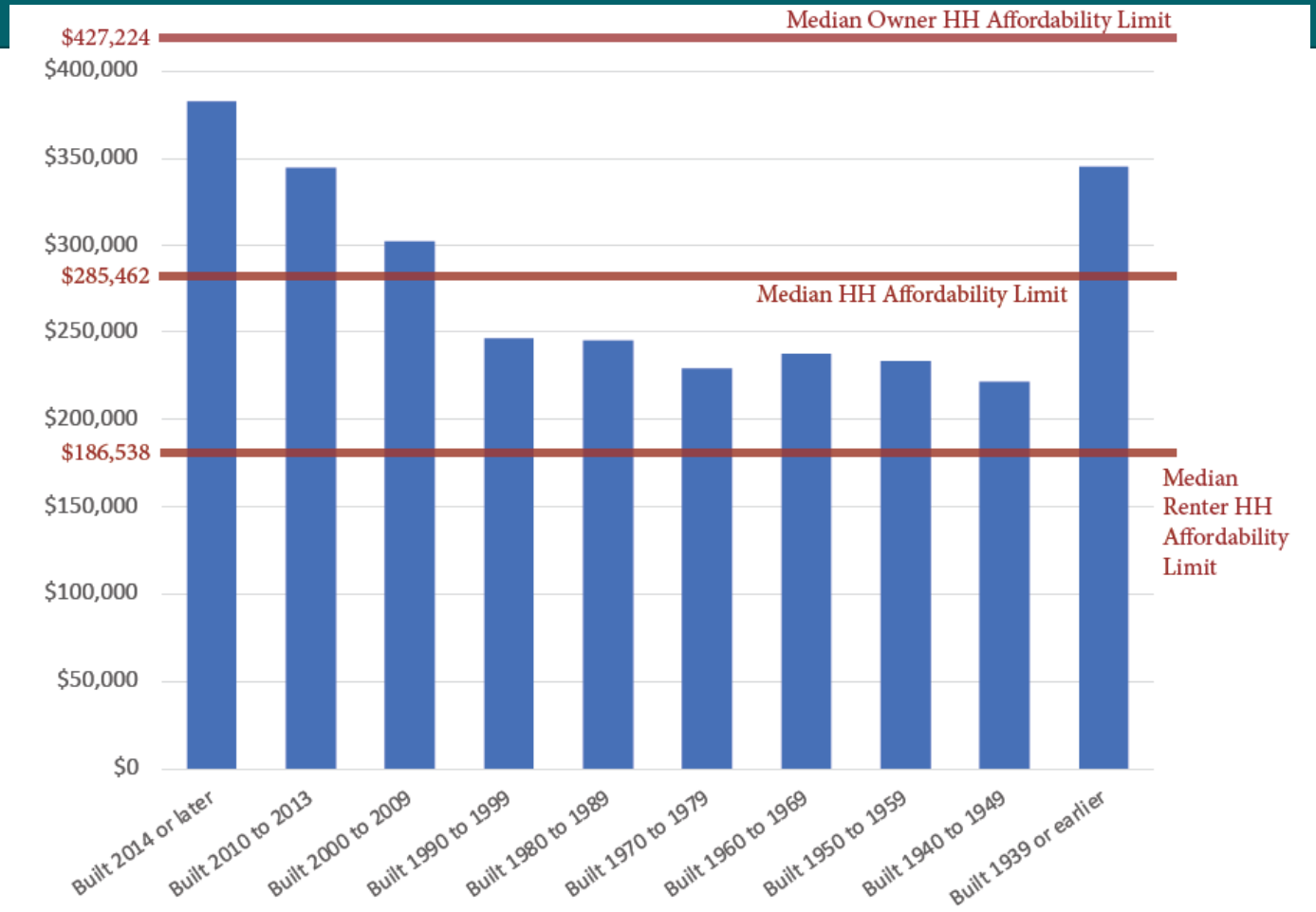
Housing Costs of Newer Units (**Renter**)



The median renter household cannot afford the average new rental unit coming on the market.

Source: City of Madison 2022 Housing Snapshot Report.

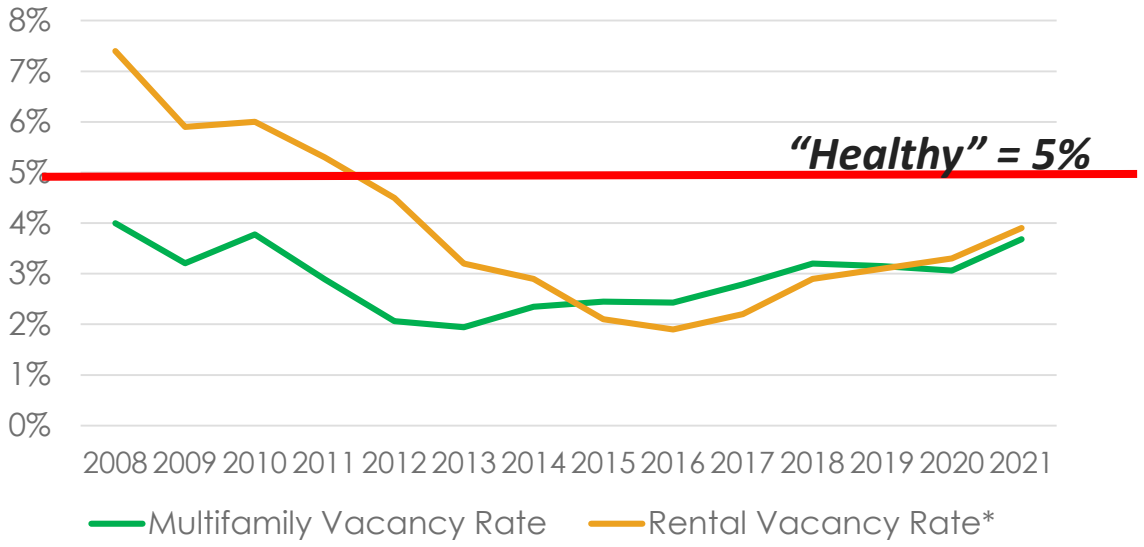
Housing Costs of Newer Units (**Owner**)

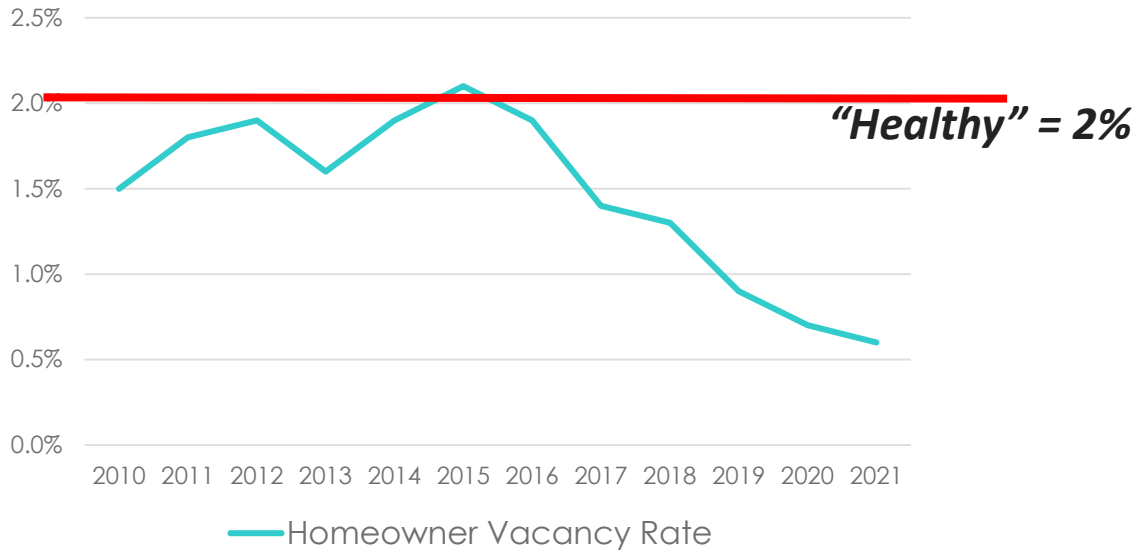


The median Madison household **cannot** afford to buy the average **new** unit coming on the market. The median renter household **cannot afford the average unit built in any period.** The median homeowner **can** afford to buy the median home built during any period and some.

Source: City of Madison 2022 Housing Snapshot Report.

Vacancy Rates



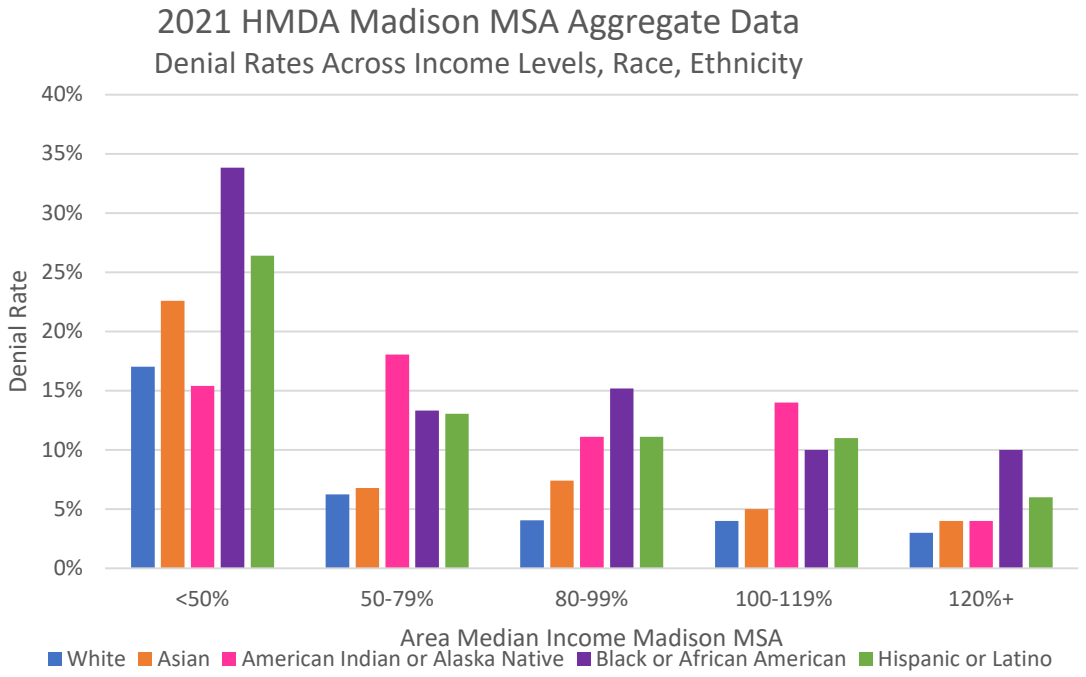


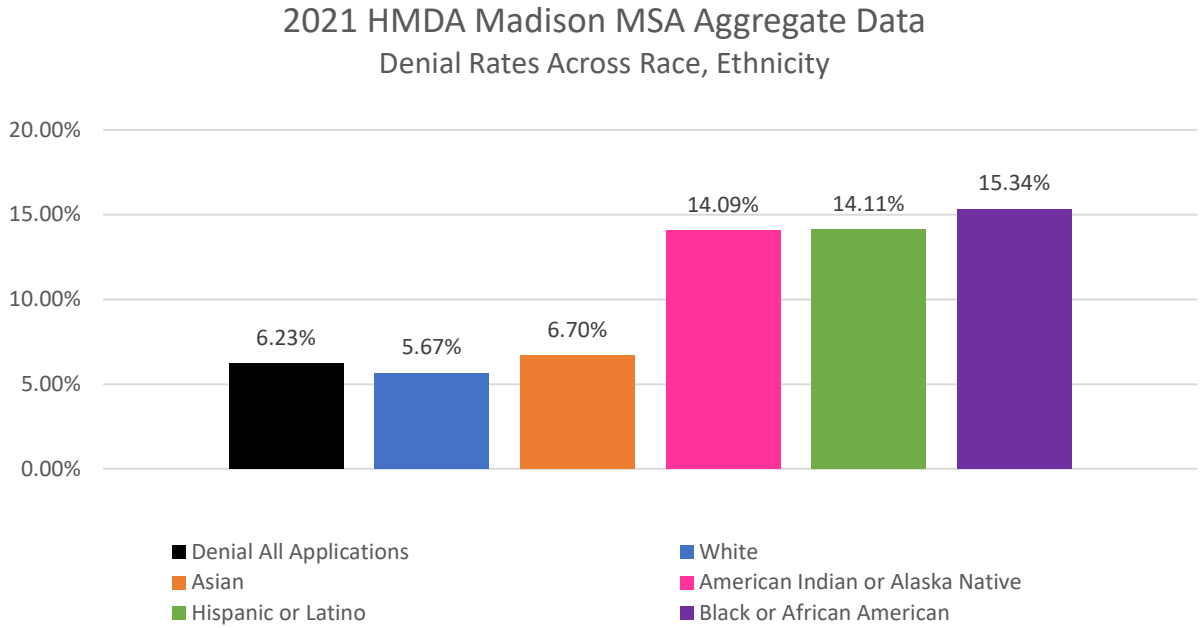
While rental vacancy is increasing, median gross rent is increasing with it. With homeowner vacancy rates at an all-time low, below 1% , tight markets artificially increase sales and listing price. Entry into homeownership market is further exacerbated by high income households.

Sources: MG&E (Q1 data) in green; American Community Survey 5-Year Estimates Table DP04 in yellow.

** Takes into account single family rentals on top of multi-family*

Loan Denial Rates – Madison MSA

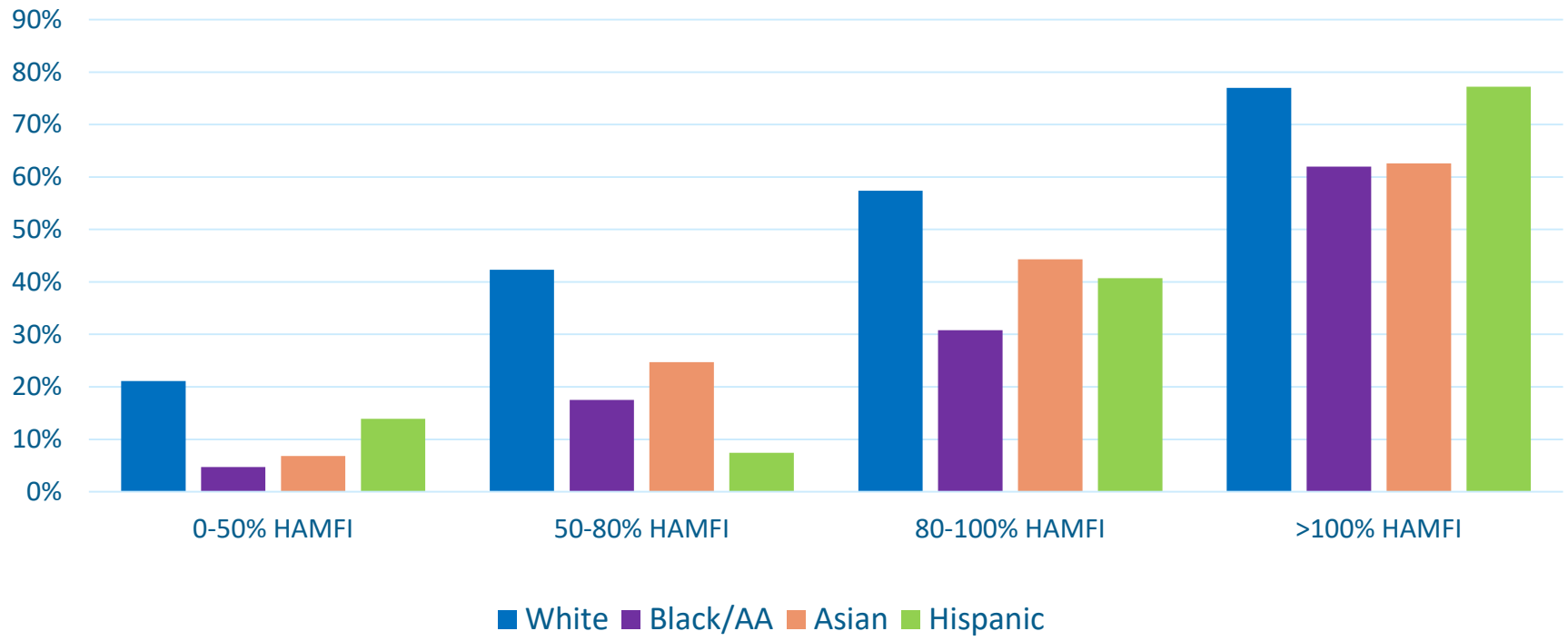




Sources: HMDA Data 2021. https://ffiec.cfpb.gov/data-publication/aggregate-reports/2021/WI/31540/5

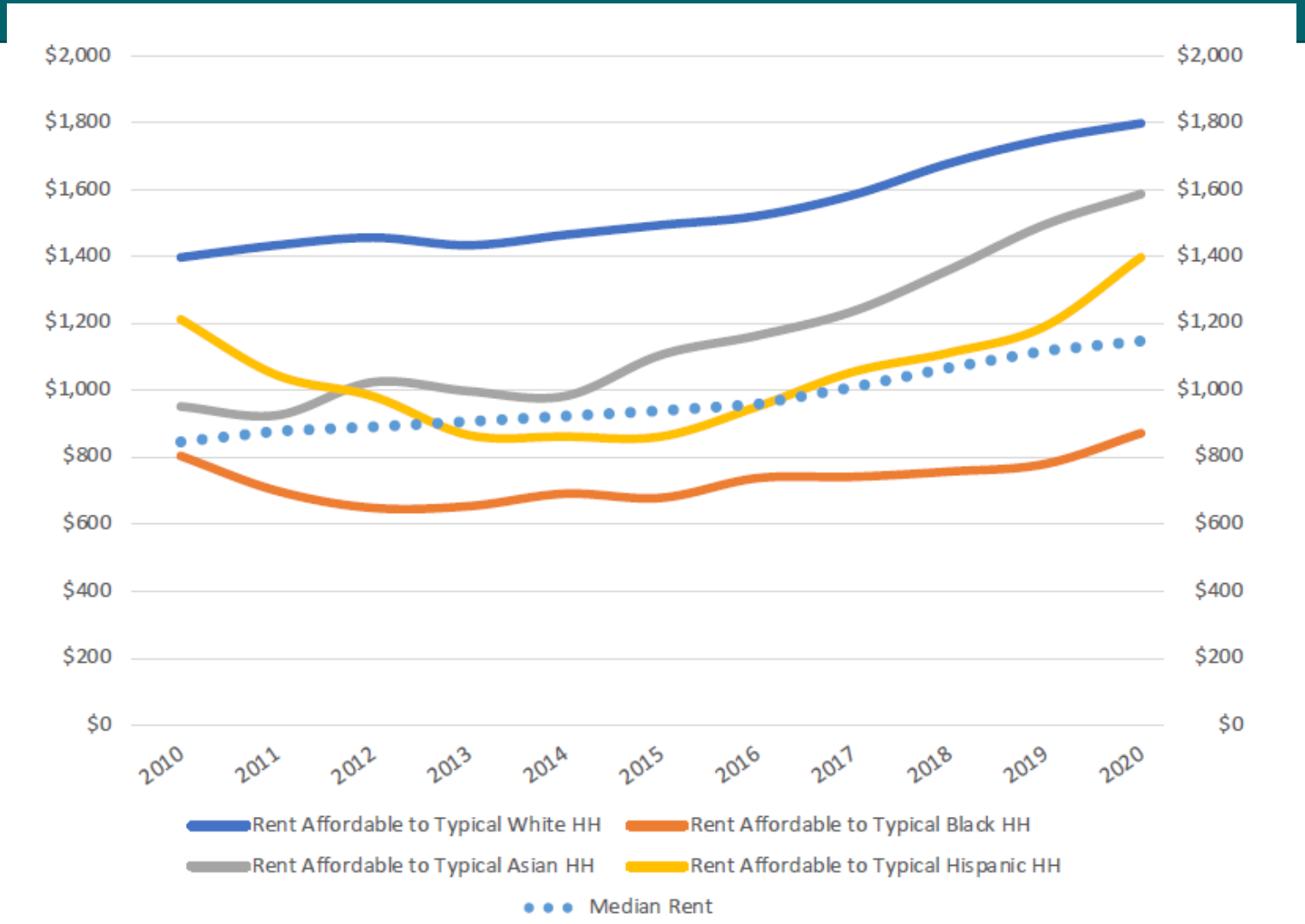
Ownership by Income Level

Homeownership Rate by Race



Sources: City of Madison Analysis of Impediments to Fair Housing Choice, 2019.

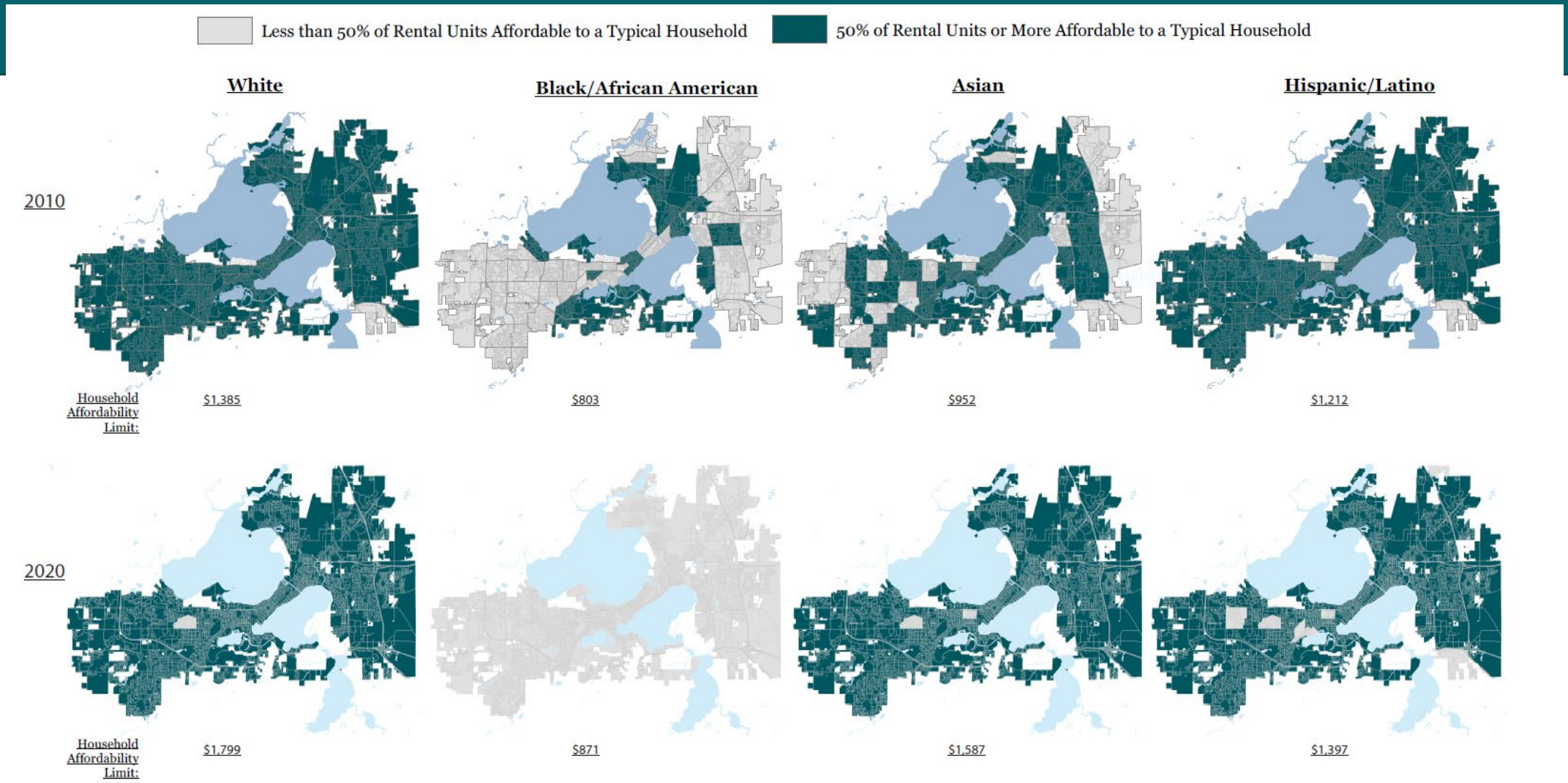
Affordability by Income Level



Black households in the City are the only predominant racial or ethnic group where the "typical" household could not "afford" the median rent.

Source: City of Madison 2022 Housing Snapshot Report.

Segregation of Access/Opportunity



Source: City of Madison 2022 Housing Snapshot Report.

Thank you!

Questions/Comments

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