

Madison's Rental Housing Crisis

ORUCC Racial Justice Mission Team

Vaunce Ashby, Michael Gentry, Sara Hagen, John Lemke, Helene Nelson, Pamela Oliver, Nancy Wettersten

The Housing Crisis Hits Our Neighborhood

People we know in southwest Madison are losing their housing for no fault of their own. In Wisconsin, a landlord is generally not required to renew a person's lease and is not required to give a reason for non-renewal. Some landlords have moved to month to month renewals, giving them continual opportunities to simply ask people to leave, even if those individuals have been long-term good tenants and paid rent reliably. Lease non-renewals without explanations are happening en masse at the Orchard Village apartments, and elsewhere on a smaller scale. The tenants then move into a market with an acute shortage of affordable apartments and a lack of sufficient public help for them to afford what housing is available.

For example, an ORUCC member hired a caregiver for a disabled family member. The caregiver and her family rented an apartment in our neighborhood. The apartment building was sold, and the new owner imposed stricter income limits for renters and did not renew the lease of the caregiver and many of her neighbors. (Such non-renewal of leases without cause is permitted under state law). The caregiver and her family of four are still looking for housing.

This crisis is systemic. A shortage of affordable apartments has driven rents out of proportion with prevailing wages and there is insufficient help available through public housing and rent subsidies.

More renters, high demand, low vacancy rates = hard times for low income renters

Number of households by rent vs. own, 2007-13

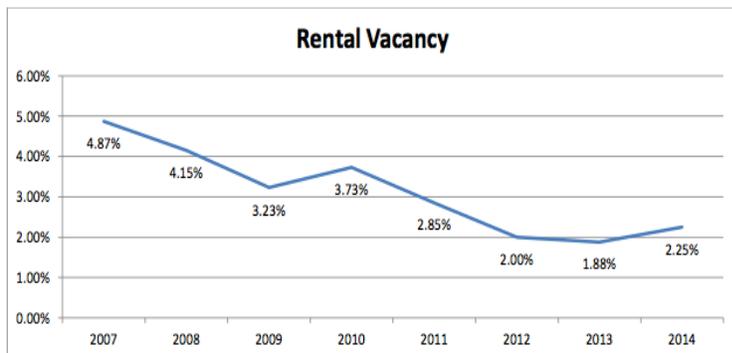


SOURCE: 3-year American Community Survey

Figure 1 Graphic source Brandon Raygo, braygo@Madison.com, Capital Times October 12, 2016

Young affluent people, including Epic employees, are renting instead of buying. Rental units are being built around town, mostly for the high-end market, but supply has still not kept up with demand. This

has resulted in higher rents and lower vacancy rates. Madison has one of the lowest rental vacancy rates in the country. A 5% vacancy rate is considered healthy: landlords can keep their units full and tenants can find places to live. Madison’s vacancy rate is 2%, third lowest in the country. Renting in Madison is like a rigged game of musical chairs, where the weakest players lose.



Source: MGE Multifamily Vacancy

Figure 2Graphic source: Sims et al., October 2016, “Evicted in Dane County,” Department of Urban and Regional Planning, University of Wisconsin-Madison

What does this Mean for Low-Income Renters?

Most rental units in Madison cost more than a low-wage worker can afford to pay. Ideally, housing should not cost more than 30% of income. The charts at the left show how much rent workers at different wage levels can afford and how few apartments are available at low rents.

When landlords let renters stretch beyond 30% of income – as many have done - people may secure housing but they have to make tradeoffs between rent and things like food, medical care and other necessities. This makes life precarious. Car trouble, illness, a reduction in work hours, a mistake by a family member, funeral costs, or hundreds of other possible setbacks can lead to late rent payments and an eviction into homelessness.

Many landlords require prospective tenants to meet the 30% rule. While everyone agrees that this is the maximum you ought to pay for rent, the fact is that there are no apartments available that meet this criterion for low wage workers, especially single parents who have children and need 2- or 3-bedroom apartments. Enforcing this rule effectively denies access to the housing for many. Additionally, some landlords also require a high credit score, which is an additional hurdle for people who have had past credit difficulties but are working hard to pay all their bills now.

Local Joining Forces for Families social worker Mike Bruce has seen 100+ people desperately seeking housing in this past year. The problem of housing is the biggest issue in all the JFF offices in Dane County. Despite all the “services” and “help” available, JFF workers say, they can’t assure that low income people will get housing – even if they are doing all the right things to find it and keep it.

Housing subsidies can help, but they’re scarce and hard to get. Neither the city nor the county are currently accepting applications for Section 8 housing vouchers, and this isn’t unusual. Since the County closed its waiting list in 2007, the list has reopened only once – for just five hours in August 2015. There

are also about 1000 units of public housing, most of it in Madison. Again, not enough to meet the need. A Dane County housing needs assessment by Kurt Paulsen calculates that there are at least 5890 more households who need affordable housing than affordable units.

“With a 2% vacancy rate, landlords can afford to be picky,” says Mike Bruce. Families with kids, a past credit problem or landlord dispute, or a family member with a substance use disorder, criminal record or other “issues” will face greater difficulties.

State Law Changes in Favor of Landlords

2011 Act 108 took effect Dec 2011 allows no limit on lookback for credit or criminal history

2011 Act 143 took effect March 2012 prohibits municipalities from passing eviction moratoriums, says payment cannot stop evictions

2013 Act 76 took effect March 2014

- Landlord can take possession of and sell property left behind after an eviction
- Eviction summons does not have to be delivered personally, can use certified mail

2015 Act 176 effect March 2016 permits 5 day “quit with no cure” eviction of tenant or any guest or household member engages in any criminal or drug activity, whether or not they have been arrested or convicted. Also prohibit regulating landlords or requiring information about them.

(From “Evicted in Dane County”; see references below)

Matching Income to Available Rentals

In the charts on the next page we have calculated how much a single individual could afford to pay in rent using the 30% of income criterion, and also using the higher 50% criterion and then show how many apartments are available at different rent levels. The chart includes both the low or starting wage for a job and the median (middle) wage for an occupation.

As an example, consider a mother with two children who needs a 2 bedroom rental. She is a retail sales worker making the median income. To meet the 30% criterion she could only pay rent up to a bit more than \$500. The graph shows that there are almost no rentals available to her. She has to stretch to 40% or 50% of income to even have a chance of finding something, and still only 10-20% of the 2 bedroom units are in her price range.

Table 1 Calculation of affordable rent for different occupations

	Janitors & Cleaners	Retail Salespersons	Home Health Aides	Elementary School Teachers	Registered Nurses
max rent at 30% of income starting	\$ 410	\$ 412	\$ 483	\$ 846	\$ 1,325
max rent at 30% of income median	\$ 526	\$ 529	\$ 593	\$ 1,291	\$ 1,782
max rent at 50% of income starting	\$ 683	\$ 687	\$ 804	\$ 1,410	\$ 2,208
max rent at 50% of income median	\$ 876	\$ 881	\$ 989	\$ 2,151	\$ 2,970
"Starting" Wage (annual)	\$ 16,390	\$ 16,480	\$ 19,300	\$ 33,840	\$ 53,000
Median Wage (annual)	\$ 21,034	\$ 21,150	\$ 23,730	\$ 51,620	\$ 71,270
hourly wage starting	\$ 7.88	\$ 7.92	\$ 9.28	\$ 16.27	\$ 25.48
hourly wage median	\$ 10.11	\$ 10.17	\$ 11.41	\$ 24.82	\$ 34.26
Monthly wage starting	\$ 1,366	\$ 1,373	\$ 1,608	\$ 2,820	\$ 4,417
Monthly wage median	\$ 1,753	\$ 1,763	\$ 1,978	\$ 4,302	\$ 5,939



Will the Rental Market Catch up?

From an article by Bryna Godar in the October 8, 2015 Wisconsin State Journal:

“According to Matt Wachter of the city's planning and development department, Madison would have to add more than 1,000 apartments a year, indefinitely, to keep up with current demand. And that wouldn't even begin to address the low vacancy rates that have plagued the city for years and give landlords the upper hand.”

Factors include a shift in preference toward renting among high income people. 65% of Epic employees rent.

“When apartments are scarce, rents go up. Average listings for one-bedroom units jumped from about \$700 per month in 2010 to \$1,000 per month in late 2013, coming down in 2014 to just below \$900. Wachter said the increase stems both from high demand and the fact the units that have been added were aimed at meeting the demand from high-income households.”

“You could build a thousand units tomorrow and we would still not hit a 5 percent vacancy rate,” Wachter said. “So we're in the hole, and then we're going to keep needing to build, assuming that these sort of larger demand factors hold.” ‘

What's Available in Public Support?

- Madison housing authority (Community Development Authority) has 1600 Section 8 housing vouchers that pay \$11 million to landlords.
- Madison CDA owns and operates 742 units of Public Housing for families, seniors, and people with disabilities. The CDA also offers 115 units of Multifamily Housing that includes barrier-free units for physically disabled people with special needs, the elderly, and families.
- Dane County has 1160 Section 8 vouchers through HUD that pay \$6 million to landlords in rent subsidies.
- Dane County Housing Authority owns 102 units of housing; 86 through HUD low rent program and 16 through program for elderly.

Considering the Next Generation

Children are hurt—and affected for life—by homelessness and housing instability. The evidence is overwhelming that the chance for children to grow up healthy, safe and successful in school and later in life is seriously diminished by housing instability.

“Race to Results” – a policy brief from the Wisconsin Council on Children and Families – says: “As the United States becomes a more diverse nation, much work remains to be done to ensure that all

children, regardless of their race or ethnicity, have the opportunity to thrive. ...children of color face immense barriers to success in key categories of wellbeing, and the status of African-American children in Wisconsin is the worst in the nation.” Data for Madison and Dane County show similar gaps in outcomes for children of color, with poverty and housing instability much greater in their families than in white families.

In housing forums organized by Meadowood activist Sheray Wallace, we’ve heard neighbors report losing housing despite having paid rent and being good tenants for years, due to new income and credit score standards or due to minor infractions and disputes. We’ve also heard neighbors tell us that they experience different treatment due to their race in these transactions.

Addressing income and housing instability is essential for children, their families, our neighborhoods and all of us to thrive in safety and well-being.

References

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