

ANALYSIS OF CITY OF WATERTOWN'S RESIDENTIAL DEVELOPMENT REGULATIONS

CURRENT DEVELOPMENT OVERVIEW

In fiscal year 2020 (FY2020) the City of Watertown saw the development of 67 dwelling units, of which 23 were single-family, 8 were a duplex condo, and 36 were multi-family. Between 2017 – 2020 the City saw the development of 190 dwelling units. The 2019 City of Watertown's Comprehensive Plan projected a need of 159 (linear growth) to 279 (compound growth) new dwelling units between 2017 – 2020. The new dwelling unit need will increase between 2021 – 2025, with an anticipated need of 268 (linear growth) to 489 (compound growth) new dwelling units.

The construction of single-family homes in FY2020 added \$5,130,551 in construction value and averaged 3,842 square feet (including basement & attached garage). Single-family homes had an average construction cost of \$58.05 per square foot. The construction of duplex condos in FY2020 added \$1,616,000 in construction value and averaged 3,125 square feet (including basement & attached garage). Duplex condos had an average construction cost of \$64.64 per square foot.

FY2020 also saw the purchase of 8 improved lots (2.29 acres) by a developer for \$308,000. 7 of these 8 lots were improved (street and utilities constructed) in FY2020 by another developer. This provided an excellent starting point to assess cost per square foot for an improved lot. Based on this purchase, the City estimates a cost of \$3.09 per square foot for an improved lot. Recent purchases of unimproved land (no streets or utilities) in 2019 & 2020 has allowed the City to calculate a cost of \$0.51 per square foot for unimproved land.

What is affordable to the consumer?

Table 1 shows what a median income household or family can afford to pay for housing costs. Currently the average new single-family home of 3,842 square feet on an 8,000+ square foot lot retails for approximately \$305,168 (Table 4). This cost for new housing far exceeds the affordability of a median income household (\$170,102 @ 20% down payment) or a median income family (\$226,513 @ 20% down payment). With that said, the median list price for existing stock of single-family homes in the Watertown market is \$195,000¹. This falls within the median income family's affordability range (\$202,190 @ 2.5% down payment), but still prices out a median income household. Though there are single-family homes priced below the average that would fit within the median income household's price range.

¹ = https://www.realtor.com/realestateandhomes-search/Watertown_WI/type-single-family-home (02/24/2021)

Table 1: Housing Costs for Median Income Household or Family

City of Watertown				
Housing Costs for a Median Income Household or Family				
	Median Household¹ Income		Median Family² Income	
	\$51,534*		\$68,498*	
	Household Housing Costs		Family Housing Costs	
Percent Down Payment	Purchase Price for a Home	Monthly Payment³	Purchase Price for a Home	Monthly Payment⁴
20%	\$170,102**	\$1,202**	\$226,513**	\$1,598**
10%	\$159,802**		\$212,614**	
2.5%	\$152,077**		\$202,190**	

¹ = A household consists of all people who occupy a housing unit regardless of relationship. A household may consist of a person living alone or multiple unrelated individuals or families living together.
² = A family consists of two or more people (one of whom is the householder) related by birth, marriage, or adoption residing in the same housing unit.
³ = Assumed rental cost for non-owner occupied dwelling unit for a median income household.
⁴ = Assumed rental cost for non-owner occupied dwelling unit for a median income family.
* = Source: U.S. Census Bureau Data
** = Source: Landmark Credit Union (<https://landmarkcu.com/calculators-resources/calculators/mortgage-qualifier/>)

COST OF CITY FEES & REGULATIONS

To thoroughly analyze the cost of City enforced fees and regulations, this analysis will utilize a hypothetical 100-unit subdivision. The composition of this hypothetical subdivision follows the 50/20/30 guidelines for a Planned Neighborhood as outlined in the 2019 City of Watertown Comprehensive Plan. The 50/20/30 guideline translates to 50% single-family homes, 20% two-family homes, and 30% multi-family housing. Current zoning and subdivision regulations require the following:

- Single-Family Parcels
 - Minimum 8,000 square feet lot size per dwelling unit
 - Minimum dwelling size of 960 square feet
 - 24 feet by 40 feet
- Two-family Duplex Condos
 - Minimum 4,500 square feet per dwelling unit
 - Minimum 9,000 square feet lot size for duplex condos
 - Minimum dwelling size of 960 square feet
 - 24 feet by 40 feet
- Multi-Family Apartment Complex
 - Minimum 4,350 square feet per dwelling unit
 - Minimum dwelling core dimension of 960 square feet
 - 24 feet by 40 feet
- Right-of-way
 - 72 feet wide
 - 32 feet wide street
 - 5 feet wide sidewalk

Table 2 illustrates the fees required for a hypothetical subdivision that follows the outlined zoning and subdivision regulations above. The fees in Table 2 reflect the average single-family and average duplex condo square footage from FY2020. In total, the City would collect \$615,812 in fees, which

averages out to \$6,158 per dwelling unit. Most of these fees are due at the time of pulling the building permit, not upfront at the time of the signing of the Developer's Agreement.

The following are the 5 highest fees collected for the hypothetical subdivision:

1. Sanitary Hook-up Fee (36.37% of fees @ \$224,000)
2. Park Improvement Fee (20.53% of fees @ \$126,400)
3. Water Impact Fee (13.64% of fees @ \$84,000)
4. Building Permit Fee (11.88% of fees @ \$73,145)
5. Parkland Fee In Lieu of Land Dedication (10.41% of fees @ \$64,100)

It should be noted that the Park, Recreation & Forestry Committee may accept 1,296 square feet of land to be dedicated for each proposed residential dwelling unit. This parkland dedication would eliminate the Parkland Fee in Lieu of Land Dedication.

Table 3 provides the spatial requirements for the hypothetical subdivision. The hypothetical subdivision, under current regulations, requires a minimum of 18.58 acres or 809,284 square feet. This includes 9.81 acres (400,000 square feet) for single-family development, 2.07 acres (90,000 square feet) for duplex condos, 3.00 acres (130,500 square feet) for multi-family apartments, and 4.33 acres (188,784 square feet) for right-of-way. With a cost of \$0.51 per square foot for unimproved land, the total cost for purchasing the minimum 18.58 acres for the hypothetical subdivision is \$412,735.

20% cost reduction of subdivision fees & regulations

The City of Watertown can take 2 steps to reduce the cost of subdivision development. The first step would require the amendment of the Zoning Code to allow for a minimum lot square footage of 6,000 square feet for single-family dwelling units. The second step would require amending the Subdivision Code to allow for minimum right-of-way widths of 66 feet. These 2 steps would reduce the land requirements for the hypothetical subdivision from 18.58 acres to 15.16 acres (Table 3). Developers would see an 18.43% reduction in development costs due to the reduction in acreage of land required for development.

The remaining 1.57% cost reduction or \$6,492 in costs may be reduced through re-evaluating lot size requirements for two-family and multi-family developments. The City may also evaluate fees that impact subdivision development. This would require a reduction of \$64.92 per dwelling unit in fees.

Reduction of time to approve and develop a new residential subdivision

The City of Watertown's approval timelines comply with but do not exceed current Wisconsin State Statute requirements. The City also offers an early start/foundation permit to developers.

IMPACTS ON CONSUMERS

The City of Watertown can meet the requirements of Wis. Stat. § 66.10013(2)(e) by reducing the cost to develop a subdivision by 20%. However, these cost reductions do not translate into a 20% reduction of costs for the consumer. Table 4 illustrates that at most, the proposed reductions would only reduce cost to the consumer by 7.18% for the minimum 960 square feet dwelling unit. The current average 3,842 square feet dwelling unit developed in a subdivision with the proposed reductions would only see a reduced cost to the consumer of 2.43%.

Currently the largest impediment to affordability is the dwelling unit's square footage. New single-family development is averaging 3,842 square feet, which is well above the City's minimum requirement of 960 square feet (24 feet by 40 feet). Pushing these high square footages are full basements and 2+ car attached garages. These are the demands of the consumer; which developers are simply complying with. The reality is that with the proposed subdivision cost reductions and a decrease in square footage, a medium income household could afford a new home between 1,500 – 2,000 square feet with a 2.5% down payment.

Table 2: Fees for Hypothetical 18.58 Acre - 100 Dwelling Unit (61 Parcels) Subdivision with 72 Feet Right-of-Way

	Single Family			Duplex Condos			Apartment Complex			Total Cost per Fee	% Total Subdivision Fee Cost
	Fee per Dwelling Unit	Total Dwelling Units	Total	Fee per Dwelling Unit	Total Dwelling Units	Total	Fee per Dwelling Unit	Total Dwelling Units	Total		
New Residential Building Permit											
Building Permit	\$1,015	50 ¹	\$50,750	\$836	20 ²	\$16,725	\$189	30 ³	\$5,670	\$73,145	11.88%
Plumbing Permit	\$150	50 ¹	\$7,500	\$129	20 ²	\$2,575	\$30.50	30 ³	\$915	\$10,990	1.78%
Electrical Permit	\$150	50 ¹	\$7,500	\$129	20 ²	\$2,575	\$30.50	30 ³	\$915	\$10,990	1.78%
HVAC Permit	\$150	50 ¹	\$7,500	\$129	20 ²	\$2,575	\$30.50	30 ³	\$915	\$10,990	1.78%
Water Impact Fees											
Water Impact Fee	\$1,200	50	\$60,000	\$1,200	20	\$24,000	\$0	30	\$0⁴	\$84,000	13.64%
Recreation Improvement Fees											
Park Improvement Fee	\$1,264	50	\$63,200	\$1,264	20	\$25,280	\$1,264	30	\$37,920	\$126,400	20.53%
Parkland Fee In Lieu of Land Dedication											
Parkland Fee In Lieu of Land Dedication ⁵	\$641	50	\$32,050	\$641	20	\$12,820	\$641	30	\$19,230	\$64,100	10.41%
Plat Approval Fees											
Subdivision - Preliminary Plat	\$10.29	50	\$515	\$10.29	20	\$206	\$10.29	30	\$309	\$1,029	0.17%
Subdivision - Final Plat	\$36.50	50	\$1,825	\$36.50	20	\$730	\$36.50	30	\$1,095	\$3,650	0.59%
Erosion Control Permit											
Total Disturbed Area	\$16.19	50	\$810	\$16.19	20	\$324	\$16.19	30	\$486	\$1,619	0.26%
Total New Impervious Area ⁶	\$9.90	50	\$495	\$9.90	20	\$198	\$9.90	30	\$297	\$990	0.16%
Post-Construction Stormwater Permit											
Total Disturbed Area	\$16.19	50	\$810	\$16.19	20	\$324	\$16.19	30	\$486	\$1,619	0.26%
Total New Impervious Area ⁶	\$9.90	50	\$495	\$9.90	20	\$198	\$9.90	30	\$297	\$990	0.16%
Sanitary Hook-Up Fee											
Sanitary Hook-Up Fee	\$3,200	50	\$160,000	\$3,200	20	\$64,000	\$0	30	\$0⁴	\$224,000	36.37%
Zoning Fees											
Group Development CUP	\$0	50	\$0	\$0	20	\$0	\$16.67	30	\$500	\$500	0.08%
Apartment Complex CUP	\$0	50	\$0	\$0	20	\$0	\$16.67	30	\$500	\$500	0.08%
Fire Suppression & Alarm Permit											
New Fire Suppression Systems & Hydraulic Calculations	\$0	50	\$0	\$0	20	\$0	\$5	30	\$150	\$150	0.02%
New Fire Alarms Systems	\$0	50	\$0	\$0	20	\$0	\$5	30	\$150	\$150	0.02%
Total Single-Family Cost:			\$393,449	Total Duplex Condo Cost			\$152,529	Total Apartment Complex Cost			\$69,834
Total Single-Family Per Dwelling Unit Cost:			\$7,869	Total Duplex Condo Per Dwelling Unit Cost			\$7,626	Total Apartment Complex Per Dwelling Unit Cost			\$2,328

TOTAL SUBDIVISION FEE COST: \$615,812

TOTAL SUBDIVISION COST PER DWELLING UNIT: \$6,158

¹ = 3,482 square feet (2020 average, includes basement & attached garage square footage) single-family dwelling unit, 50 - 8,000 square feet parcels

² = 3,125 square feet (2020 average, includes basement & attached garage square footage) per condo dwelling unit, 10 - 9,000 square feet parcels

³ = Three, 9,000 square feet, 10-Dwelling Unit Apartment Complex, 1 - 130,500 square feet parcel

⁴ = Exempt under [Section § 341-4A\(4\)](#) & [Section § 508-22A\(4\)](#)

⁵ = No land was dedicated for future parkland

⁶ = Assuming an average impervious area of 35% for Single-Family & Condo Duplex parcels and 45% impervious area for the Apartment Complex, plus 97,014 square feet for impervious right-of-way.

Table 3: Regulation Options for a Hypothetical 100 Dwelling Unit (61 Parcels) Subdivision

Current Development Regulations ²			Option #1 ³			Option #2 ⁴			Option #3 ⁵		
	Sq. Ft.	Acres		Sq. Ft.	Acres		Sq. Ft.	Acres		Sq. Ft.	Acres
Single-Family	400,000	9.18	Single-Family	300,000	6.89	Single-Family	400,000	9.18	Single-Family	300,000	6.89
Duplex Condo	90,000	2.07	Duplex Condo	90,000	2.07	Duplex Condo	90,000	2.07	Duplex Condo	90,000	2.07
Multi-Family	130,500	3.00	Multi-Family	130,500	3.00	Multi-Family	130,500	3.00	Multi-Family	130,500	3.00
ROW	188,784	4.33	ROW	152,784	3.51	ROW	172,656	3.96	ROW	139,656	3.21
Total=	809,284	18.58	Total=	673,284	15.46	Total=	793,156	18.21	Total=	660,156	15.16
Cost¹=	\$412,734.84		Cost¹=	\$343,374.84		Cost¹=	\$404,509.56		Cost¹=	\$336,679.56	
			Difference	\$69,360.00		Difference	\$8,225.28		Difference	\$76,055.28	
			% Difference	16.80%		% Difference	1.99%		% Difference	18.43%	

¹ = Cost is based on \$0.51 per sq. ft. for unimproved land (based on 2019/2020 real estate purchases).
² = Minimum 8,000 square feet single-family lots & 72 feet right-of-way.
³ = Minimum 6,000 square feet single-family lots & 72 feet right-of-way.
⁴ = Minimum 8,000 square feet single-family lots & 66 feet right-of-way.
⁵ = Minimum 6,000 square feet single-family lots & 66 feet right-of-way.

Table 4: Cost to Consumer for Development of a Single-Family Lot in Hypothetical 100 Dwelling Unit (61 Parcel) Subdivision

Dwelling Unit Square Footage	8,000 Square Feet Single-Family Lot						6,000 Square Feet Single-Family Lot ⁵					
	960 ¹	1,500	2,000	2,500	3,000	3,842 ⁶	960 ¹	1,500	2,000	2,500	3,000	3,842 ⁶
City Fees	\$6,890	\$7,074	\$7,244	\$7,444	\$7,584	\$7,870	\$6,881	\$7,064	\$7,234	\$7,434	\$7,574	\$7,860
Improved Land ²	\$24,720	\$24,720	\$24,720	\$24,720	\$24,720	\$24,720	\$18,540	\$18,540	\$18,540	\$18,540	\$18,540	\$18,540
Construction Cost ³	\$55,728	\$87,075	\$116,100	\$145,125	\$174,150	\$223,028	\$55,728	\$87,075	\$116,100	\$145,125	\$174,150	\$223,028
Developer Profit Margin ⁴	\$16,090	\$22,359	\$28,164	\$33,969	\$39,774	\$49,550	\$14,854	\$21,123	\$26,928	\$32,733	\$38,538	\$48,314
Total	\$103,428	\$141,228	\$176,228	\$211,258	\$246,228	\$305,168	\$96,002	\$133,802	\$168,802	\$203,832	\$238,802	\$297,742
Cost Difference (8,000 sq. ft. vs 6,000 sq. ft.)							\$7,426	\$7,426	\$7,426	\$7,426	\$7,426	\$7,426
Percent Reduction of Cost							7.18%	5.26%	4.21%	3.52%	3.02%	2.43%
Hypothetical 20% Cost Reduction for Consumer ⁷							\$20,686	\$28,246	\$35,246	\$42,252	\$49,246	\$61,034
Hypothetical Total Cost after 20% Reduction for Consumer ⁷							\$82,742	\$112,982	\$140,982	\$169,006	\$196,982	\$244,134

¹ = Minimum dwelling size under [Section § 550-24F\(2\)\(k\)](#)
² = \$3.09 per square feet (based on FY2020 purchase of land by developers) of improved land (streets and utilities developed).
³ = \$58.05 per square feet, based on FY2020 building permits pulled by developers (includes basement & attached garage).
⁴ = Assumed profit margin of 20% for the developer.
⁵ = Proposed regulation amendment to allow 6,000 square feet single-family lots.
⁶ = Average square footage of a single-family dwelling unit in FY2020 (includes basement & attached garage).
⁷ = The end cost to the consumer cannot be reduced by 20% due to market costs and private sector control of the market.