

To: Committee of the Whole
CC: Mayor McFarland
From: Mason Becker, Strategic Initiatives and Development Coordinator
Date: February 15, 2024
Re: Housing needs in the City of Watertown

Dear Council Members,

I am writing to share information about current and upcoming housing developments in the City of Watertown, and how this relates to our need for more housing in our community.

The City of Watertown has an urgent and critical need for more housing. As per projections by Tracy Cross, Jefferson County as a whole is expected to face a shortage of at least 3,500 housing units by 2028. This includes both single-family and multifamily units. We know that the need for rental units is particularly dire, with the current rental vacancy rate standing at less than two percent, a figure considerably below the typical market rate of about six percent, according to information provided by Thrive ED. While I do not have data for Dodge County, conversations with County Administrator Cameron Clapper and Development Administrator Nate Olson suggest a similar pressing need there.

While we lack hard data specific to the City of Watertown itself, conversations with those in the industry state that our city is facing a shortage of anywhere from 1,000 to 2,000 housing units. We do have the option of having a housing study done for our City, which would give us better data on the need for types of units (rental and owner-occupied) and absorption rates. Tracy Cross has quoted \$7,000-20,000 for such a study (the more expensive option would get into more detailed specifics and recommendations). The Economic Development reserve account could likely cover this cost, should the Common Council wish to move forward with such a study.

It is important to recognize that our housing needs encompass both single-family and multifamily units. It is also important for the City to maintain a sense of being easy to work with when it comes to developers, and business proposals in general. Developers expect some amount of consistency and predictability from communities they are interested in working with.

It is quite telling that a developer recognizes our need here for market-rate rental units, as well as the economic opportunity here in Watertown. This is due to the hard work of many dedicated people in this community over the last decade (and more). Further, our need for rentals is demonstrated by the severe lack of available listings found online. A search for “apartment for rent in Watertown, WI” turns up only five available apartment units in the City. Some of those are limited to low-income or senior residents. Some families and individuals in our community are forced to live in hotels, or other less-than-optimal living situations, as a result.

It is critical to recognize that “restaurants and retail follow rooftops.” If we are going to attract further economic development, such as new restaurants, retail shopping locations, and manufacturing, we need to demonstrate growth. The only way to do that is through the development of more housing. A steady trickle of single-family homes, as we’ve predominantly seen the past few years (see included chart provided by Building, Safety, and Zoning), is not going to be

enough. Companies also want to see that we will be able to provide workers, and housing for those workers, if they are going to invest in business expansions in our community.

Currently, it is challenging to attract outside investment to a community our size, in part because our median incomes lag behind the surrounding Dane County and Lake Country areas, and in part because we have not demonstrated significant population growth (which can be blamed, at least partly, on a lack of new home construction). Those items, coupled with higher interest rates and construction costs than those seen prior to the last handful of years, make it more challenging in Watertown. Developers can make a quicker ROI in nearby Dane or Waukesha Counties due to the fact that rents can be higher because incomes are higher. Watertown can work to overcome those challenges by investing in our community, creating efficiencies in operations, having clear communication and expectations, and delivering on its promises—all things, we've worked hard on as a community for several years.

I hope the Common Council finds this information useful when considering future housing developments being proposed and worked on by City staff. I look forward to being a source of information when questions come up regarding these developments.

Sincerely,

A handwritten signature in cursive script, reading "Mason T. Becker".

Mason T. Becker
Strategic Initiatives and Development Coordinator