



NAPERVILLE HUMAN RIGHTS AND FAIR HOUSING COMMISSION

AFFORDABLE HOUSING PROGRAM

April 4, 2022

duncan | associates



VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

AGENDA

Affordable housing program

- Key Considerations
- Program Details
 - Type & structure
 - Income targets & affordable unit set-aside
 - Density bonus & menu of incentives
- Questions & Discussion

KEY CONSIDERATIONS

Program informed by analysis and policy direction from Council

CONSIDERATIONS TO DATE

- Housing needs assessment
- City Council direction
- Case study research on programs & ordinances
- Naperville context: regulatory structure & recent project approvals
- Financial impact sensitivity testing

PROGRAM TYPE

Voluntary program leverages private sector activity

VOLUNTARY – OPT IN

- Developer includes affordable units in project
- City provides density bonus (by right) and additional incentives to ensure feasibility
 - Developer chooses from menu of other specified incentives, provided as of right
 - Approval process is streamlined
 - Requests for additional regulatory flexibility requires review and (discretionary) approval
- No fee-in lieu option



Developer includes affordable units in project



CORE ELEMENTS

- Income target
- Affordable unit set-aside
- Density bonus
- Additional incentives



Developer automatically receives density bonus & other incentives

APPLICABILITY

The program only applies in certain parts of the City

- Geography: Lots/parcels on which zoning allows 5 or more dwelling units
- Project type:
 - Rental and for-sale developments
 - Development of 5 or more new units
 - New construction
 - Addition
- Affordability term: 30 years

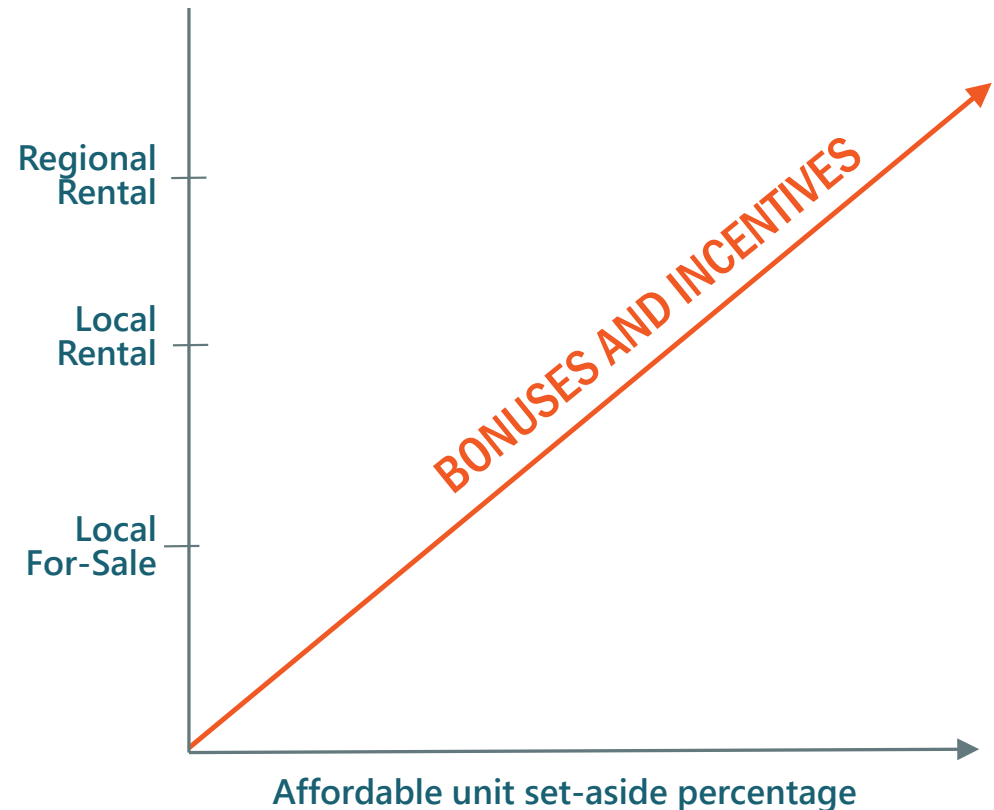
AFFORDABLE HOUSING PROGRAM APPLICABILITY

Example Development	Zoning District	Units Allowed Under Base Zoning	Affordable Housing Program Applies?
Redevelopment of single-lot parcels in subdivision	R-1	1	No
Development of small subdivision	R-1	5+	Yes
Redevelopment of single parcel zoned for multifamily or mixed-use	R-3	5+	Yes

TIERED SYSTEM FOR TARGETED INCOMES AND UNIT SET-ASIDES

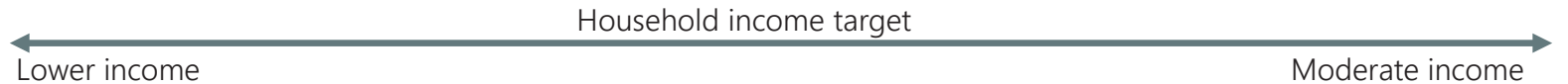
Tiers support affordability for low- to moderate-income households




- Income categories cover a range of affordability and serve different needs
 - Regional rental
 - Local rental
 - Local for-sale
- Affordable unit set-aside
 - 10-20% depending on income target
- Developers who **target lower-income households** and **set aside more affordable units** are offered **more incentives**



UNDERSTANDING THE AFFORDABILITY TARGETS

Supports households from a variety of backgrounds



	REGIONAL RENTAL	LOCAL RENTAL	LOCAL FOR-SALE
Affordability Standard	IHDA Chicago Region	Naperville	Naperville
Applicability	Rental	Rental	For-sale
Target AMI Range [1]	60% AMI	50-60% AMI	80-100% AMI
Income (3-person household)	\$50,300	\$63,000-\$65,600	\$100,700-125,900
Rent / Home Value [2]	Rent: \$1,300	Rent: \$1,600-1,900	Home Value: \$352,000-440,000
Example Household [3]	 Pharmacy assistant, 2 children	 Janitor, Hairdresser, 1 child	 Commercial banker, 2 children

[1] Area Median Income (AMI). Target AMI is up to X% AMI.

[2] The value of owner-occupied housing similarly assumes 30% of a household's monthly income is the maximum available for mortgage payments and other related housing costs. Mortgage payments are calculated assuming they account for 60% of monthly owner costs, a 30-year mortgage with a 4% interest rate.

[3] Example household is for the lowest targeted income (i.e., 50% AMI for local rental, 80% AMI for local for-sale

Source: EMSI, IHDA 2021 Income Limits, 2019 ACS 5-Year Estimates, SB Friedman

DENSITY BONUS

Developers opting in to program receive as of right density bonus

1. DENSITY BONUS

200% for multifamily [1]

100% for single-family and two-family projects [1, 2]

Density Bonus Calculation Examples

	Multifamily Project		Single-Family or Two-Family Project	
Number of dwelling units allowed by existing zoning		10 units		25 units
Maximum density bonus	200%	$10 \times 200\% = 20$ units	100%	$25 \times 100\% = 25$ units
Maximum dwelling units allowed in Project with density bonus		$10 + 20 = 30$ units		$25 + 25 = 50$ units
Minimum affordable dwelling unit set-aside [3]	10%	$30 \times 10\% = 3$ units	10%	$50 \times 10\% = 5$ units

[1] Projects automatically eligible for a reduction in zoning district minimum lot size, proportional to density bonus.

[2] Projects exempt from a. The "Ninety Percent Rule" regulations of Sec. 7-4-4.2.4; and b. the "Tear Down/Infill" regulations of Sec. 6-2-26.

[3] Applicants may elect to use less than maximum allowed density bonus, in which case required affordable dwelling unit set-aside will be based on lower number.

MENU OF REGULATORY AND FINANCIAL INCENTIVES

Developers receive additional incentives dependent on target affordability and set-aside

1. DENSITY BONUS

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2. MENU OF OTHER INCENTIVES

Number of incentives subject to target affordability and affordable unit set-aside

Income Target, Affordable Unit Set-Aside, and Number of Additional Incentives

	Area Median Income	Example: Three-Person Household		Affordable Unit Set-Aside	
		Income	Rent / Home Value [1]	10%	20%
Rental	Regional - 60%	\$50,300	Rent: \$1,300	3* [2]	4*
	Local - 50%	\$63,000	Rent: \$1,600	3	4
	Local - 60%	\$75,600	Rent: \$1,900	2	3
For-Sale	Local - 80%	\$100,700	Home Value: \$352,000	4	--
	Local - 100%	\$125,900	Home Value: \$440,000	2	3

* Receives property tax abatement via state law

[1] The value of owner-occupied housing similarly assumes 30% of a household's monthly income is the maximum available for mortgage payments and other related housing costs. Mortgage payments are calculated assuming they account for 60% of monthly owner costs, a 30-year mortgage with a 4% interest rate.

[2] 15% affordable unit-set aside and a minimum of 7 dwelling units in order to qualify for state property tax abatement

Source: EMSI, IHDA 2021 Income Limits, 2019 ACS 5-Year Estimates, SB Friedman

MENU OF REGULATORY AND FINANCIAL INCENTIVES

Developers select additional incentives to accompany density bonus

2. MENU OF OTHER INCENTIVES

Number of incentives subject to target affordability and affordable unit set-aside

Incentive Category	Project Type	
	Multifamily	Single-Family and Two-Family
Yards/Setbacks	Up to a 50% decrease	
Lot Coverage	Up to 33% increase	
Parking	Up to 50% decrease	
Floor Area Ratio	Up to 50% increase	NA
Building Height	Up to 50% increase	NA
Exterior Wall Construction	Complete waiver requirement that 50% of exterior wall construction be masonry [1]. Certain materials defined in ordinance would not be permitted.	
Park Impact Fee	A 50% reduction	
Open Space/Outdoor Common Area	Up to 20% decrease	

3. ADDITIONAL MENU INCENTIVES AND OFF-MENU INCENTIVES

Not as of right; case-by-case approval through established process

[1] 5-2C-3: Exterior Wall Construction. Does not apply to single-family detached units.
SB Friedman Development Advisors

DEVELOPMENT APPROVAL PROCESS

Incentives are provided by-right in order to maintain a streamlined process

- Density bonuses and on-menu incentives approved as of right for qualified projects, no city council action required
 - Provides certainty to developers
 - Ensures this program does not slow down the regulatory process
 - Streamlined process reduces time and costs
 - Ordinance establishes parameters for incentives to ensure consistency with City standards
- City council approval required for projects requesting additional on-menu incentives or off-menu incentives

KEY PROGRAM PARAMETERS



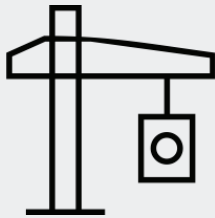
**INCOME TARGETS &
AFFORDABLE UNIT SET-ASIDE**
TIERED SYSTEM



**PROJECT
TYPE**
RENTAL & FOR-SALE



GEOGRAPHY
**CITYWIDE, WHERE
ZONING ALLOWS
5+ UNITS**



**DENSITY BONUS &
ADDITIONAL INCENTIVES**
**AUTOMATIC, MENU
TO CHOOSE BY RIGHT**



**AFFORDABILITY
TERM**
30 YEARS



**COMPLIANCE &
MONITORING**
REQUIRED

NEXT STEPS

- Refine ordinance
- Continue public approval process
 - April 20th: Planning and Zoning Commission public hearing
 - May/June: Present ordinance to City Council for consideration



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