



NAPERVILLE PLANNING AND ZONING COMMISSION
AFFORDABLE HOUSING PROGRAM

April 20, 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
 - Development approval process
- 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

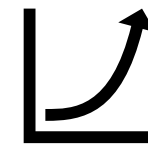


Developer includes affordable units in project



CORE ELEMENTS

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



Developer automatically receives density bonus & other incentives

APPLICABILITY

The program applies Citywide on lots/parcels on which zoning allows 5 or more dwelling units

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

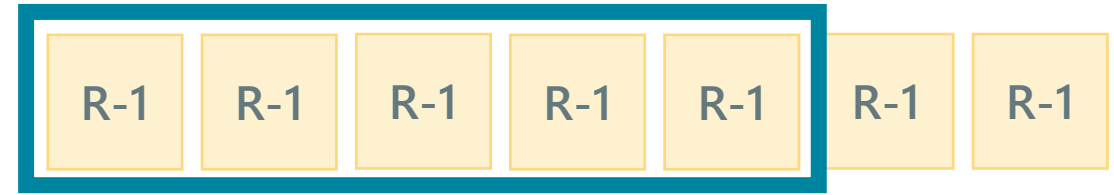
AFFORDABLE HOUSING PROGRAM APPLICABILITY

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

(RE)DEVELOPMENT OF SINGLE-LOT PARCEL
NOT APPLICABLE



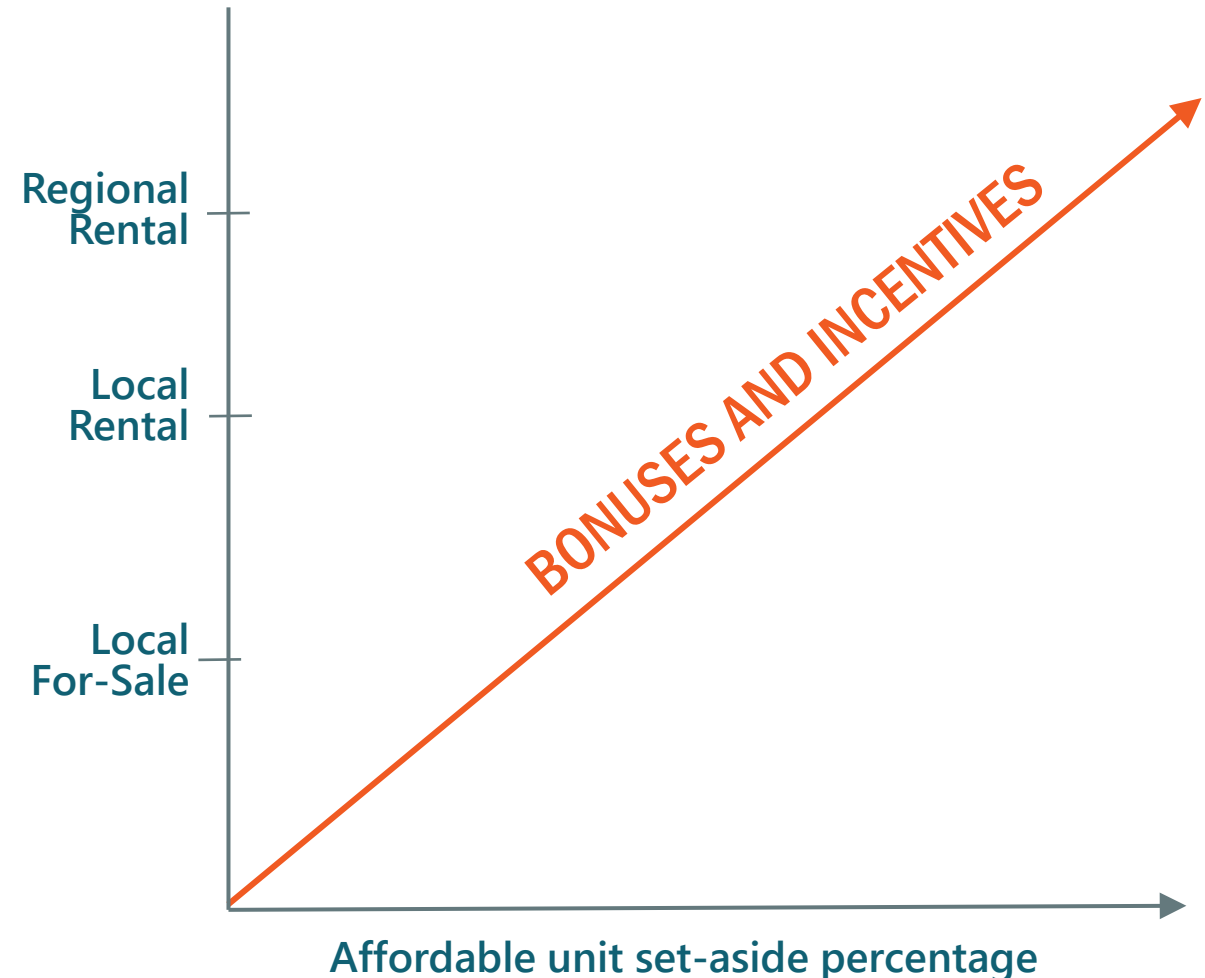
(RE)DEVELOPMENT OF SMALL SUBDIVISION
APPLICABLE



TIERED SYSTEM FOR TARGETED INCOMES AND UNIT SET-ASIDES

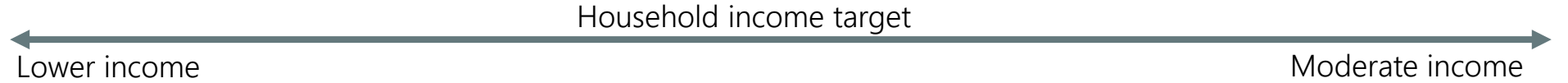
Tiers support affordability for low- to moderate-income households


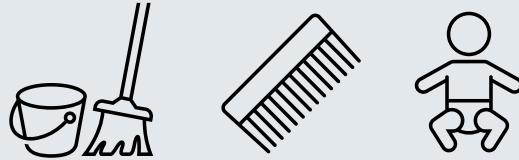

- Income categories cover a range of affordability and serve different needs
 - Regional rental
 - Local rental
 - Local for-sale
- Affordable unit set-aside
 - 10-20% depending on income target
- Developers who **target lower-income households** and **set aside more affordable units** are offered **more 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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100% for single-family and two-family projects [1, 2]

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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		Number of Incentives	
		Income	Rent / Home Value [1]	Affordable Unit Set-Aside	
				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

SB Friedman Development Advisors

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 [1]	
Lot Coverage [4]	Up to 33% increase	
Parking	Up to 50% decrease	
Building Height [4]	Up to 50% increase [2]	3-story maximum height limit, not to exceed 35 feet
Exterior Wall Construction	Complete waiver requirement that 50% of exterior wall construction be masonry [3]. Certain materials defined in ordinance would not be permitted.	
Park Impact Fee	A 50% reduction	
PUD 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] Up to 50% decrease in the required width or depth of any yard or setback requirement, provided that minimum yards or setbacks may not be reduced along the entirety of any property line of a lot where any portion of the property line abuts an E1, E2, E3, R1, or R1A-zoned lot that is not part of the Qualified Project.

[2] Up to a 50% increase in any applicable building height limit, provided that no additional building height is permitted for that portion of a building located within 50 feet of an E, R1, or R1A-zoned lot.

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

[4] For those projects classified as Teardown/Infill, the % increase in lot coverage and height shall be based upon the requirements of the Teardown/Infill regulations found in Section 6-2-26.

APPROVAL PROCESS

How density bonuses and incentives are approved

1. QUALIFIED PROJECTS ELIGIBLE FOR ADMINISTRATIVE APPROVAL

- No City Council action otherwise required under zoning title
- No request for additional incentives or other forms of regulatory relief
- Zoning Administrator provides regular updates on administratively approved projects

2. QUALIFIED PROJECTS ASSOCIATED WITH PETITIONS REQUIRING CITY COUNCIL APPROVAL

- City Council retains decision-making authority on the petition
- Approved petitions must include density bonuses & incentives for which project is eligible

3. QUALIFIED PROJECTS SEEKING ADDITIONAL INCENTIVES OR OTHER RELIEF

- Processed in accordance with applicable municipal code procedures

EXAMPLE QUALIFIED PROJECT

Single-family project in a R-1 district

- Lot: 1.25-acre parcels zoned R-1A
 - Zoning requires a minimum lot size of 10,000 sf
 - Therefore, the 1.25-acre lot can be subdivided into 5-single-family lots

	Single-Family Project	
Number of dwelling units allowed by existing zoning		5 units
Maximum density bonus	100%	$5 \times 100\% = 5$ units
Maximum dwelling units allowed in Project with density bonus [1]		$5 + 5 = 10$ units
Minimum affordable dwelling unit set-aside	10%	$10 \times 10\% = 1$ unit

- Developer also selects from menu of incentives
 - Number of incentives dependent upon affordable unit set-aside and the affordability target (80-100% of Naperville's median household income)
- Density bonus and on-menu incentives will be administratively approved and will not require a variance to be processed
- A property owner would need to seek rezoning, subject to PZC review and City Council approval, in order to propose townhomes or multi-family units on an R1A property.*

[1] Maximum dwelling units may not be suitable for the lot and zoning requirement (i.e. lot coverage, setbacks, etc.)

KEY PROGRAM PARAMETERS



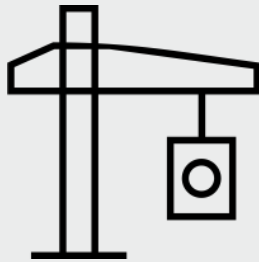
**INCOME TARGETS &
AFFORDABLE UNIT SET-ASIDE**
TIERED SYSTEM



**PROJECT
TYPE**
RENTAL & FOR-SALE



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



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



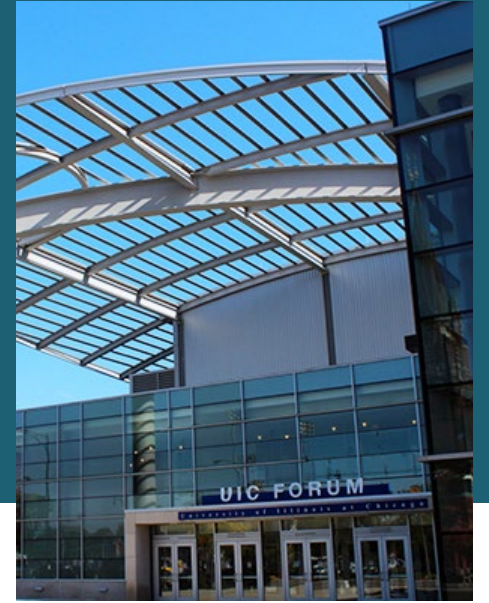
**AFFORDABILITY
TERM**
30 YEARS



**COMPLIANCE &
MONITORING**
REQUIRED

NEXT STEPS

- Continue refining ordinance
- Continue public approval process
 - May/June: Present ordinance to City Council for consideration



221 N. LaSalle St, Suite 820
Chicago, IL 60601
312-424-4250 | sbfriedman.com

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