



NAPERVILLE CITY COUNCIL MEETING

POTENTIAL AFFORDABLE HOUSING PROGRAM

November 2, 2021

duncan | associates



**VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION**

TODAY'S PURPOSE

Consensus on pursuing an affordable housing program

- Key considerations
- Potential program
 - Type & structure
 - Income targets & affordable unit set-aside
 - Density bonus & menu of incentives
- Next steps
- Discussion

KEY CONSIDERATIONS

Potential 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

FUTURE CONSIDERATIONS

- Financial impact sensitivity testing
- Additional developer outreach

PROGRAM TYPE

Voluntary program leverages private sector activity

VOLUNTARY – OPT IN

- Developer includes affordable units in project
- City provides density bonus and regulatory incentives to ensure feasibility
 - Density bonus provided as of right for qualifying projects
 - 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

APPLICABILITY

The program would only apply 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

POTENTIAL AFFORDABLE HOUSING PROGRAM APPLICABILITY

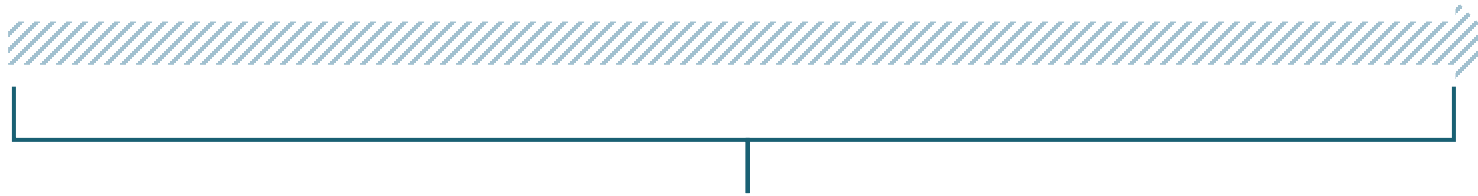
Example Development	Zoning District	Units Allowed Under Base Zoning	Affordable Housing Program Applies?
Redevelopment of single-lot parcels in subdivision	R-1	1	No
Development of small subdivision	R-1	5+	Yes
Redevelopment of single parcel zoned for multifamily or mixed-use	R-3	5+	Yes

PROGRAM STRUCTURE

Voluntary opt-in program provides various options for developers

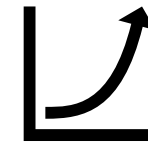


Developer includes affordable units in project



CORE ELEMENTS

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



Developer automatically receives density bonus & other incentives

PROGRAM STRUCTURE

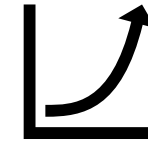
Developer selects income target and affordable unit set-aside



Developer includes affordable units in project



Income target
Affordable unit set-aside percentage

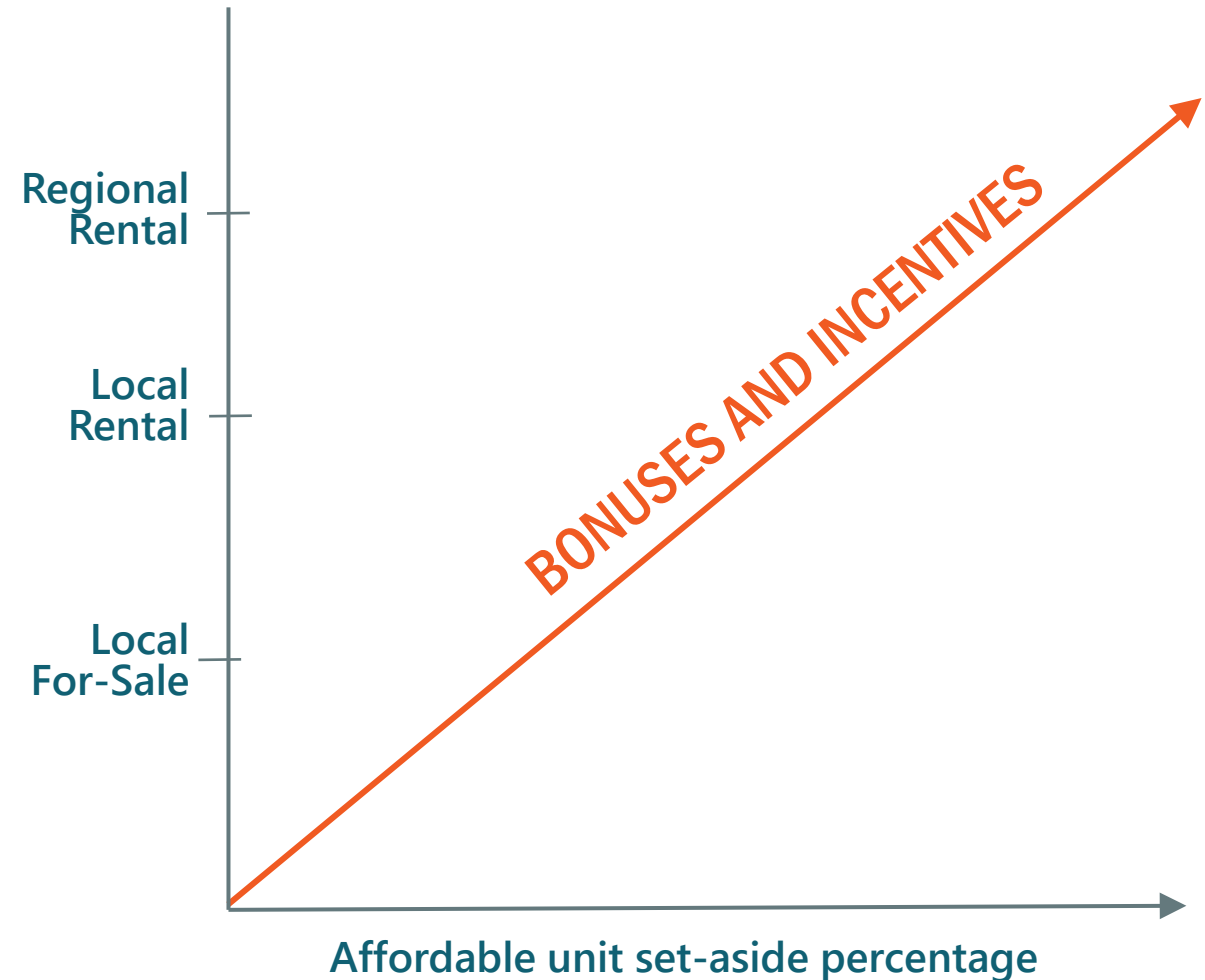


Developer automatically receives density bonus & other incentives

TIERED SYSTEM FOR TARGETED INCOMES AND UNIT SET-ASIDES

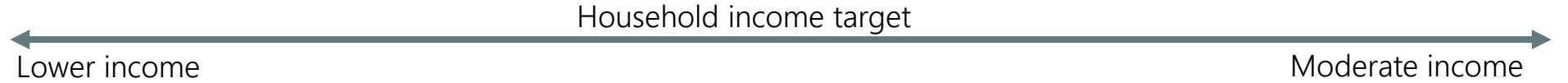
Tiers support affordability for low- to moderate-income households

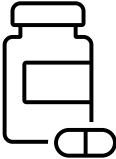
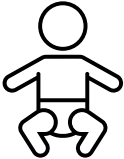
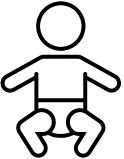
- Income categories cover a range of affordability and serve different needs
 - Regional rental
 - Local rental
 - Local for-sale
- Affordable unit set-aside
 - 10-20% depending on income target
- Developers who **target lower-income households** and **set aside more affordable units** are offered **greater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



UNDERSTANDING THE AFFORDABILITY TARGETS

Supports households from a variety of backgrounds



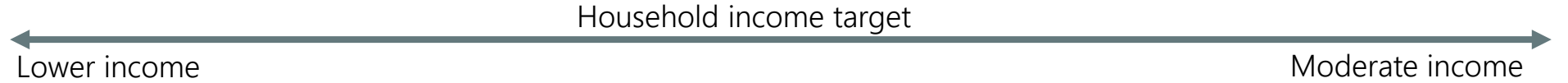
	REGIONAL RENTAL
Affordability Standard	IHDA Chicago Region
Applicability	Rental
Target AMI Range	60% AMI
Income [1] (3-person household)	\$50,340
Example Household	   Pharmacy assistant, 2 children



[1] Income shown is for the lowest targeted income (i.e., 60% AMI for regional and local rental, 80% AMI for local for-sale).

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

UNDERSTANDING THE AFFORDABILITY TARGETS

Supports households from a variety of backgrounds



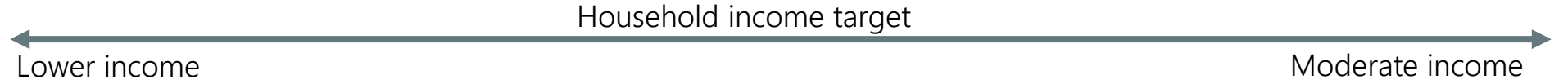
	REGIONAL RENTAL	LOCAL RENTAL
Affordability Standard	IHDA Chicago Region	Naperville
Applicability	Rental	Rental
Target AMI Range	60% AMI	60-80% AMI
Income [1] (3-person household)	\$50,340	\$75,560
Example Household	 Pharmacy assistant, 2 children	 Warehouse employee, Restaurant server, 1 child

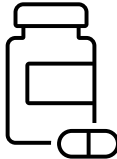
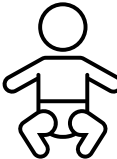

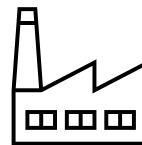

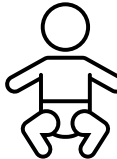

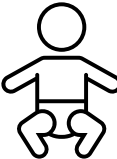

[1] Income shown is for the lowest targeted income (i.e., 60% AMI for regional and local rental, 80% AMI for local for-sale).

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

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	60% AMI	60-80% AMI	80-100% AMI
Income [1] (3-person household)	\$50,340	\$75,560	\$100,740
Example Household	  	  	  
	Pharmacy assistant, 2 children	Warehouse employee, Restaurant server, 1 child	Commercial banker, 2 children

[1] Income shown is for the lowest targeted income (i.e., 60% AMI for regional and local rental, 80% AMI for local for-sale).

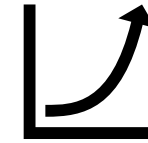
Source: EMSI, IHDA 2021 Income Limits, 2019 ACS 5-Year Estimates, SB Friedman

PROGRAM STRUCTURE

Developer receives density bonus and can select additional incentives



Developer elects to use bonus and incentive program



Developer automatically receives density bonus & other incentives



Income target
Affordable unit set-aside percentage



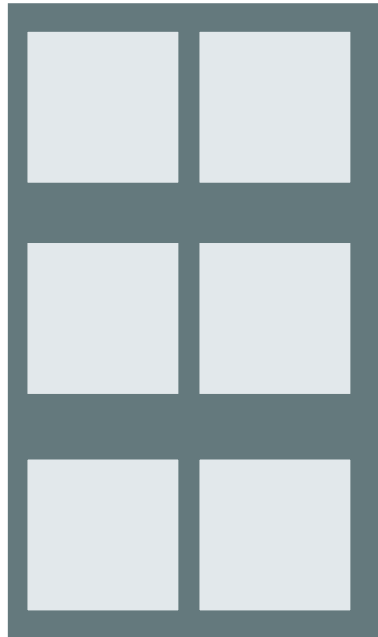
Density bonus
Additional regulatory incentives

DENSITY BONUS

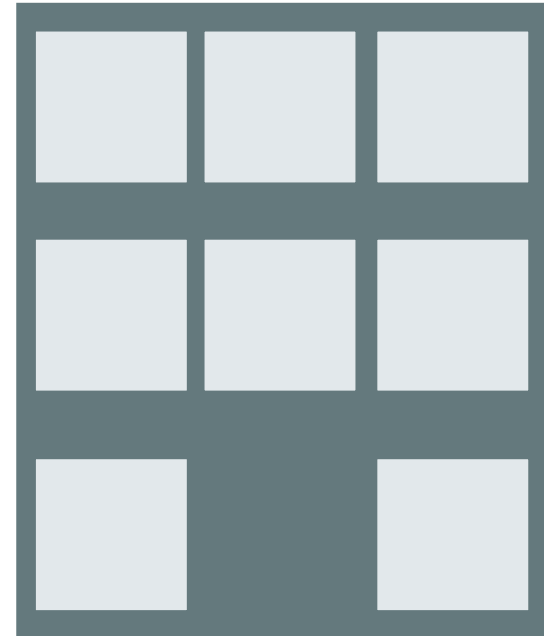
Developers opting in to program receive as of right density bonus

1. DENSITY BONUS

*Level of density bonus based on target affordability level and percentage of affordable units set aside.
Proportionate FAR increase included when FAR applies.*



DENSITY BONUS
WITH FAR
INCREASE



MENU OF ADDITIONAL INCENTIVES

Developers select additional incentives

1. DENSITY BONUS

2. MENU OF OTHER INCENTIVES

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

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

# of Incentives	REGIONAL RENTAL	LOCAL RENTAL	LOCAL FOR-SALE
1	--	10%	10%
2	10%	15%	15%
3	20%*	20%	20%

* Also receives property tax abatement via state law

ADDITIONAL INCENTIVES

Developers select additional incentives to accompany density bonus

1. DENSITY BONUS

2. MENU OF OTHER INCENTIVES

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

A. YARDS/SETBACKS *(up to 20% decrease)*

B. LOT COVERAGE *(up to 20% increase)*

C. LOT WIDTH *(up to 20% decrease)*

D. HEIGHT *(pro rata with density bonus OR 11 foot/1 story increase if limited height permitted in zoning district)*

E. OPEN SPACE/OUTDOOR COMMON AREA *(up to 20% decrease)*

F. PARKING *(reduction no greater than 1 space per bedroom)*

G. PARK IMPACT FEE REDUCTION *(up to 50%)*

H. DESIGN MODIFICATION: BRICK/STONE WAIVER *Complete waiver requirement that 50% of exterior wall construction be masonry [1]. Certain materials defined in ordinance would not be permitted.*

3. OFF-MENU INCENTIVES

Not as of right; require demonstration of need and case-by-case approval through established process

[1] 5-2C-3: Exterior Wall Construction.

DEVELOPMENT APPROVAL PROCESS

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

- If development plan remains within program limits, incentives are provided by-right
 - Provides certainty to developers
 - Ensures this program does not slow down the regulatory process
 - Streamlined process reduces time and costs
 - Ordinance will establish parameters for incentives to ensure consistency with City standards
- If development plan requires additional incentives or regulatory relief beyond program limits:
 - Incentives included within affordable housing program are guaranteed
 - Any additional incentives require review and approval on case-by-case basis

KEY PROGRAM PARAMETERS

Parameters can be further refined based on Council feedback and financial testing



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

TIERED SYSTEM



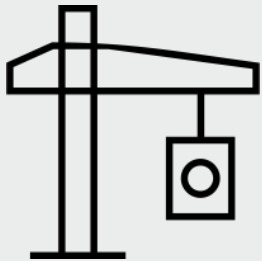
PROJECT TYPE

RENTAL & FOR-SALE



GEOGRAPHY

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



**DENSITY BONUS &
ADDITIONAL INCENTIVES**

**AUTOMATIC, MENU
TO CHOOSE BY RIGHT**



**AFFORDABILITY
TERM**

30 YEARS



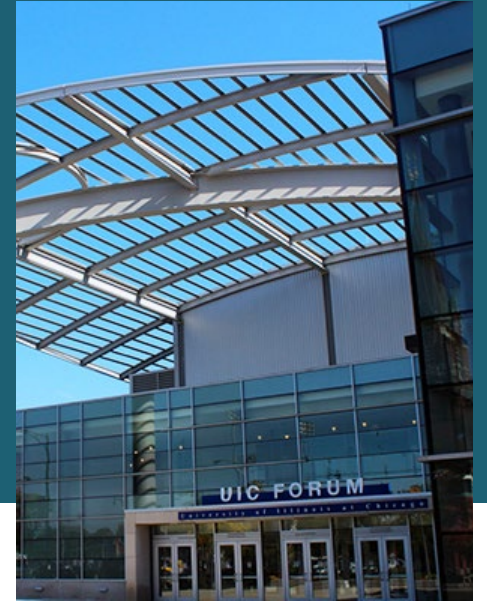
**COMPLIANCE &
MONITORING**

REQUIRED

NEXT STEPS

- Refine parameters
 - Incorporate Council direction
 - Test financial impacts to confirm viability and refine menu of additional incentives
- Discuss program with developers
- Draft ordinance
- Conduct public approval process
 - Present to Human Rights and Fair Housing Commission
 - Planning and Zoning Commission public hearing
 - Present to City Council

DISCUSSION



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