

**DRAFT**

# HOUSING NEEDS ASSESSMENT

City of Naperville, Illinois

DRAFT January 2020



VISION  
ECONOMICS  
STRATEGY  
FINANCE  
IMPLEMENTATION

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# Introduction

## Housing Needs Assessment

SB Friedman Development Advisors (SB Friedman) was engaged by the City of Naperville (“City”) to conduct a Housing Needs Assessment. The purpose of the assessment is to:

- Evaluate whether the existing housing stock meets current and projected needs over the short-term (5 years) and long-term (20 years); and
- Identify key housing-related issues and unmet needs.

Simultaneous with SB Friedman’s analysis, two other planning processes are underway that address housing issues in Naperville:

- **Naperville Housing Action Plan**, conducted by the Metropolitan Mayors Caucus, Chicago Metropolitan Agency for Planning (CMAP) and Metropolitan Planning Council through the Homes for a Changing Region program
- **Naperville Comprehensive Plan Update**, currently under way and being led by Houseal Lavinge Associates

While SB Friedman has engaged with both groups to understand their analyses and anticipated conclusions, the studies were not completed prior to our engagement or the completion of much of the housing needs assessment.

Following a review of our findings with the City’s Housing Advisory Commission, SB Friedman will then identify potential policy goals, strategies and objectives to address identified housing challenges and opportunities; and work towards establishing a diversity of housing at a variety of price points.



**MULTIFAMILY NEIGHBORHOOD IN NORTHERN NAPERVILLE**



**HISTORIC SINGLE-FAMILY NEIGHBORHOOD EAST OF DOWNTOWN NAPERVILLE**



**RECENTLY-DEVELOPED SINGLE-FAMILY NEIGHBORHOOD IN SOUTHERN NAPERVILLE** Source: Google Earth

# Introduction

## Housing Needs Assessment

Naperville is a large community with varied neighborhood typologies. SB Friedman therefore worked with City staff to identify 10 subareas to better understand how socioeconomic and housing characteristics vary across neighborhoods. These subareas and their general characteristics are presented on the following page.

Given the irregularity of Naperville’s boundary, the subareas were constructed to align with census tracts delineated by the U.S. Census Bureau (Census). In certain situations, the census tracts include portions of neighboring communities and/or unincorporated areas outside the City or exclude certain parcels that are incorporated in the City. Therefore, data collected at the subarea level is used only to understand the general characteristics of the area.



**MULTIFAMILY NEIGHBORHOOD IN NORTHERN NAPERVILLE**



**HISTORIC SINGLE-FAMILY NEIGHBORHOOD EAST OF DOWNTOWN NAPERVILLE**



**RECENTLY-DEVELOPED SINGLE-FAMILY NEIGHBORHOOD IN SOUTHERN NAPERVILLE** Source: Google Earth

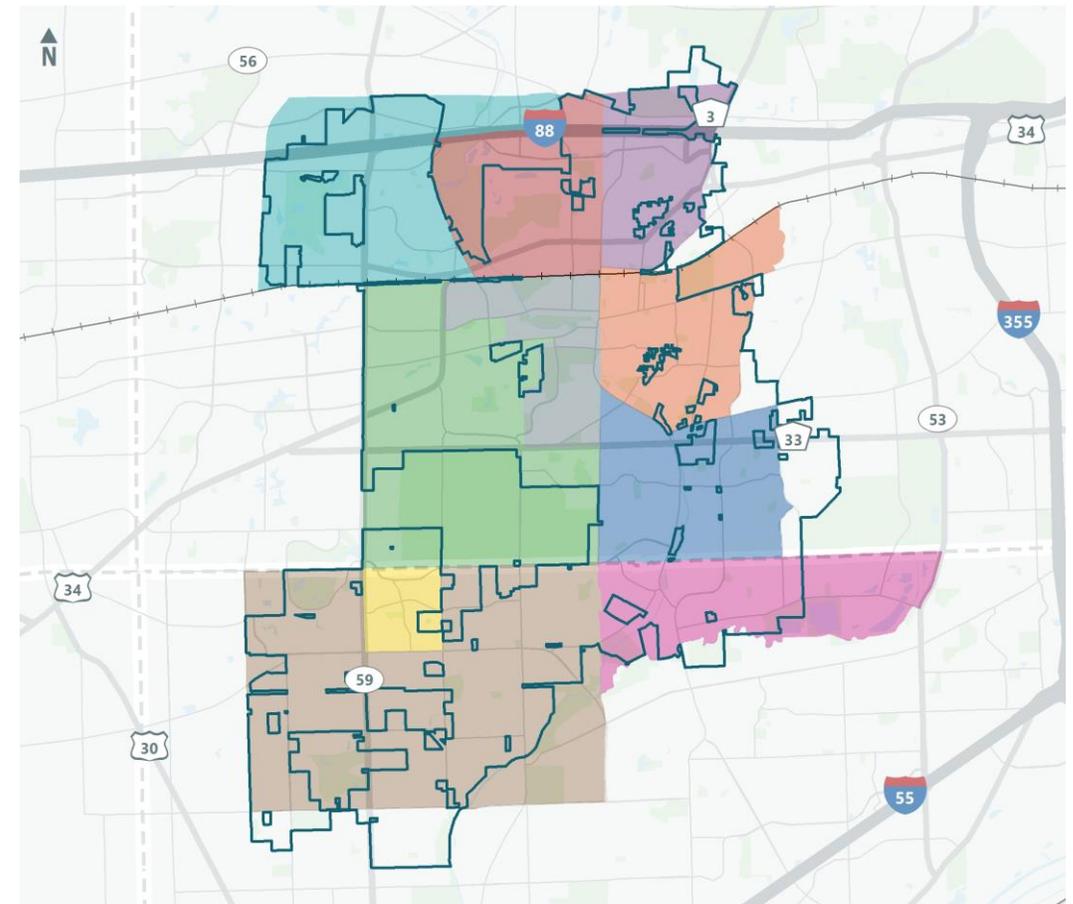
# City-Defined Subareas

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## 10 Subareas with Comparable Socioeconomic & Housing Characteristics

SUBAREA	SUBAREA LAND USE SUMMARY
<b>Subarea 1</b>	Commercial along I-88; Residential east and west of IL-59; Commercial and industrial south of Aurora Road
<b>Subarea 2</b>	Commercial along I-88 including BP campus; Recreational including Cress Creek Country Club and McDowell Grove; Residential; Naperville North High School
<b>Subarea 3</b>	Commercial along I-88; Residential; Commercial along Ogden Avenue;
<b>Subarea 4</b>	Springbrook Prairie Forest Preserve; Residential generally south and east of Ogden Avenue; Industrial/Commercial generally along, north and west of Ogden Avenue
<b>Subarea 5</b>	Downtown Naperville; North Central College; Residential
<b>Subarea 6</b>	Commercial on 75th Street; Residential
<b>Subarea 7</b>	Commercial at IL-59 and 95th Street; Residential
<b>Subarea 8</b>	DuPage River and adjacent recreation; Quarry; Residential
<b>Subarea 9</b>	Industrial in northwest corner; Commercial along IL-59; Neuqua Valley High School; Quarry; Residential
<b>Subarea 10</b>	Downtown Naperville; Naperville Central High School; Edward Hospital; Residential

CITY-DEFINED SUBAREAS



Sources: U.S. Census Bureau, Esri, SB Friedman

# Executive Summary

## Housing Needs Assessment

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### NAPERVILLE TODAY

Naperville is both a desirable residential community and a major employment center in the Chicago region. The City's residential population is predominantly higher-income households comprising families with children at home and empty-nesters, while the workforce consists of a mix of professional and business services, retail and health care sectors. Much of the Naperville workforce lives outside of the City, while most City residents commute elsewhere for work and earn higher incomes than those working in the City.

The City maintains a somewhat diverse housing stock (62% single-family detached) with a median year built of 1988 and high occupancy (96%). The concentration of single-family detached housing, as a percentage of total housing stock, generally increases as you move from the northwest to the southeast. Approximately 75% of housing units are owner-occupied. The median home value is approximately \$399,000, while the median rent is \$1,415 per month. To afford this housing, owners would need to earn approximately \$100,000 per year, while renters would need to earn \$57,000 per year.

New construction owner-occupied units are generally located near downtown Naperville and along the perimeter of the City. New construction near downtown generally replaces smaller, lower-cost entry-level housing that has been torn down.

Newer owner-occupied product sold at a 40% premium to the median home value in 2019, while newer renter-occupied units leased at a 25% premium to median rents.

Senior and income-restricted housing is very limited, with senior and income-restricted units accounting for 19% and 4% of all rental units respectively. Senior housing is predominantly nursing care. SB Friedman estimates that approximately 21% of Naperville's owner-occupied housing could be considered naturally-occurring affordable housing (NOAH) at 80% affordability levels, this increases to 66% at the 120% affordability level (workforce housing). Approximately 12% of rental units are NOAH at the 60% affordability level.

Given the high home value and rents, housing affordability appears to be a challenge across several income cohorts. Approximately 20-22% of existing homeowners and 38-44% of renters are currently paying more than 30% of their gross income on housing. These households are considered cost-burdened and many are low-income. Therefore, there appears to be a considerable need for both owner- and renter-occupied affordable and income-restricted housing throughout the City to meet current residents' needs.

In recent years, population growth has slowed, and the City has become nearly built-out. The lack of additional developable land, combined with the desirability of

# Executive Summary

## Housing Needs Assessment

the community, is driving several housing-related issues, particularly in terms of housing affordability and constrained supply at certain price points.

Furthermore, the lack of developable land has increased property values to a level where building new housing at lower price points is challenging. Key informants indicated that housing affordability challenges are impacting not only lower-income households, but middle- and working-class households as well, particularly seniors looking to downsize, entry-level home buyers, and Naperville workers who wish to live closer to their workplace. Key informants also indicated unmet housing needs for people with special needs and those currently facing or at risk of homelessness.

### **NAPERVILLE IN THE FUTURE**

Naperville's population is projected by the Chicago Metropolitan Agency for Planning (CMAP) to grow through 2050, despite limited available sites for residential development. Redevelopment at a higher density would be required to achieve this level of population growth. In the near term, Esri projects that the population will become older and more affluent, with a near-term increase in owner-occupied home values and owner-occupied households by 2024.

A constrained supply of land available for residential development is likely to impact the type of new product that can be built in Naperville going forward. Much of the residential growth will need to occur through changes in land use and

redevelopment of existing sites. This is likely to result in a shift to more dense and small-lot development, including additional multifamily product and attached single-family homes. This shift aligns with broader trends in residential development, both regionally and nationally, that are leading to more compact development. However, key informants indicated that denser development may face some opposition from existing residents.

SB Friedman prepared a housing needs forecast for both renter and owner households. Unmet needs were identified for two time periods, as requested by the City: 2025 and 2040.

The results of the analysis indicate that to achieve a balanced housing profile - where appropriate unit types are available and affordable to anticipated households (accounting for both existing cost-burdened households and projected population growth) - there appears to be the need for 6,900-8,600 new housing units by 2025 and 11,700-13,000 new units by 2040. Over the long-term (to 2040), this would amount to the construction of 510-565 units per year. For comparison purposes, the City added an average of  $\pm 340$  units per year between 2010 and 2017. Without production of new units, other strategies will be needed to mitigate existing housing burdens

# Executive Summary

## Housing Needs Assessment

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In the near-term, we project a 75%/25% split between single-family and townhome/multifamily units based on existing housing preferences and recent trends. However, by 2040, it is anticipated that there will be a greater share of townhome/multifamily units. Approximately 6,500 of the projected units appear to be needed by 2040 to alleviate housing cost burdens for households at lower incomes.

Additional units are also anticipated to be needed to address unmet housing needs identified by key informants. This includes a constrained supply of housing for seniors looking to downsize, entry-level home buyers, Naperville workers, people with special needs and those currently facing or at risk of homelessness.

### NEXT STEPS

During the next phase of work, we will **identify policies, strategies and objectives to address the housing-related challenges** identified above and to work towards establishing a diversity of housing at a variety of price points.

# **1. NAPERVILLE TODAY**

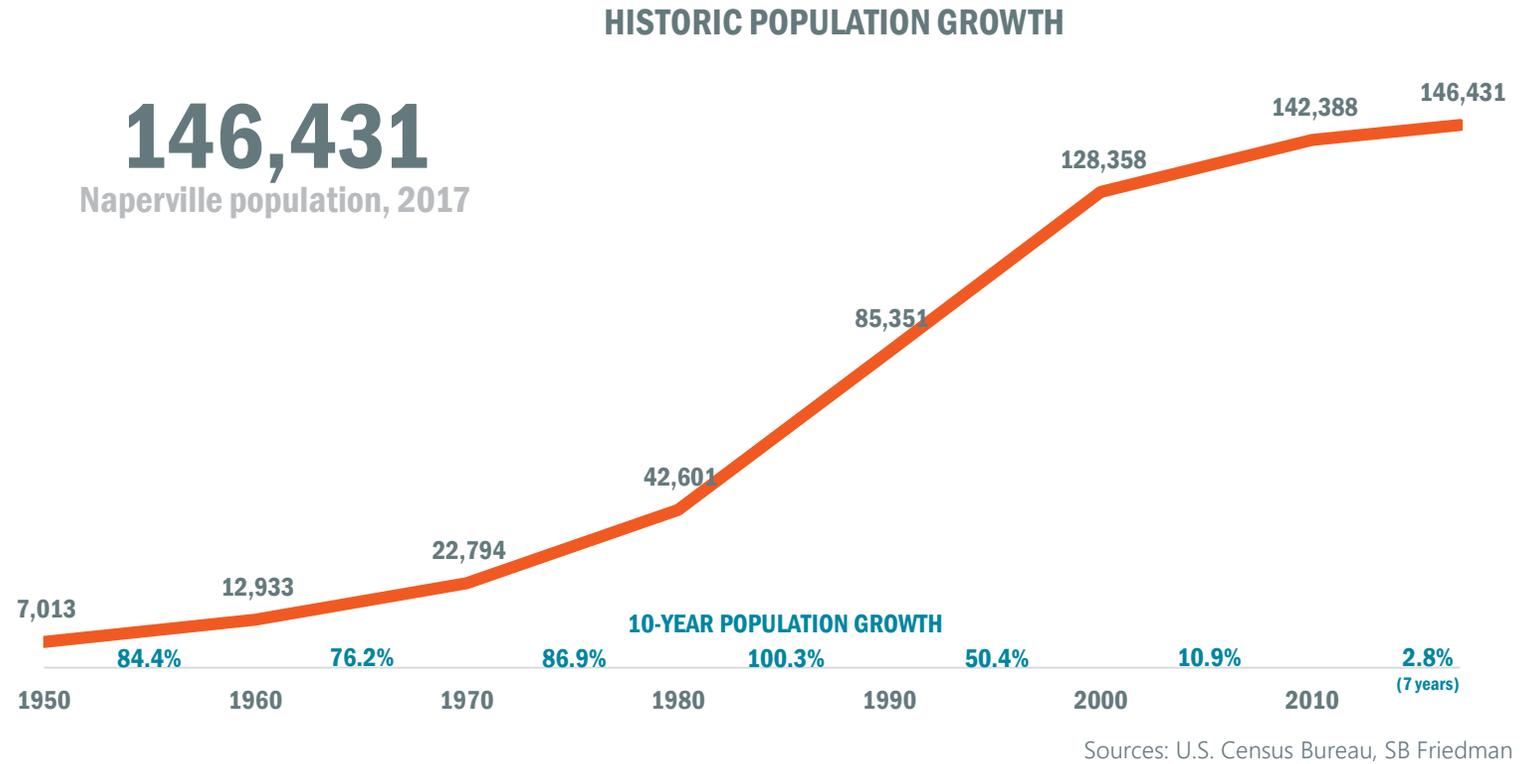
Key characteristics regarding Naperville's population, household, workforce and housing characteristics.

# Historic & Current Population (1950 Through 2017)

## 1.1 Population/Household Characteristics

Naperville has experienced significant growth historically, particularly from 1980 to 2000, when the City’s population tripled. Historic growth was driven, in large part, by the availability of developable land for residential uses and the growth of Naperville as a major employment center. The current population of Naperville exceeds 146,000.

In recent years, the City has become nearly built out, with limited large-scale development-ready parcels available in the City and adjacent unincorporated areas. This, combined with the Great Recession of the late 2000s and lingering regional impacts into the 2010s has resulted in slower growth rates over the last decade.



# Key Population Characteristics

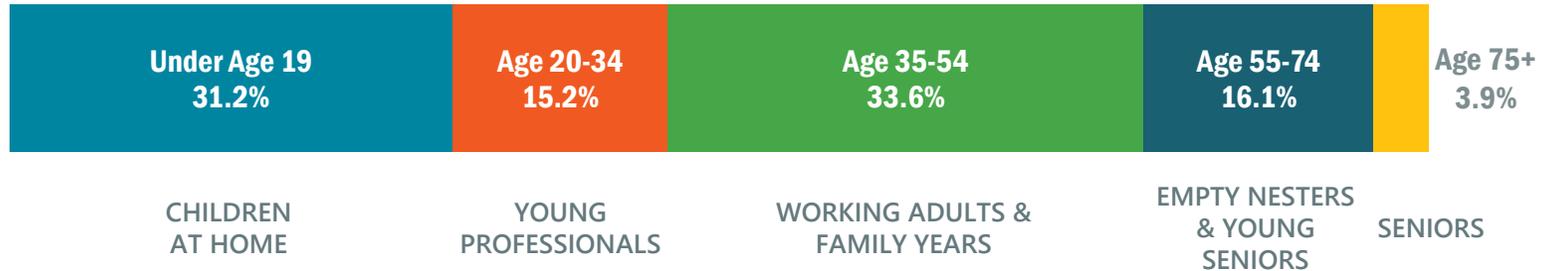
## 1.1 Population/Household Characteristics

Much of Naperville’s population reflects its status as a suburban location attractive to families, with nearly 60% of the population consisting of adults in the family years (age 35-54) and children under age 19.

However, the population is also aging. The median age is 38.7, which is older than the median age of the U.S. Census Bureau-defined Chicago-Naperville-Arlington Heights Metropolitan Division<sup>[1]</sup> (36.9).

Furthermore, between 2010 and 2017, the median age in Naperville increased from 37.9 to 38.7. The share of the population age 55+ (empty nesters and seniors) increased from 20% to 25%, with decreases in adults in the family years (age 35-54) and children under age 19.

**TOTAL POPULATION BY AGE – 2010**



**TOTAL POPULATION BY AGE - 2017**

**37.9**

Naperville Median Age, 2010

**38.7**

Naperville Median Age, 2017

**36.9**

Metro Division Median Age, 2017

Sources: U.S. Census, SB Friedman

[1] The Chicago-Naperville-Arlington Heights Metropolitan Division is defined by the U.S. Census Bureau as DuPage County, Will County, Cook County, and McHenry County.

# Key Population Characteristics

## 1.1 Population/Household Characteristics

Approximately 73% of the population identifies as white, with the next largest racial group being Asian (18%). Approximately 6% of the population identifies as Hispanic. Foreign-born residents represent 18.9% of the population, which is a percentage over twice as high as the Metro Division.

±9,400 people in Naperville (6.5% of the population) have a physical or cognitive disability. Of the total population with disabilities, 43% are age 65+ and 15% live below the poverty line.

The population with disabilities by age and subarea is presented on the following page.

### TOTAL POPULATION BY RACE



# 5.7%

**Naperville Identifying as Hispanic**  
22.1% in Metro Division

# 18.9%

**Naperville Population that is Foreign-Born**  
9.1% in Metro Division

# 6.5%

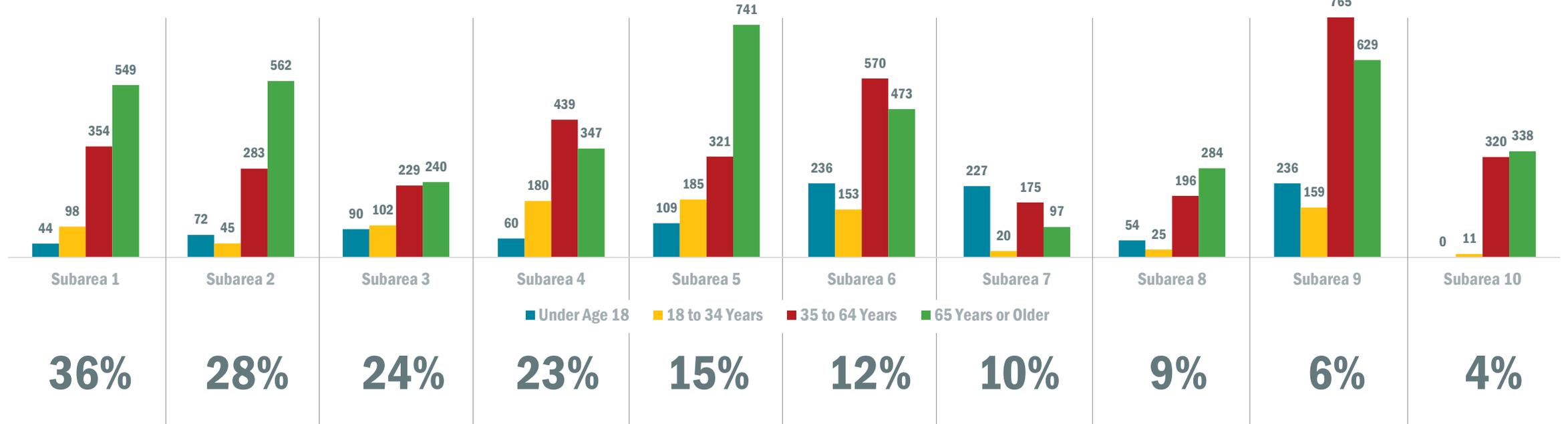
**Naperville Population with Disabilities (9,429 people)**  
9.8% in Metro Division

Sources: U.S. Census Bureau, SB Friedman

# Population with Disabilities

## 1.1 Population/Household Characteristics

POPULATION WITH A DISABILITY BY SUBAREA, 2017 <sup>[1][2]</sup>



SHARE OF POPULATION WITH A DISABILITY BELOW POVERTY, 2017 <sup>[1]</sup>

[1] The share of population with a disability below poverty and the count of population with a disability are calculated from different universes and therefore, one should not be multiplied by the other to generate counts of the population with a disability below poverty.  
 [2] Subareas were built from Census tract boundaries and do not precisely align with City boundaries. Some areas outside of City boundaries are included while some areas within City boundaries are not included. For this reason, the sum of population represented in this chart will not match City totals for population with a disability.  
 Source: U.S. Census Bureau, SB Friedman

# Current Households by Age & Income

## 1.1 Population/Household Characteristics

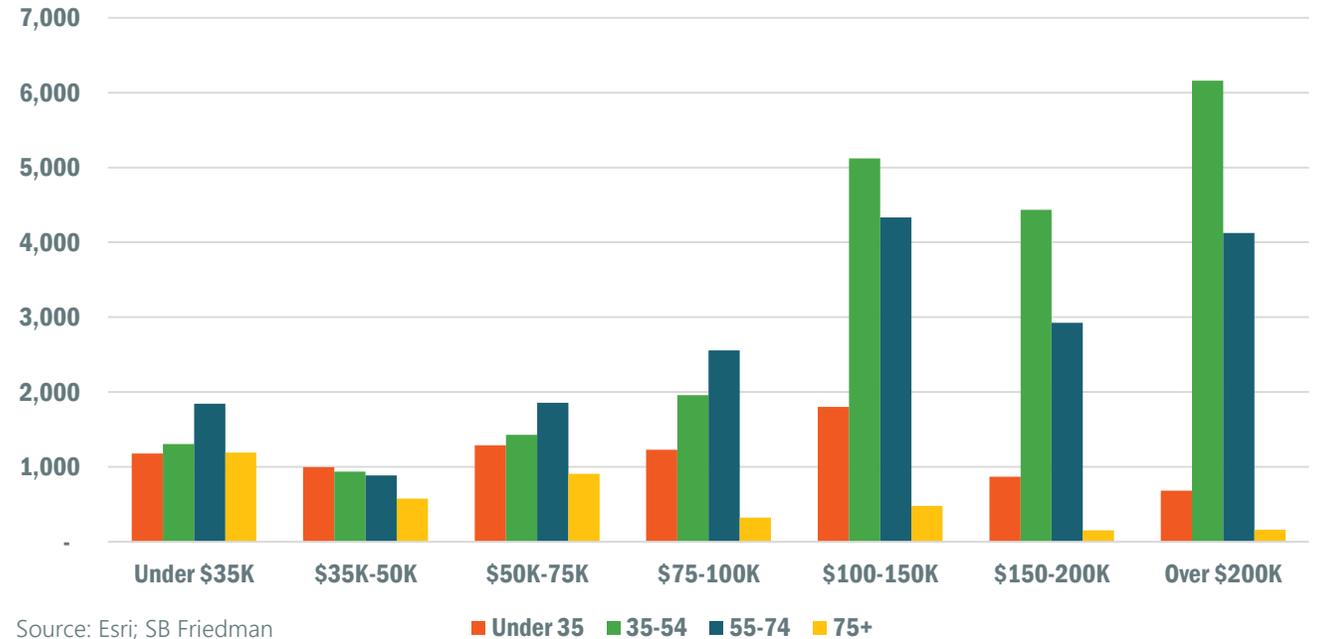
There are over 51,000 households in Naperville. A breakdown of households by age and income cohort is presented to the right. Households are predominantly in the 35-54 (family years) and 55-74 (empty nester and young seniors) age cohorts and earn more than \$100,000 per year.

Approximately 46% of senior households (age 75+) have incomes of \$50,000 or less.

The average household size of 2.80 reflects the large percentage of the population being in the family years with children at home. For comparison, the average household size for the Metro Division is 2.63.

The median household income is approximately \$114,000, approximately 75% higher than that of the Metro Division overall (\$65,322). However, there is a substantial differential in the median household income of owner and renter households in the City. Owner households have a median income of ±\$134,000, while renter households have a median income of ±\$62,000. Median household incomes are presented spatially on the following page. Overall, higher income census tracts are located in the southern and eastern portions of the City.

CURRENT HOUSEHOLDS BY AGE & INCOME



Source: Esri; SB Friedman

**51,272**  
Naperville total households, 2017

**2.80**  
Naperville average household size, 2017  
2.63 in Metro Division

**38.7**  
Naperville median age of householder, 2017  
36.9 in Metro Division

Sources: U.S. Census Bureau, SB Friedman

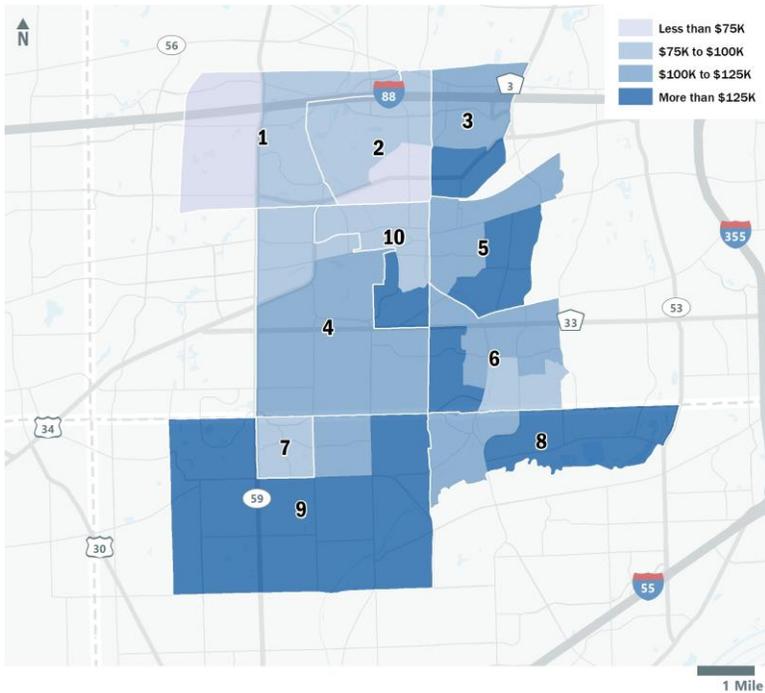
# Key Household Characteristics

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## 1.1 Population/Household Characteristics

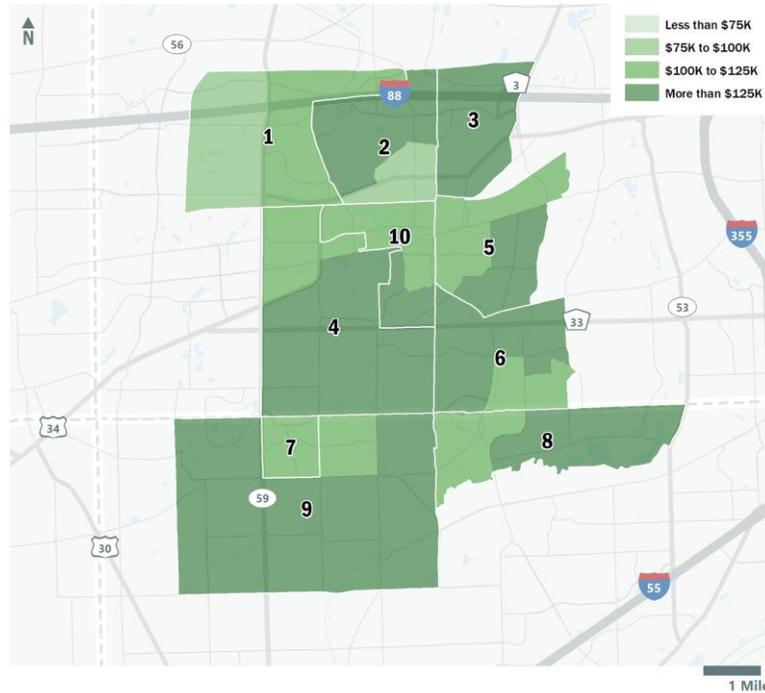
### \$114,014

Naperville overall median household income, 2017 <sup>[1]</sup>  
\$65,322 in Metro Division



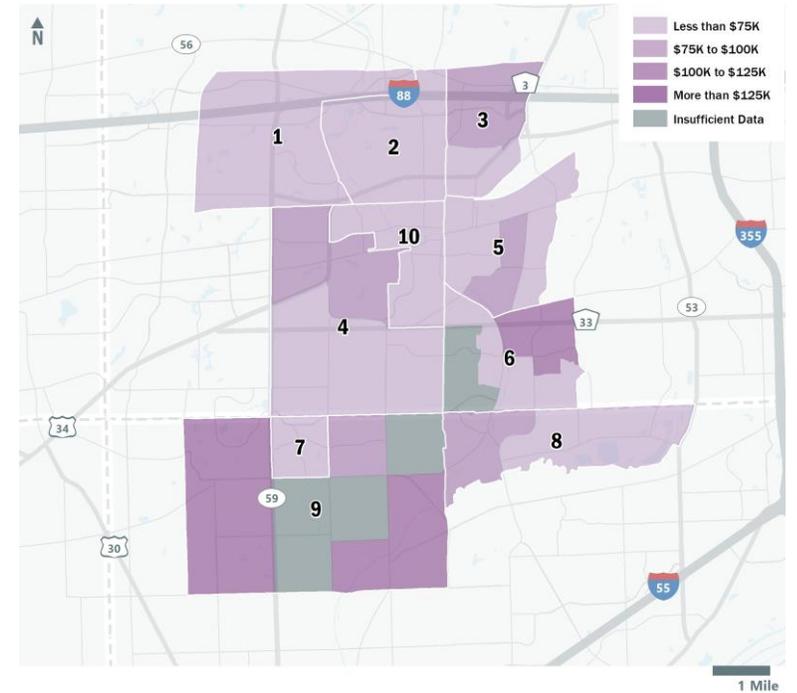
### \$134,316

Naperville owner-occupied median household income, 2017 <sup>[1]</sup>  
\$85,690 in Metro Division



### \$61,745

Naperville renter-occupied median household income, 2017 <sup>[1]</sup>  
\$39,991 in Metro Division

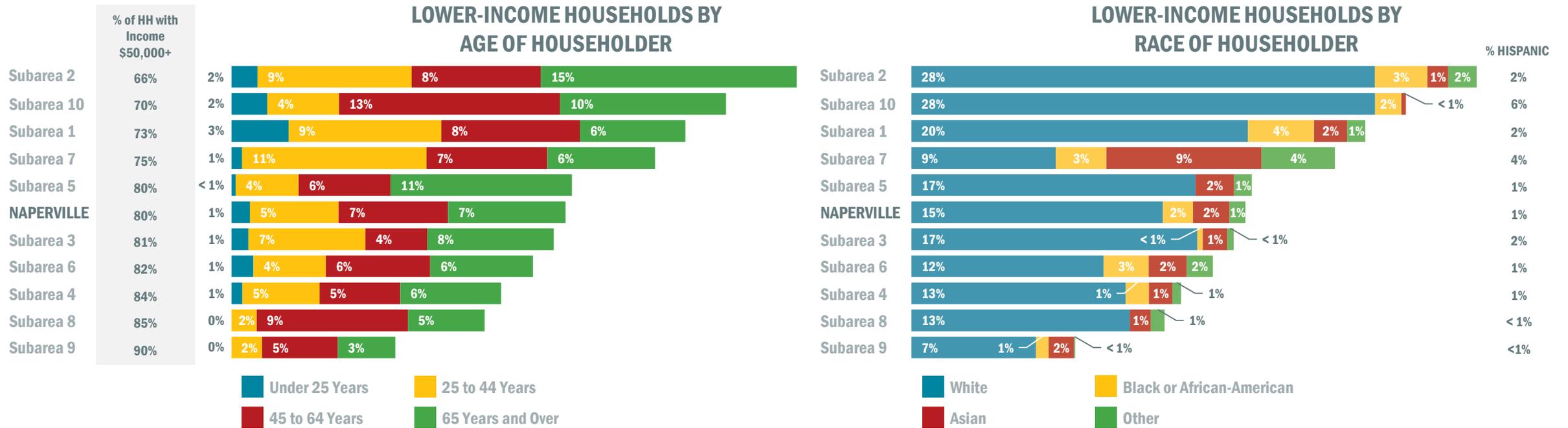


Sources: U.S. Census Bureau, SB Friedman

# Lower-Income Households by Age & Race

## 1.1 Population/Household Characteristics

A demographic profile of lower income households (annual income below \$50,000) by subarea is presented below. Of the lower income households, there is a relatively even split amongst age cohorts (age 25+) overall. Lower-income households are largely white overall.



Sources: U.S. Census Bureau, SB Friedman

# Current Housing Preferences by Age & Income

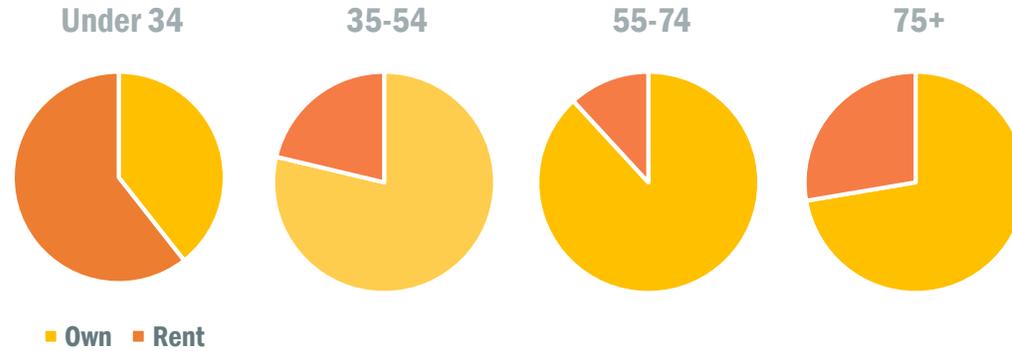
## 1.1 Population/Household Characteristics

Housing preferences of the existing population vary based on the age and income of the householder. Current housing preferences in Naperville by age and income cohort are presented to the right.

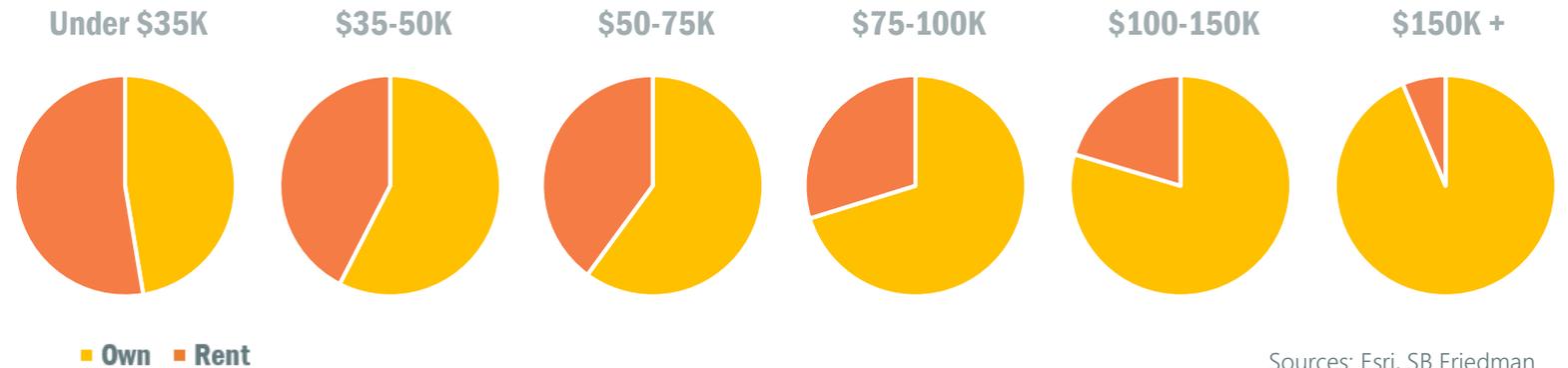
Most householders under age 34 are renters, while householders in the family and empty nester years are predominantly owners. While seniors are also primarily owners, the percent of renters is higher as seniors seek other housing arrangements as they age.

From an income perspective, as householders earn higher incomes, home ownership also increases.

**CURRENT HOUSING PREFERENCES BY AGE**



**CURRENT HOUSING PREFERENCES BY INCOME**



Sources: Esri, SB Friedman

# Current & Historic Employment

## 1.2 Workforce Characteristics

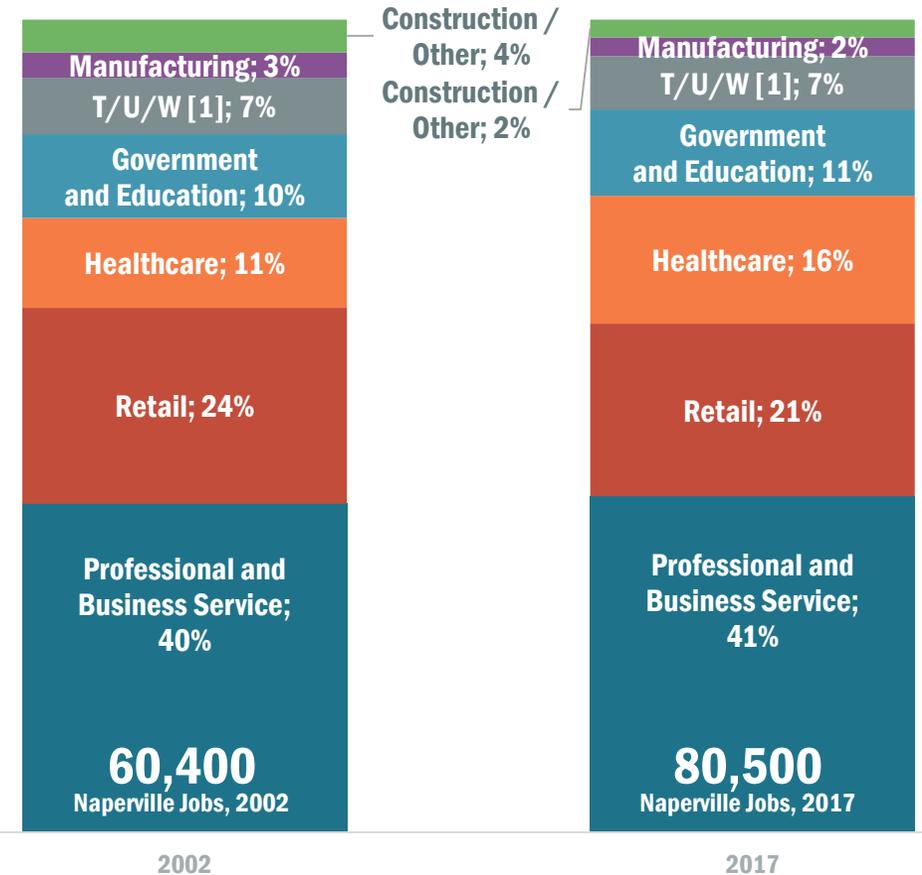
Approximately 80,500 people are employed in Naperville. The Professional and Business Service sector contains the most jobs in Naperville and experienced the largest absolute job gains from 2002 to 2017 (+8,900 jobs). Major sectors include Professional, Scientific, and Technical Services and Finance and Insurance.

Healthcare has grown the most on a percentage basis, nearly doubling over the time period (+6,000 jobs).

Construction/Other was the only sector which lost significant jobs in Naperville over this period, primarily reflecting job losses in the construction field.

Naperville’s employment growth rate of 33% over this time period (1.9% annual growth rate) is also more rapid than the region overall and DuPage County.

**NAPERVILLE EMPLOYMENT COMPOSITION, 2002 AND 2017**



[1] Primarily construction employment

[2] Transportation and Warehousing, Utilities, Wholesale Trade

Source: Bureau of Labor Statistics Occupational Employment Statistics (BLS OES); Longitudinal Employer-Household Dynamics (LEHD); SB Friedman

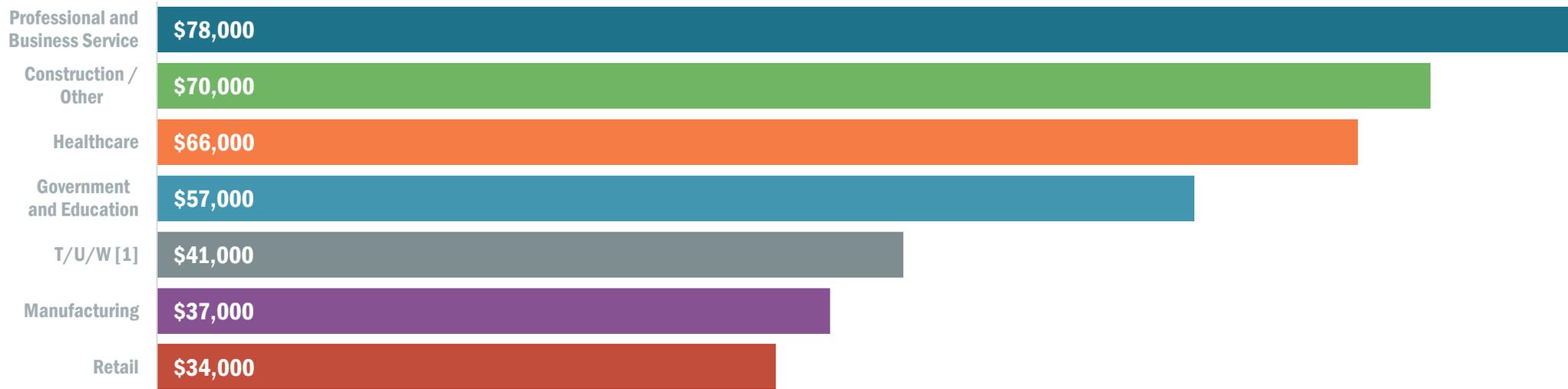
# Estimated Wages

## 1.2 Workforce Characteristics

SB Friedman estimated wages for jobs in Naperville using average wages for the Chicago region by industry, weighted to Naperville’s jobs mix. Professional and Business Service jobs, which made up 41% of jobs in 2017, have an estimated annual wage of \$78,000. Healthcare, the most rapidly growing segment of Naperville’s

employment base, has an estimated wage of \$66,000 per year. Retail jobs, which are shrinking as a share of Naperville’s total jobs, have the lowest estimated wage in Naperville at \$34,000.

ESTIMATED ANNUAL WAGE (CHICAGO REGION), 2017



[1] Transportation and Warehousing, Utilities, Wholesale Trade

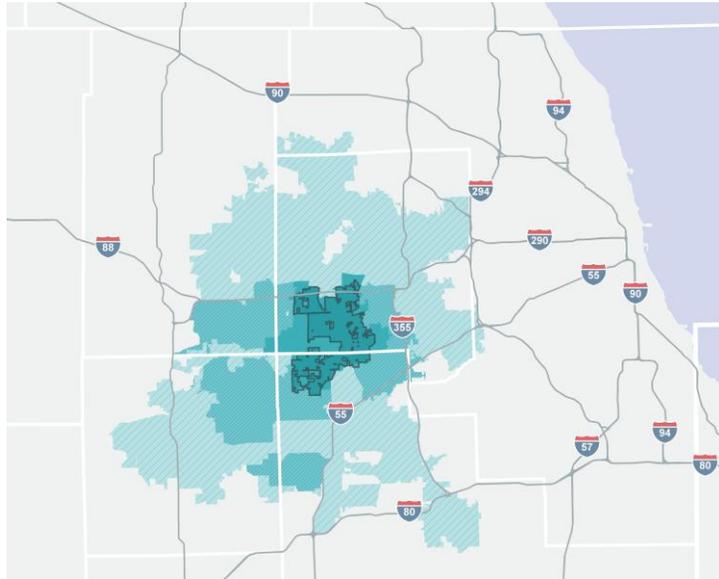
Source: Bureau of Labor Statistics Occupational Employment Statistics (BLS OES); Longitudinal Employer-Household Dynamics (LEHD); SB Friedman

# Commuting Patterns

## 1.2 Workforce Characteristics

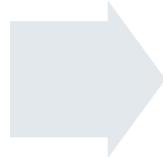
Workers are predominantly commuting into Naperville. Of the total number of workers, 85% (68,490 workers) live outside Naperville, primarily in surrounding communities. The remaining 15% of the workforce lives in Naperville (12,014 workers). Approximately 83% of Naperville residents (57,729 workers) are commuting elsewhere to work.

Areas with enhanced transportation access – regional areas accessible via freeway or train appear to be the most common employment destinations. Over 11,000 residents work in Chicago (16% of employed residents). Overall, Naperville residents who commute elsewhere are generally working in higher wage professions than workers commuting into Naperville.



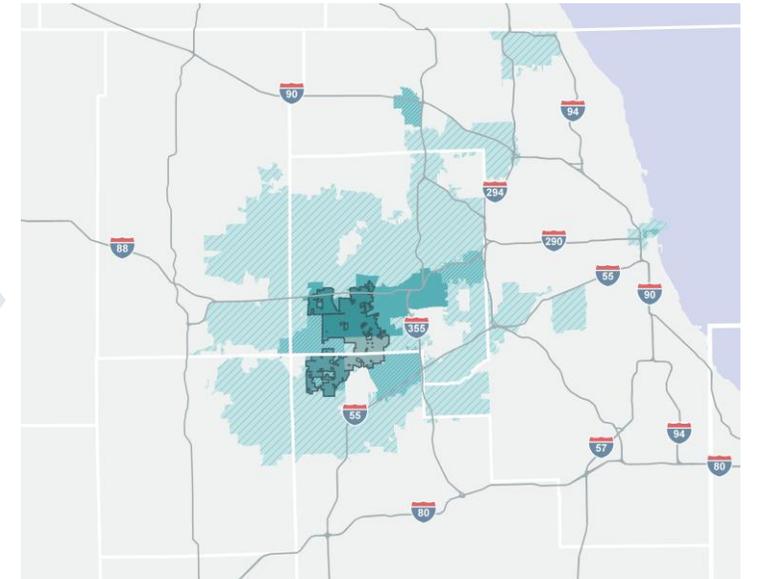
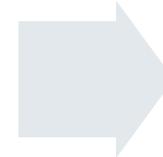
**68,490**

Workers live outside Naperville and commute in to work



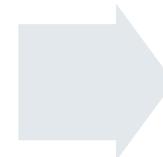
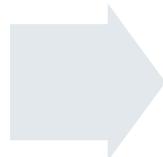
**12,014**

Naperville residents also work in Naperville



**57,729**

Residents of Naperville commute elsewhere to work



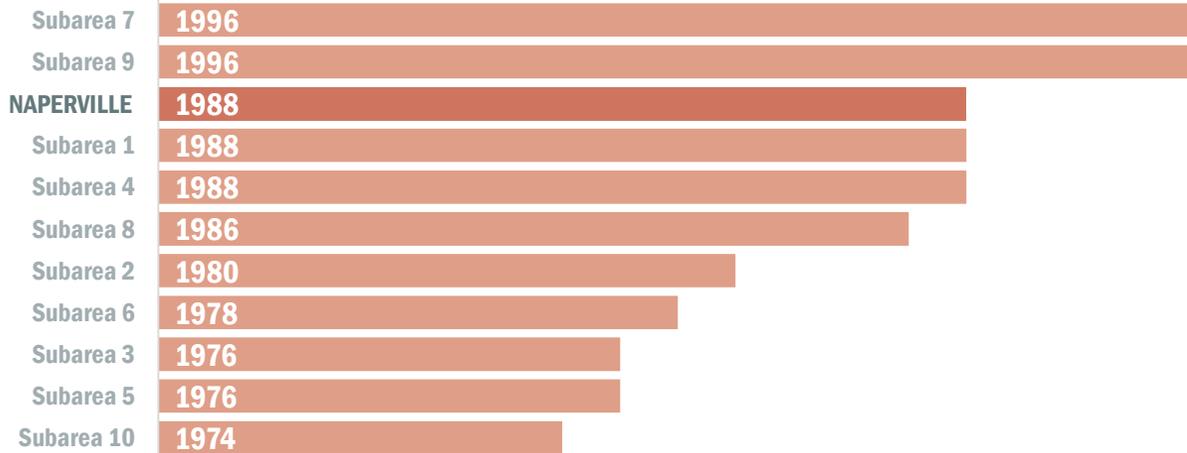
# Median Housing Age & Occupancy

## 1.3 Housing Characteristics

There are approximately 54,000 housing units in Naperville. The age and character of the housing stock is reflective of the City’s major periods of growth (from 1980 to 2000). Overall, the median year built is 1988, though the age of the housing stock varies throughout the City. In the neighborhoods closest to downtown Naperville, the median year built is 1976, while the median year built in the southwest portions of the City is 1997.

Overall, housing occupancy in Naperville is 96%, which is indicative of a strong housing market.

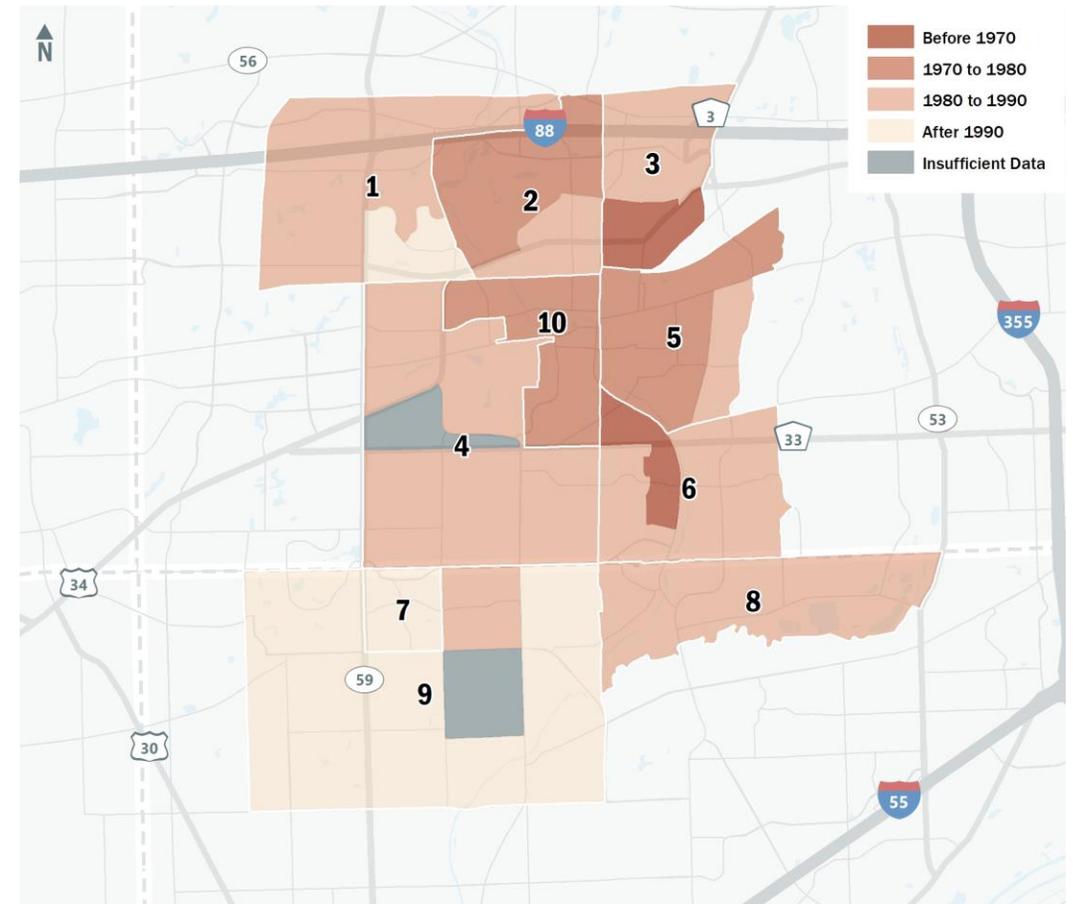
**MEDIAN YEAR BUILT BY SUBAREA, 2017 [1]**



[1] Subarea values are averages of median year built for constituent tracts weighted by counts of all housing units by tract, presented by year.

Source: U.S. Census Bureau, SB Friedman

**MEDIAN HOUSING AGE**



Sources: U.S. Census Bureau, Esri, SB Friedman

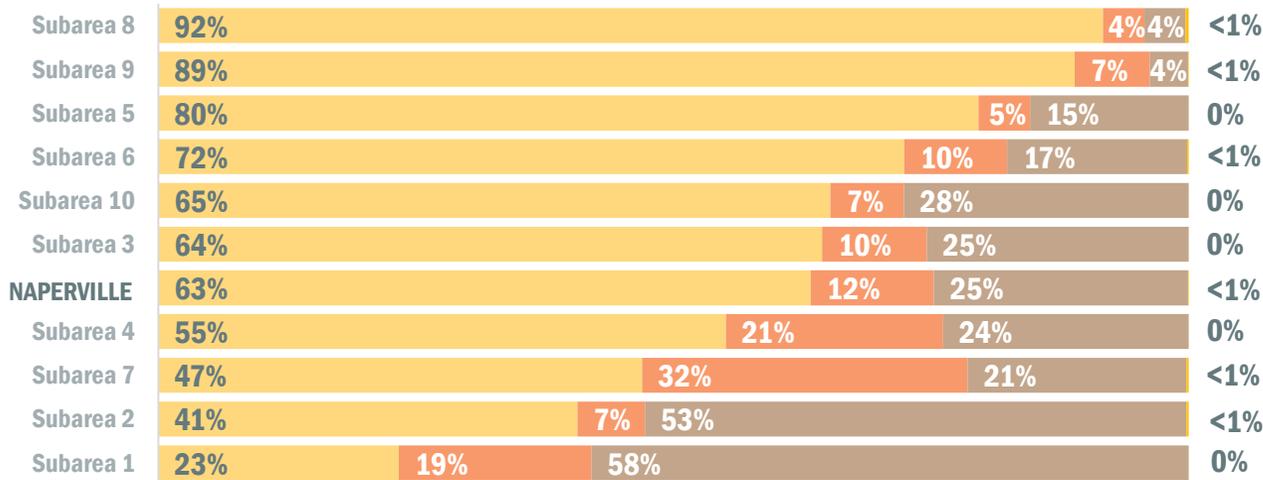
1 Mile

# Housing Typology

## 1.3 Housing Characteristics

Approximately 63% of housing units in Naperville are single-family detached. However, the proportion of single-family homes varies throughout the City. Areas generally north and west tend to have higher shares of multifamily or attached single-family while areas to the south and east tend to have higher shares of detached single-family. At the extremes, over 50% of units in Subareas 1 and 2, are in multifamily buildings, while in Subareas 8 and 9 multifamily constitutes less than 5% of units. Overall, the mix of housing is consistent with DuPage County and is more diverse than Will County.

**HOUSING TYPOLOGY BY SUBAREA, 2017**

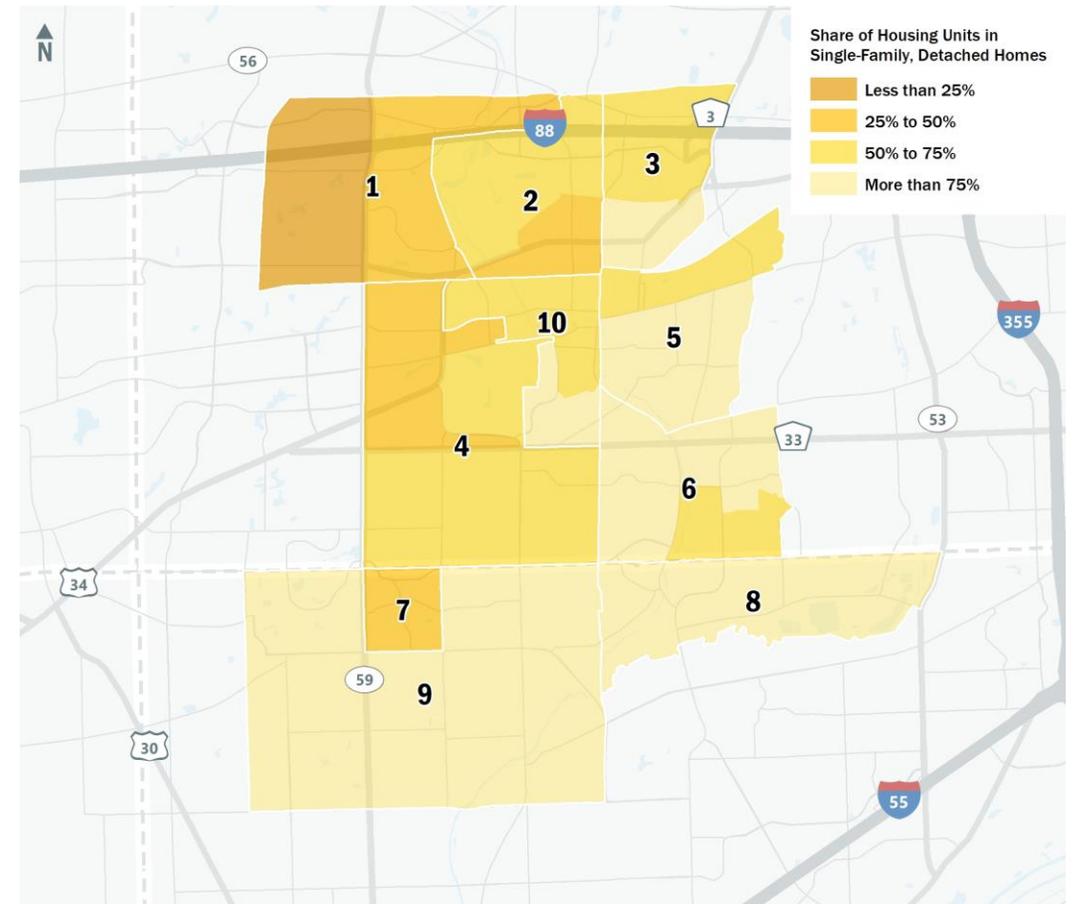


■ Share Single-Family, Detached 
 ■ Share Single-Family, Attached 
 ■ Share Multifamily 
 ■ Share Other

Sources: U.S. Census Bureau, SB Friedman

Naperville Housing Needs Assessment

**SHARE OF SINGLE-FAMILY, DETACHED HOMES BY SUBAREA**



Sources: U.S. Census Bureau, Esri, SB Friedman

1 Mile

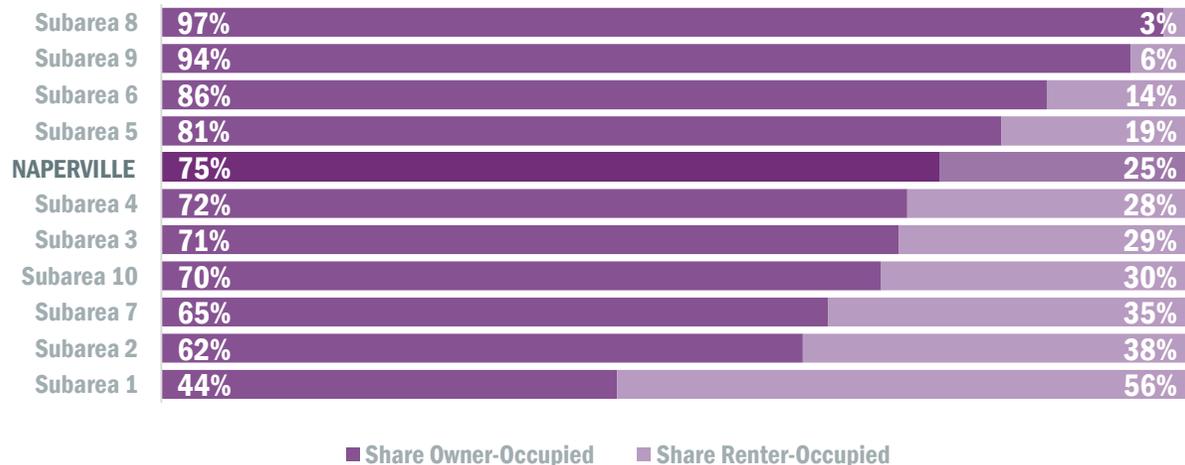
# Housing Tenure

## 1.3 Housing Characteristics

Citywide, approximately 75% of occupied housing units are owner-occupied, while the remaining 25% are renter-occupied. The pattern of housing tenure is similar to the density pattern noted above – lower-rates of home-ownership generally coincide with higher shares of multifamily buildings. Therefore, areas in the north and west of the City tend to have higher rates of renter-occupied units while areas to the south and east tend to have higher rates of owner-occupied units.

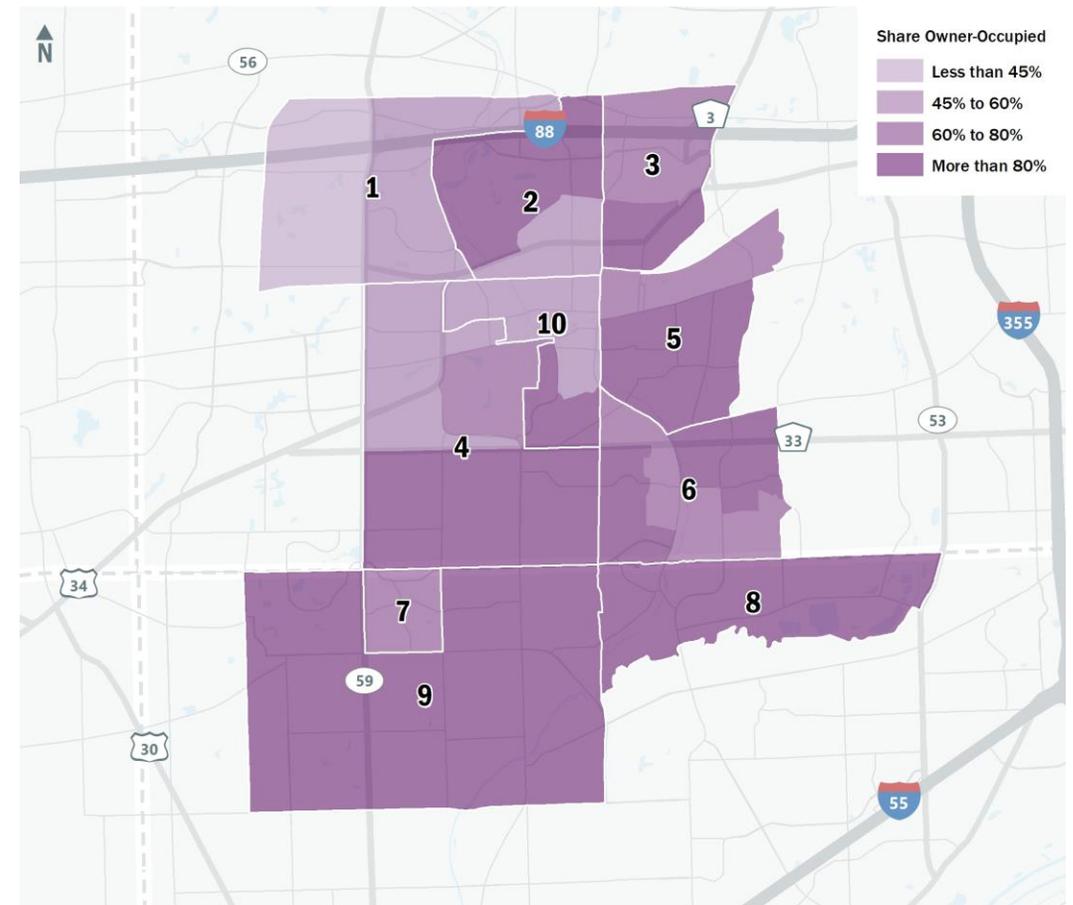
The overall ratio of owner-to-renter housing is consistent with rates in DuPage County, but reflects a higher share of renter-occupancy than in Will County.

**HOUSING TENURE BY SUBAREA, 2017**



Sources: U.S. Census Bureau, SB Friedman  
Naperville Housing Needs Assessment

**HOUSING TENURE BY SUBAREA, 2017**



Sources: U.S. Census Bureau, Esri, SB Friedman

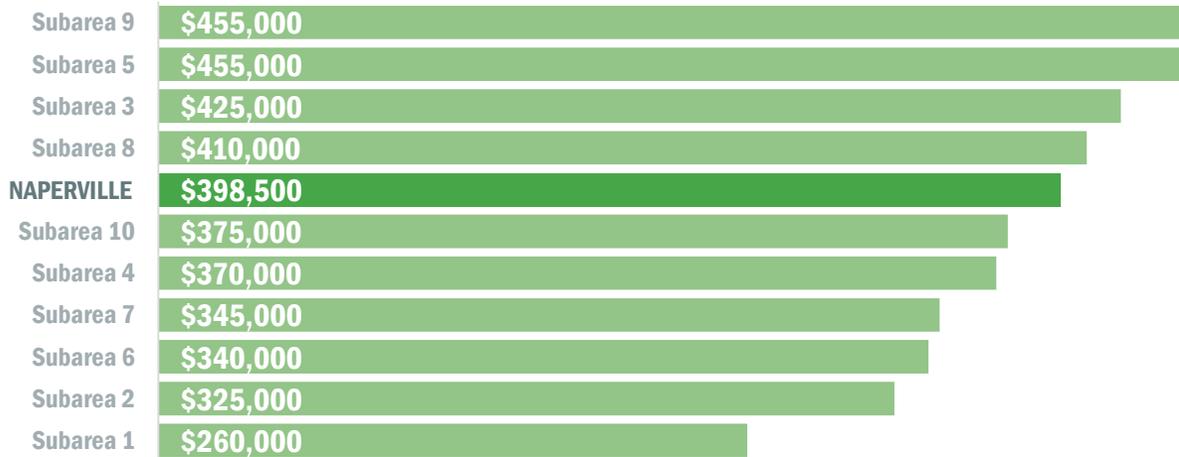
# Median Home Values

## 1.3 Housing Characteristics

Naperville’s median home value is approximately \$398,500 according to the Census. Under U.S. Department of Housing and Urban Development (HUD) standards, housing is considered affordable if up to 30% of income is attributed to housing costs. Median Naperville home values are therefore affordable to households earning approximately \$100,000 per year<sup>[1]</sup>.

Areas east of downtown (Subareas 3 and 5) and along the City’s southern edge (Subareas 8 and 9) generally have home values higher than the City overall – following to some degree the pattern of new home construction described later.

**MEDIAN HOME VALUE BY SUBAREA, 2017 <sup>[2]</sup>**

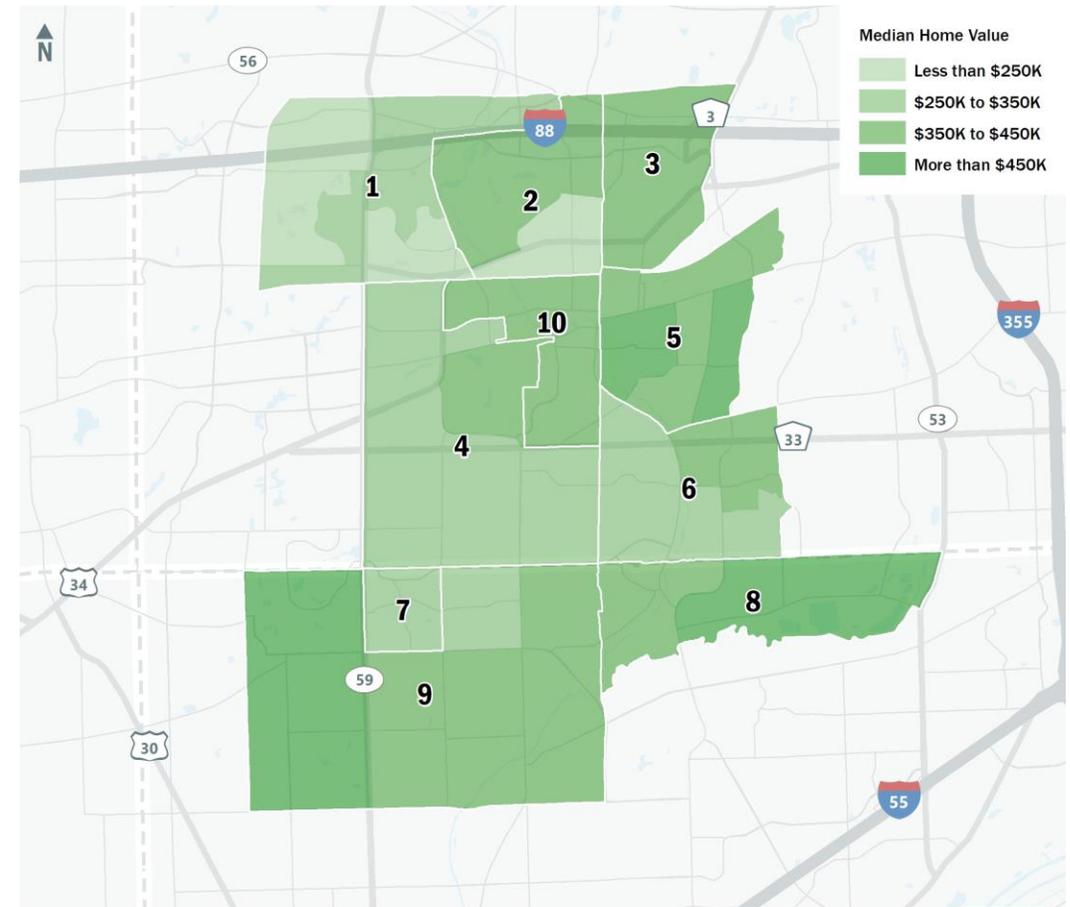


[1] For an explanation of how gross owner-occupied monthly housing costs were estimated, please see Appendix A.

[2] Subarea values are averages of median home values for constituent tracts weighted by counts of owner-occupied housing units by tract. Subarea values rounded to the nearest \$5,000.

Source: SB Friedman; U.S. Census Bureau

**MEDIAN HOME VALUE BY SUBAREA, 2017**



Sources: U.S. Census Bureau, Esri, SB Friedman

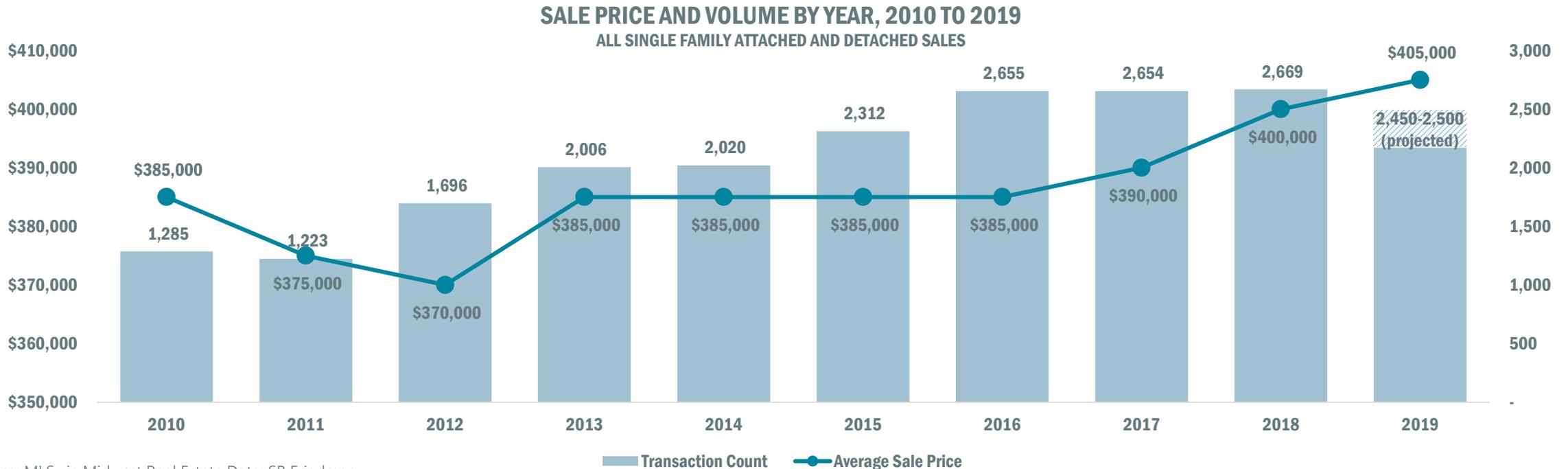
1 Mile

# Recent Home Sales Activity

## 1.3 Housing Characteristics

Census-reported home values are largely consistent with recent single-family home transactions as identified through the Multiple Listing Service (MLS). In 2019, the average sales price in MLS data for the City was \$405,000, which would again be affordable to a household earning approximately \$100,000. MLS data also indicated that recent pace of sales has been relatively stable, with around 7% of the owner-occupied housing stock transacting annually.

After declining in the wake of the Great Recession, both sales volume and prices have risen. While prices appear to be continuing to increase, 2019 data appears to indicate a slight decline in transactions after several years of essentially unchanged transaction levels.



Source: MLS via Midwest Real Estate Data; SB Friedman

# Recent Single-Family Development Activity

## 1.3 Housing Characteristics

Recent single-family home development has clustered near downtown Naperville and in the remaining greenfield areas of the City – primarily in along the City’s edges in the southwest and northwest.

Naperville has averaged approximately 280 new construction permits per year since 2013. The household income needed to purchase one of these new units, assuming 30% of income is attributed to housing costs, has historically been around \$170,000. Key informants indicated that high land costs are driving the higher price points for new construction single-family homes.

Year	Count of SF Permits	Average Value of SF Permit <sup>[1]</sup>	Estimated Home Value Based on Permit Value <sup>[1]</sup>	Estimated Monthly Housing Cost <sup>[2]</sup>	Min. Affordable Household Income
2013	205	\$425,000	\$706,000	\$4,200	\$168,000
2014	324	\$346,000	\$575,000	\$3,500	\$140,000
2015	267	\$355,000	\$590,000	\$3,600	\$144,000
2016	312	\$657,000	\$1,091,000	\$6,500	\$260,000
2017	323	\$411,000	\$683,000	\$4,100	\$164,000
2018	250	\$368,000	\$611,000	\$3,700	\$148,000
2019 <sup>[3]</sup>	108	\$409,000	\$679,000	\$4,100	\$164,000

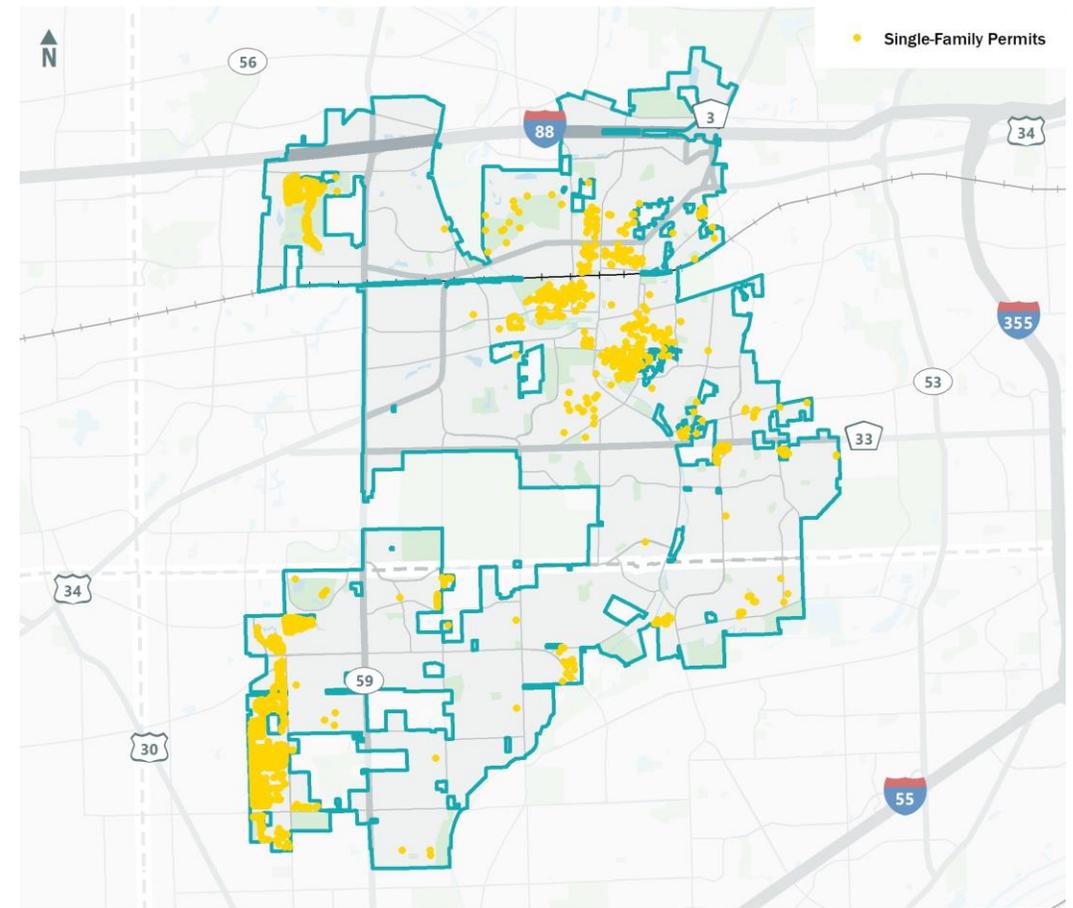
[1] For permits which included value; rounded to nearest \$1,000

[2] See Appendix A for housing cost assumptions; rounded to nearest \$100

[3] Through September 2019

Source: City of Naperville; DuPage County (Clerk, Treasurer); Federal Reserve Bank of St. Louis; National Association of Homebuilders; National Association of Realtors; SB Friedman; U.S. Energy Information Administration

SINGLE-FAMILY NEW CONSTRUCTION PERMITS, 2013-2019



Sources: City of Naperville, Esri, SB Friedman

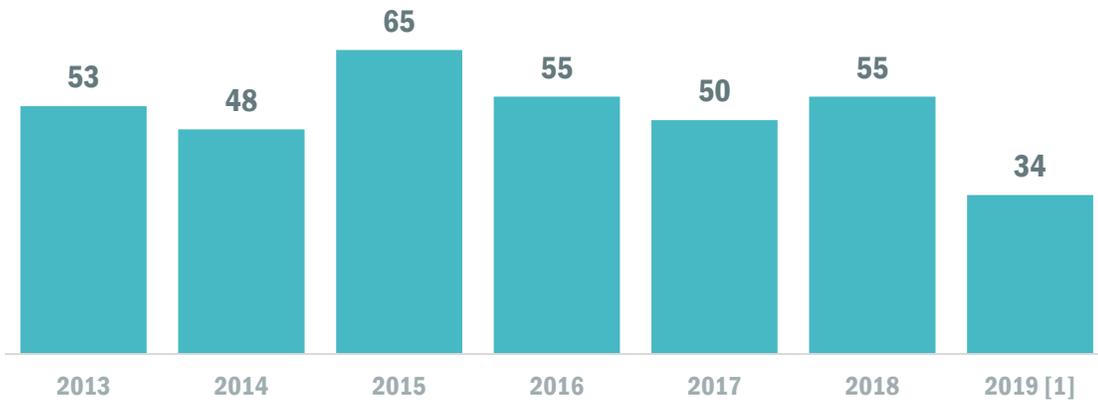
# Recent Single-Family Tear Down Activity

## 1.3 Housing Characteristics

Recent single-family home construction in the neighborhoods surrounding downtown Naperville has typically been associated with the demolition of existing smaller and lower-cost units that may have historically served entry-level homeowners. At least 360 permits have been issued for demolition of single-family homes since 2013, averaging nearly 55 units per year. Approximately 20% of single-family construction permits appear to be accompanied by a demolition permit.

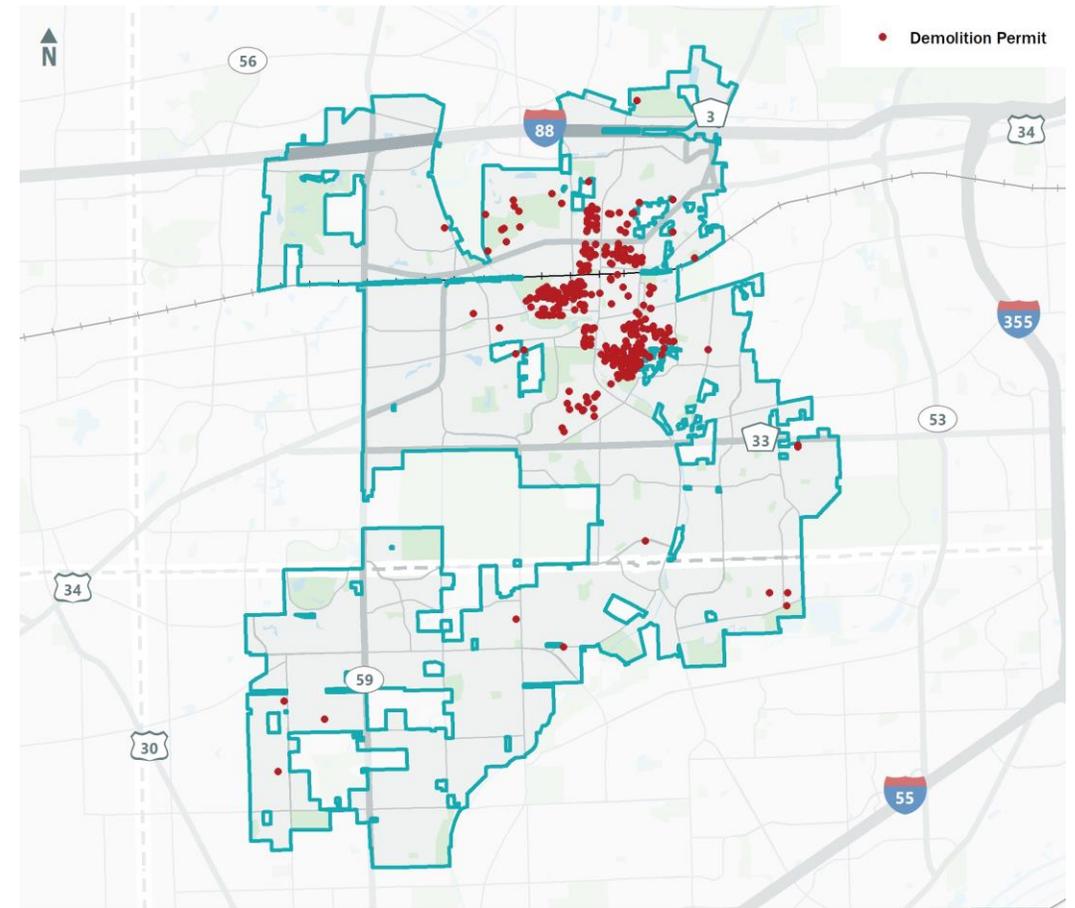
Key informants indicated that these teardowns are contributing to affordability challenges and is further constraining the supply of entry-level and lower cost housing.

**SINGLE-FAMILY DEMOLITION PERMITS BY YEAR**



[1] Through September 2019  
Source: City of Naperville; SB Friedman

**DEMOLITION PERMITS, 2013-2019**



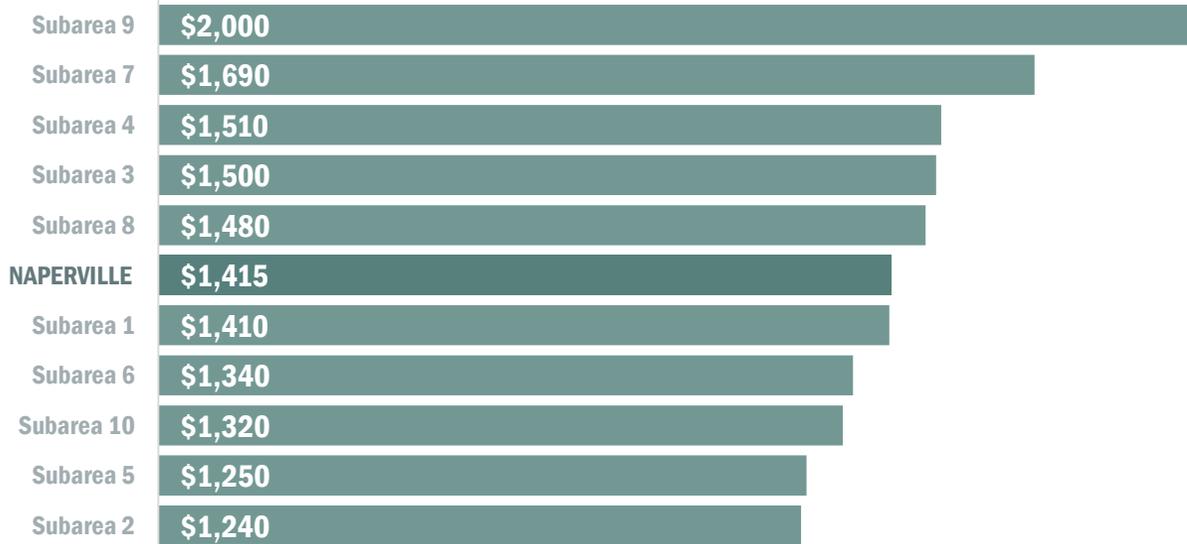
Sources: City of Naperville, Esri, SB Friedman

# Median Gross Rent

## 1.3 Housing Characteristics

Per the Census, Naperville’s median gross rent is \$1,415, which would be affordable to a household earning approximately \$57,000<sup>[1]</sup>. These rents are consistent with data available through CoStar for multifamily product in Naperville. Subareas in the south/southwest and northeast have median gross rents higher than the City overall while subareas in the northwest and east have lower median gross rents.

**MEDIAN GROSS RENT BY SUBAREA, 2017 <sup>[2]</sup>**

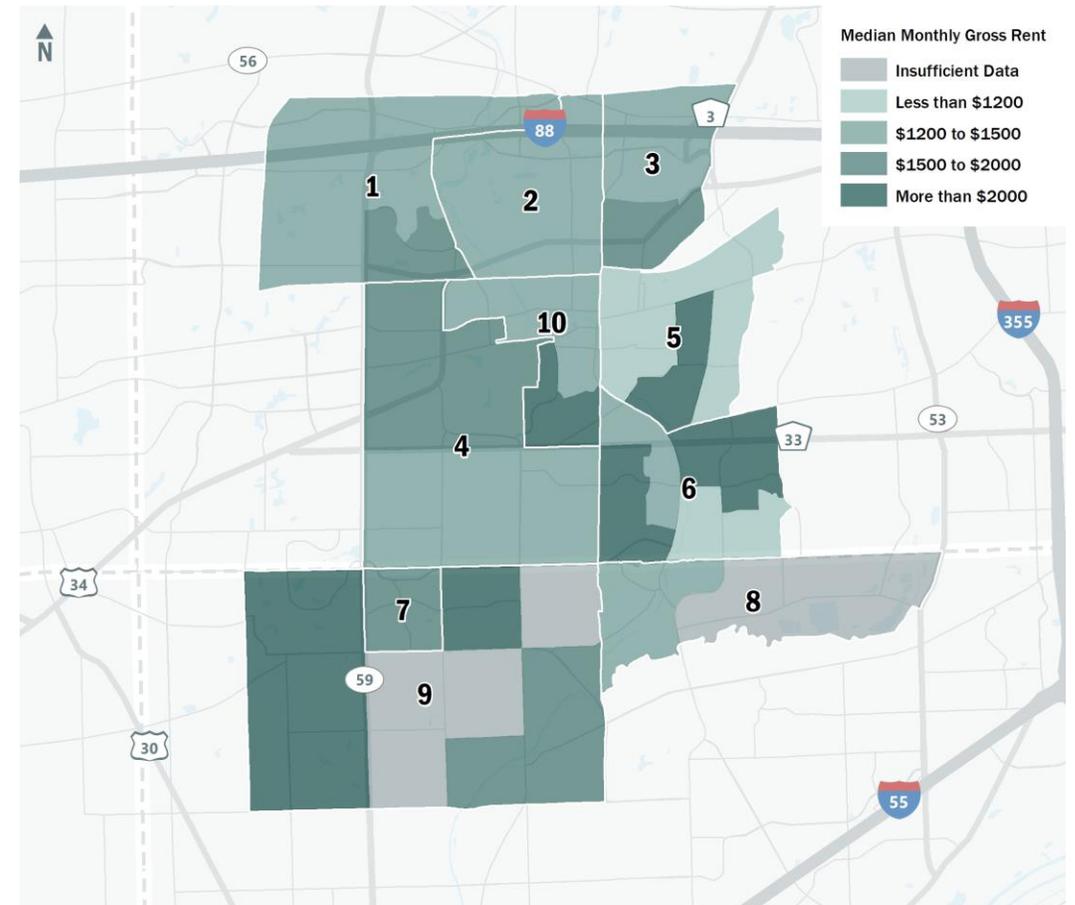


[1] Assuming a household paid monthly rent of \$1,415 and devoted no more than 30% of their income to rent.

[2] Subarea values are averages of median gross rents for constituent tracts weighted by counts of renter-occupied housing units by tract. Subarea values rounded to the nearest \$10.

Source: SB Friedman; U.S. Census Bureau

**MEDIAN GROSS RENT BY SUBAREA**



Sources: U.S. Census Bureau, Esri, SB Friedman

1 Mile

# Existing Market-Rate Multifamily

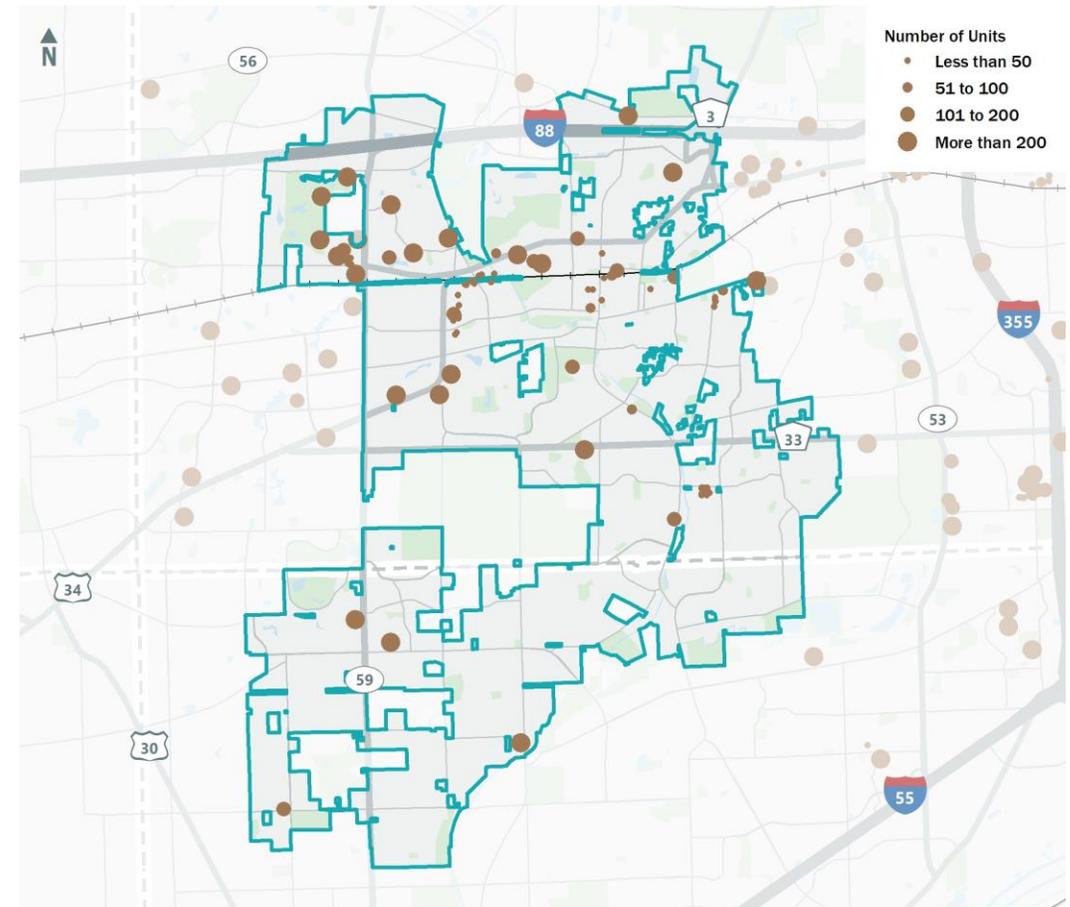
## 1.3 Housing Characteristics

Naperville contains ±8,750 multifamily units in buildings with 4+ units and that are tracked by CoStar. As noted earlier, many of the multifamily properties are in the northern and western portions of the City.

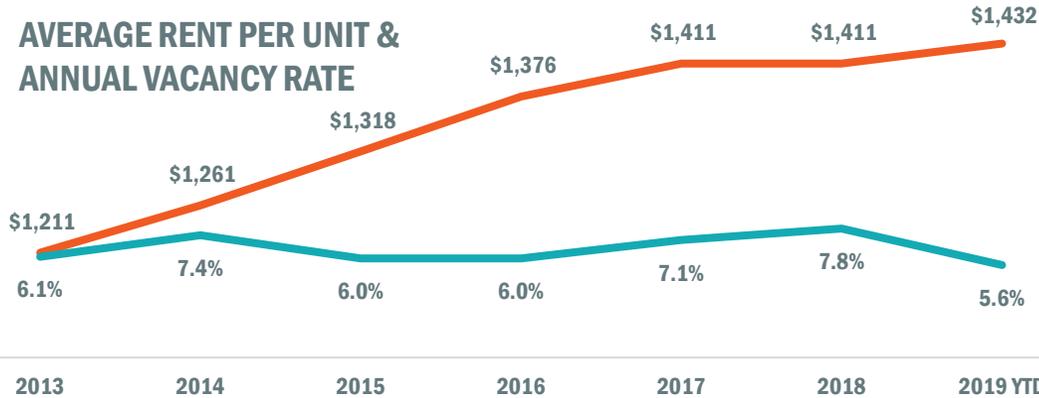
Apartments are predominantly 1- and 2-bedroom units with few family-sized units (3+ bedrooms). Existing product is generally older with an average age of 30+. Since 2013, average rents have increased amid generally steady vacancy. Multifamily vacancy is currently 5.6%, which is relatively low, in particular for older product.

Key informants indicated that older multifamily product frequently serves as naturally-occurring affordable housing.

### MARKET-RATE MULTIFAMILY PROPERTIES



Sources: CoStar, Esri, SB Friedman



### CURRENT UNIT MIX



Source: CoStar; SB Friedman

# Recent Multifamily Development Activity

## 1.3 Housing Characteristics

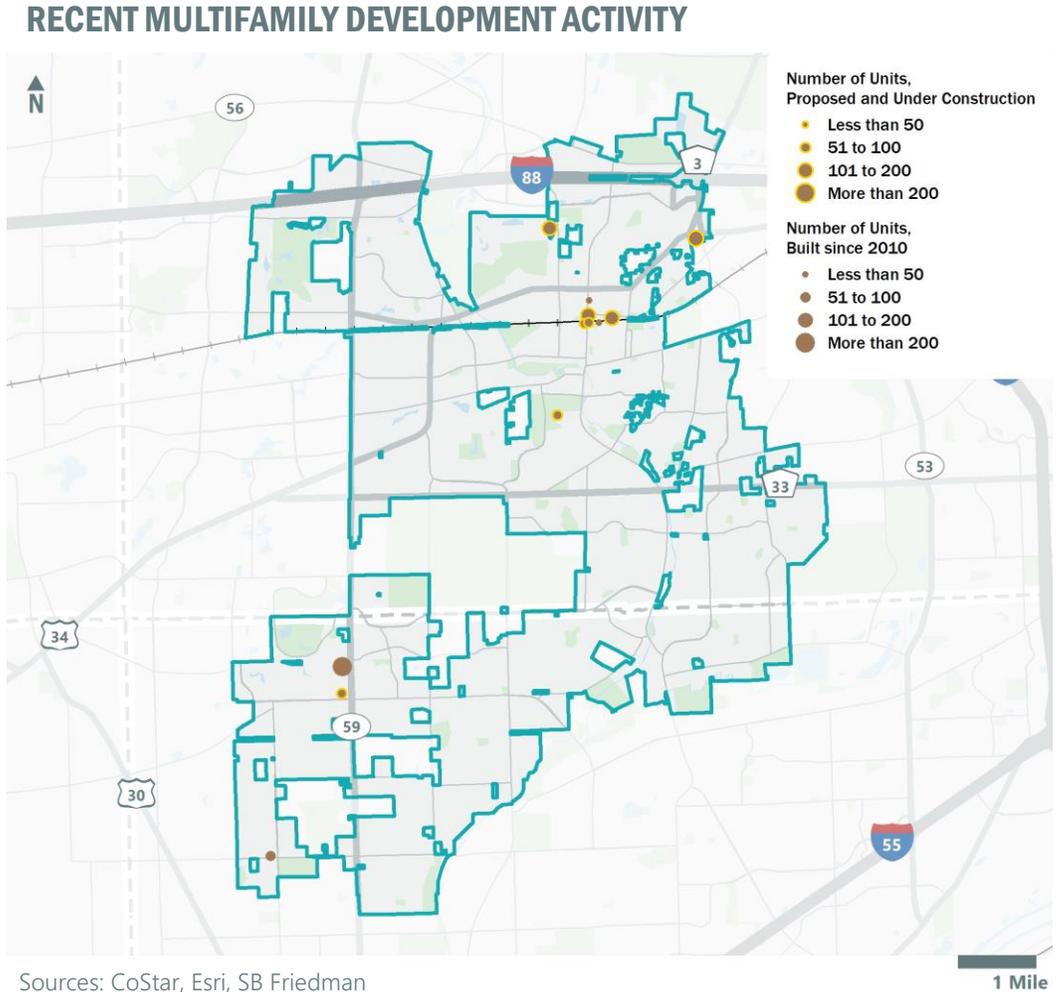
Unlike the distribution of existing market rate multifamily which is clustered toward the City’s northwest, recently completed and proposed multifamily projects are located near downtown Naperville and in the City’s southwest. New units were delivered in 2014 (298 units) and 2018 (107).

Newer multifamily product is typically luxury and caters to younger, and higher-income households. New units tend to have higher asking rents than the market overall and a slightly higher share of family-sized units. Vacancy for new product is somewhat high, given that several projects delivered in 2018 are still in lease-up. This product is leasing at approximately a 25% premium to the overall supply.

	Naperville Multifamily Built Since 2010	Naperville Multifamily All Units <sup>[1]</sup>
Number of Units	405	8,742
Vacancy <sup>[2]</sup>	9.2%	5.6%
Average Rent	\$1,774	\$1,432

Share Family-Sized Units <sup>[3]</sup> 9% 3%

[1] Buildings of 4 or more units; The smallest building built since 2010 has 8 units.  
 [2] Includes 3 buildings built in 2018 which are still leasing up and one building built in 2014 with 8.1% vacancy.  
 [3] Units of 3 bedrooms or more  
 Source: CoStar; SB Friedman



# Existing Senior Housing

## 1.3 Housing Characteristics

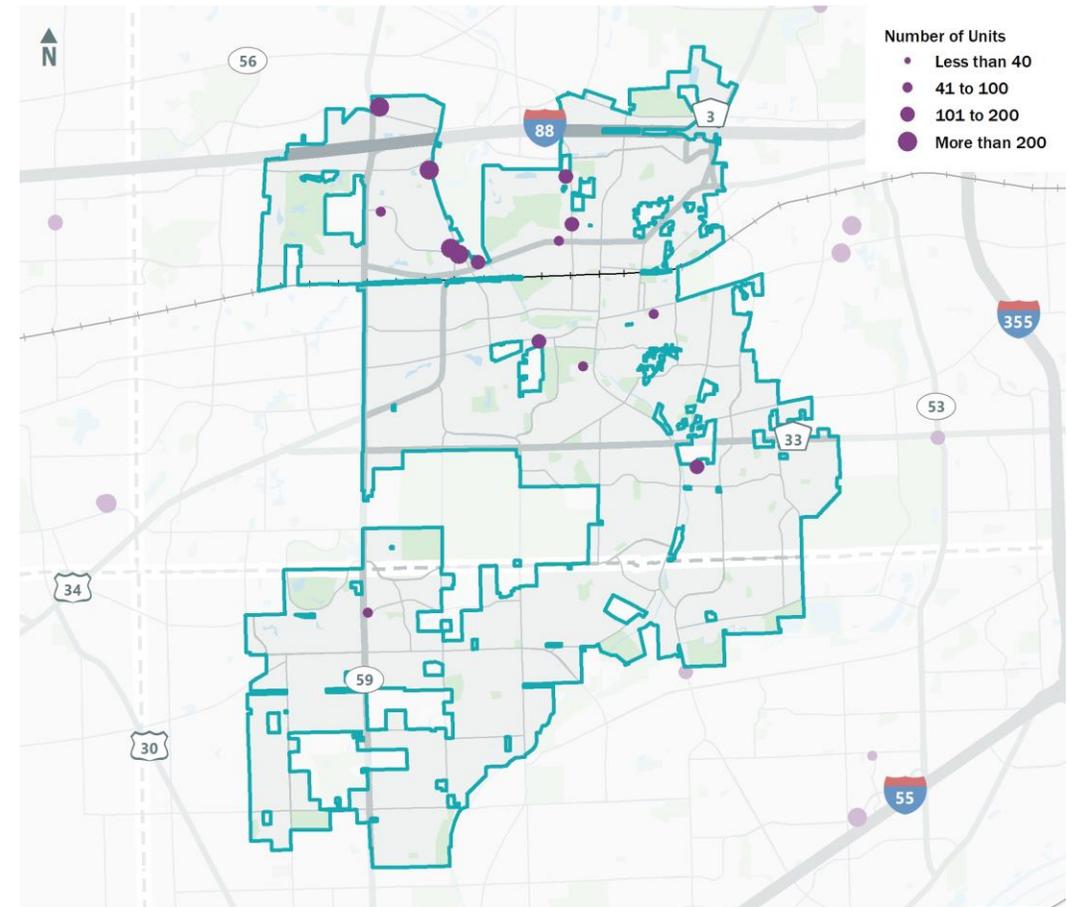
There are approximately 2,400 senior housing units in Naperville. Most of the existing product is nursing care (NC) facilities that are on average 25 years old. Recent construction has been only independent living (IL) and assisted living/memory care (AL/MC) facilities. Like market-rate multifamily properties, many of these facilities are located in northwest Naperville, with fewer facilities to the south and east.

Constrained supply appears to be limiting options for seniors who want to remain in the City. This was confirmed by key informants. The market has responded through the construction of age-restricted, active adult communities. However, this product is again largely luxury and catering primarily to higher-income households.

All Age-Restricted Multifamily	IL	AL/MC	NC	Total
Property Count	3	5	6	14
Unit Count	622	614	1,130	2,366
Share of Total	26%	26%	48%	100%
Average Year Built	1999	2006	1985	1994

Source: National Investment Center, SB Friedman

### SENIOR MUTIFAMILY PROPERTIES



Source: National Investment Center, Esri, SB Friedman

# Existing Income-Restricted Multifamily

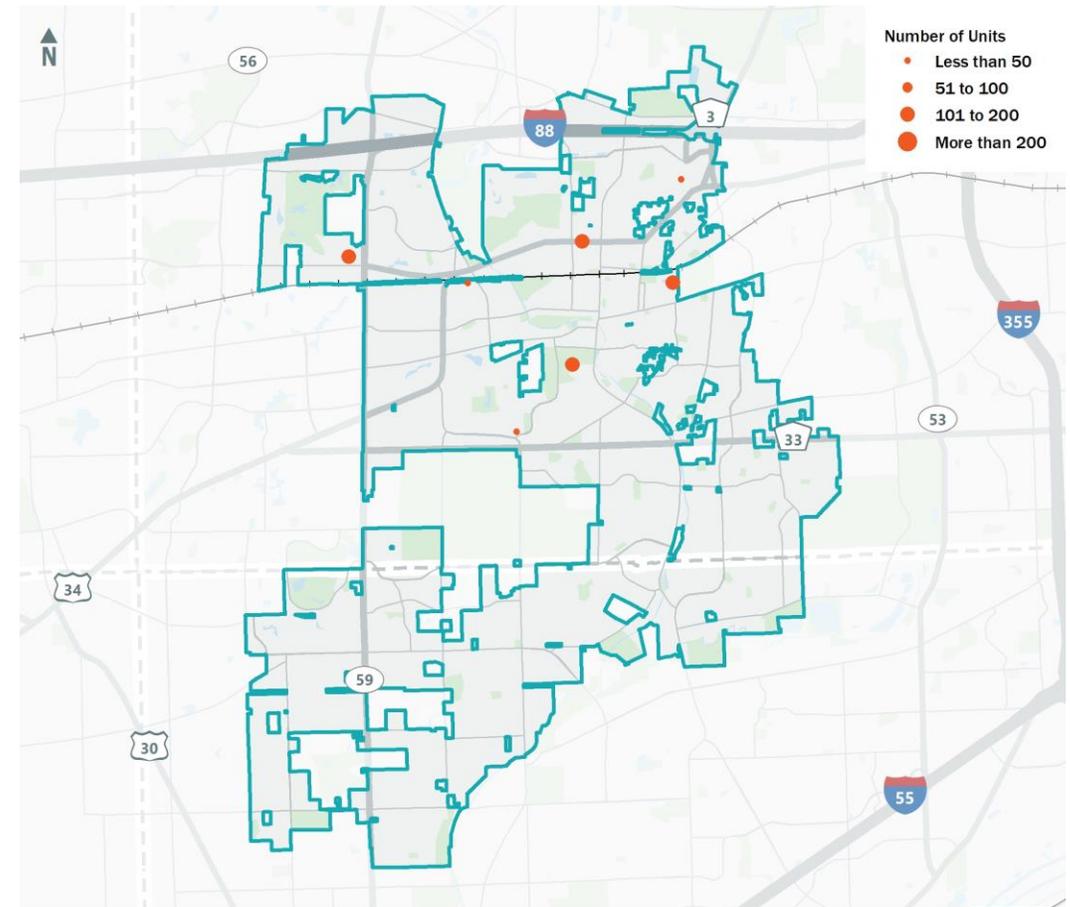
## 1.3 Housing Characteristics

Based on data from HUD and the Illinois Housing Development Authority (IHDA), Naperville contains approximately 550 total income-restricted units in 7 affordable properties. This accounts for only 4% of the City’s overall rental housing stock. Nearly all of these units are in the 4 projects outlined below. Income-restricted housing developments are typically constructed by non-profit developers with financial assistance available through federal programs and may receive ongoing rental support through HUD. Operators indicated that existing facilities have multiyear waiting lists.

	Martin Avenue Apartments	Ogden Manor	Charles Court	Countrywood Apartments
Unit Count	122 (+68 under construction)	108	130	180
Bedroom Types	Studio, 1BR, 2BR	1BR, 2BR, 3BR	1BR, 2BR	1BR, 2BR
Public Support <sup>[1]</sup>	PBV, LIHTC	PBV, LIHTC	PBV	LIHTC
Population Served	Seniors, Special Needs	Family, Seniors, Special Needs	Seniors	Family

[1] LIHTC: Low-Income Housing Tax Credits; PBV: project-based vouchers that provide ongoing rental assistance  
 Sources: Affordable Housing Online; Illinois Housing Development Authority (IHDA); SB Friedman

### INCOME-RESTRICTED MULTIFAMILY PROPERTIES



Sources: Illinois Housing Development Authority, U.S. Department of Housing and Urban Development, Esri, SB Friedman

# Existing Income-Restricted Multifamily

## 1.3 Housing Characteristics

Housing choice vouchers (HCV) also provide rental subsidies for lower-income residents and can be used for market-rate units. Voucher holders are a protected class in Naperville. However, it is difficult to quantify through publicly available sources the number of HCV currently utilized in Naperville.

In addition to larger facilities, there are scattered-site projects/programs in Naperville focused on seniors, people with special needs, and homeless populations or those at the risk of homelessness.

The market appears unable to address a lack of affordability on its own, likely requiring intervention by the public sector. The need for affordable housing was expressed by many stakeholders and appears to be a high priority in the City today.

# Owner-Occupied Naturally-Occurring Affordable Housing

## 1.3 Housing Characteristics

SB Friedman quantified the universe of owner-occupied naturally occurring affordable housing (NOAH) in Naperville through an analysis of home sales available through MLS (2010-2019, adjusted to 2019 dollars).

SB Friedman evaluated NOAH at two affordability levels using IHDA-defined gross rent limits for the Chicago region, which includes DuPage and Will Counties:

1. Gross monthly housing costs at or below the 80% gross rent limit. At this affordability level, homes would be affordable to low-income households earning approximately \$71,000 for a family of 4; and
2. Gross monthly housing costs at or below the 120% gross rent limit. At this affordability level, homes would be affordable to households earning approximately \$107,000 for a family of 4.

### 80% GROSS RENT LIMIT

SB Friedman estimates that approximately 27% of sale transactions in Naperville from 2010 to 2019 represented NOAH units at the 80% affordability level. NOAH transactions were primarily for older and/or attached units. There were no estimated NOAH transactions on detached housing built since 2001 in Naperville. Applying the rates of NOAH transactions by unit bedroom count to Naperville's housing mix, SB Friedman estimates that approximately 21% of Naperville's owner-occupied housing could be considered NOAH.

### 120% GROSS RENT LIMIT

SB Friedman applied the same methodology to households at the 120% affordability level. While a far greater share of units are considered NOAH at this income level (66%), there is still almost no newer detached housing in the NOAH range. Rather, most NOAH units are in older detached single-family homes.

# Owner-Occupied Naturally-Occurring Affordable Housing

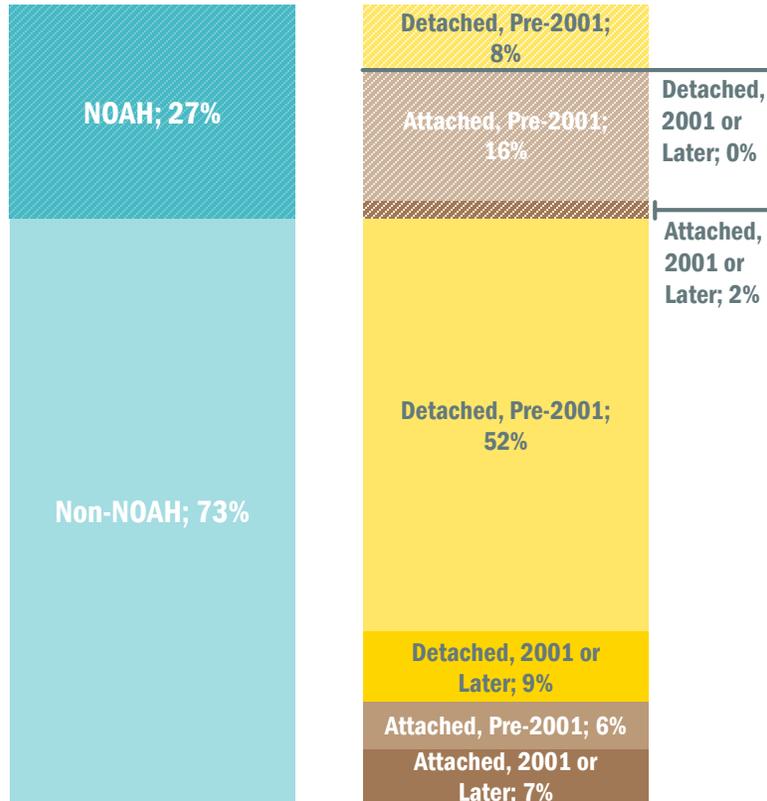
## 1.3 Housing Characteristics

DRAFT

**ESTIMATED NOAH UNITS at 80%**



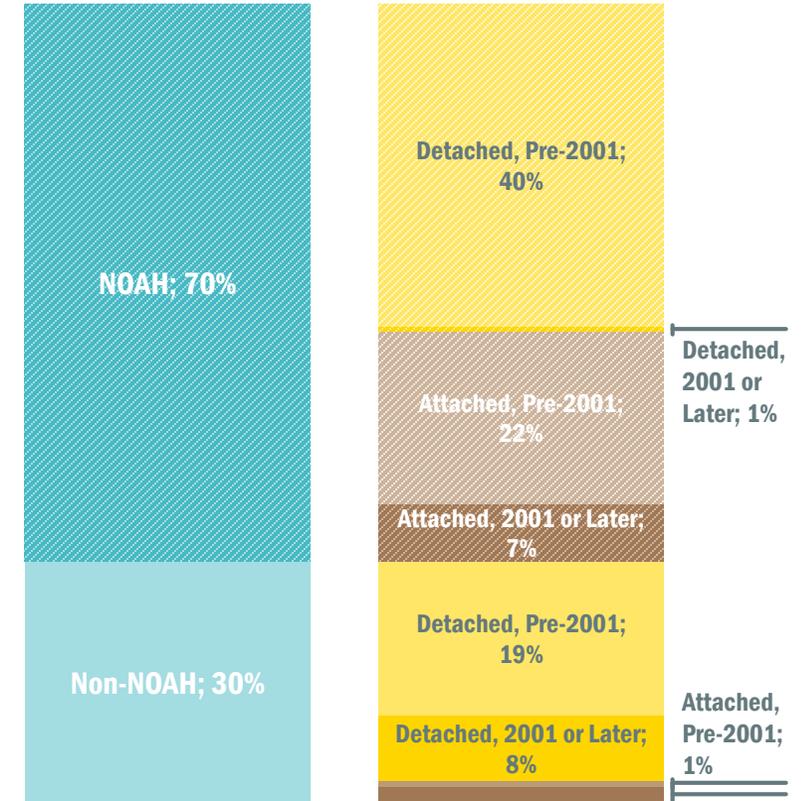
**COMPOSITION OF OBSERVED, ESTIMATED 80% NOAH TRANSACTIONS, 2010 TO 2019**



**ESTIMATED NOAH UNITS AT 120%**



**COMPOSITION OF OBSERVED, ESTIMATED 120% NOAH TRANSACTIONS, 2010 TO 2019**



Source: DuPage County (Clerk, Treasurer); Federal Reserve Bank of St. Louis; IHDA; MLS via Midwest Real Estate Data; National Association of Realtors; SB Friedman ; U.S. Census Bureau; U.S. Energy Information Administration

Source: DuPage County (Clerk, Treasurer); Federal Reserve Bank of St. Louis; IHDA; MLS via Midwest Real Estate Data; National Association of Realtors; SB Friedman ; U.S. Census Bureau; U.S. Energy Information Administration

# Owner-Occupied Naturally-Occurring Affordable Housing

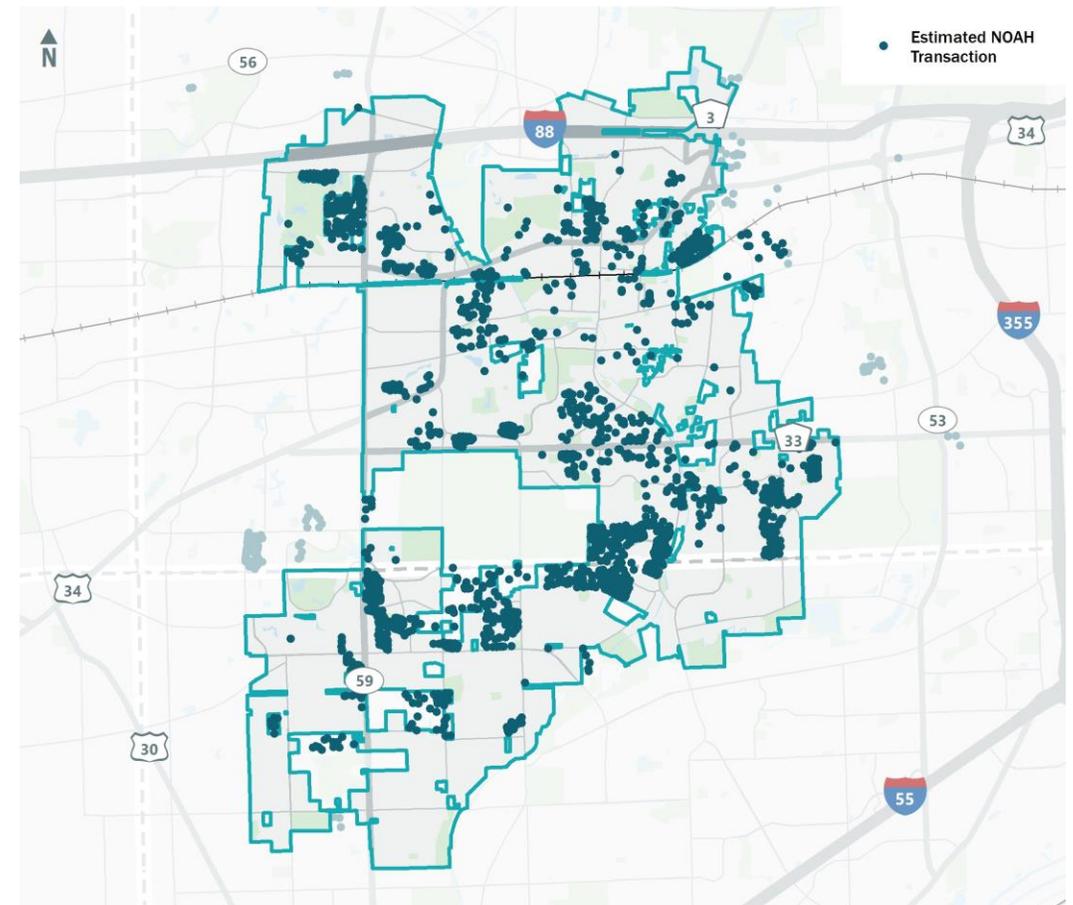
## 1.3 Housing Characteristics

DRAFT

NOAH transactions at the 80% affordability level were mapped to indicate where pockets of naturally occurring for-sale housing exist. These transactions are spread throughout the City and in adjacent unincorporated areas.

The distribution likely reflects the pattern of older housing stock, which was observed to more likely be NOAH. Areas of concentration may reflect historic developments targeted to more affordable price points which have maintained affordability.

### ESTIMATED OWNER-OCCUPIED 80% NOAH TRANSACTIONS



Source: DuPage County (Clerk, Treasurer); Federal Reserve Bank of St. Louis; IHDA; MLS via Midwest Real Estate Data; National Association of Realtors; SB Friedman ; U.S. Census Bureau; U.S. Energy Information Administration

# Renter-Occupied Naturally-Occurring Affordable Housing

## 1.3 Housing Characteristics

DRAFT

SB Friedman estimates that approximately 16% of rental units in Naperville are either NOAH units<sup>[1]</sup> affordable to residents at 60% of IHDA income limits (12%) or are income-restricted affordable housing through various governmental programs (4%). The highest number of units are concentrated in northwest Naperville, with the lowest concentration in the northeast and southern portions of the community.

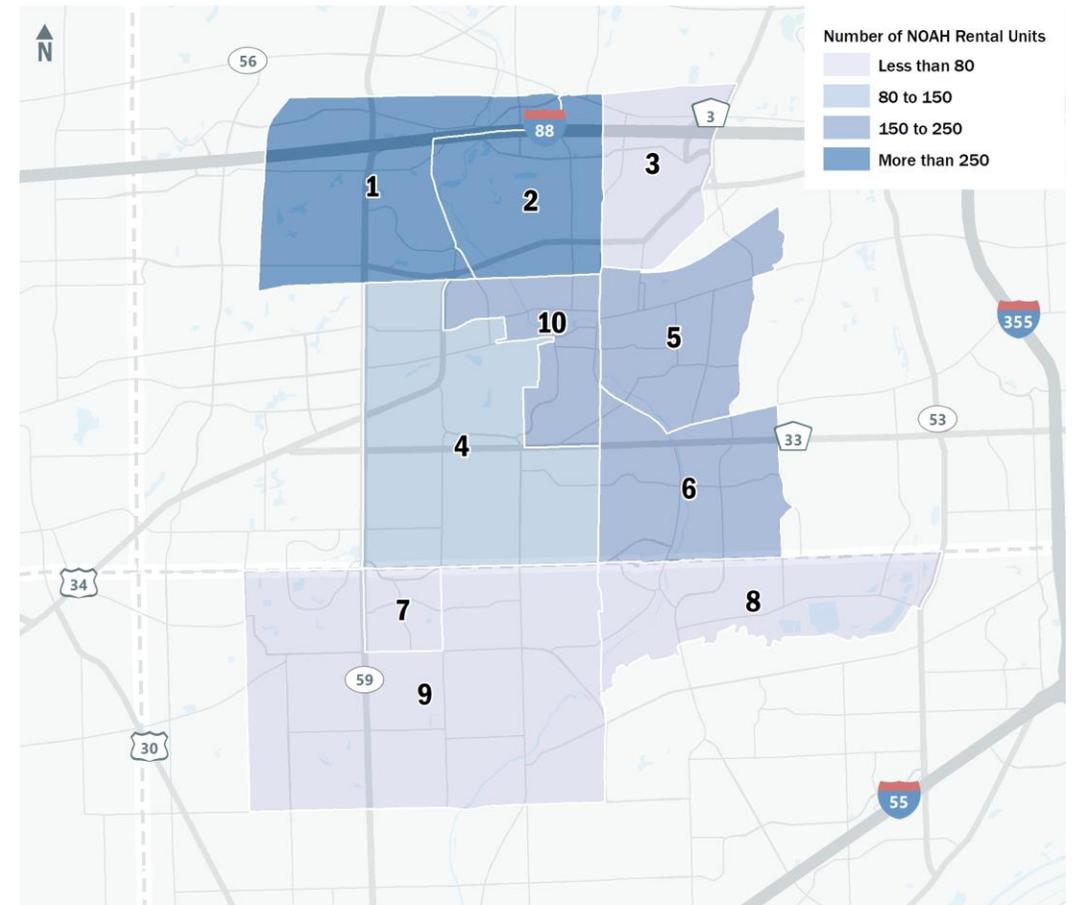
### ESTIMATED RENTER-OCCUPIED NOAH

City of Naperville

By Subarea

City of Naperville		By Subarea	
<b>Affordable Units; 16%</b>	<b>Estimated NOAH Units; 12%</b>	<b>Subarea 1</b>	<b>313</b>
	<b>Income-Restricted Units; 4%</b>	<b>Subarea 2</b>	<b>266</b>
<b>Non-Affordable Units; 84%</b>		<b>Subarea 5</b>	<b>221</b>
		<b>Subarea 10</b>	<b>195</b>
		<b>Subarea 6</b>	<b>186</b>
		<b>Subarea 4</b>	<b>142</b>
		<b>Subarea 3</b>	<b>79</b>
		<b>Subarea 7</b>	<b>69</b>
		<b>Subarea 9</b>	<b>59</b>
		<b>Subarea 8</b>	<b>35</b>

### RENTER-OCCUPIED NOAH PRODUCT



[1] For this analysis, SB Friedman defined renter-occupied NOAH units as units with monthly rent (adjusted by bedroom count) per U.S. Census figures at or below IHDA's 2019 60% gross rent limit for the Chicago region which includes DuPage and Will counties.

Source: IHDA; SB Friedman; U.S. Census Bureau; U.S. Dept. of Housing and Urban Development (HUD)

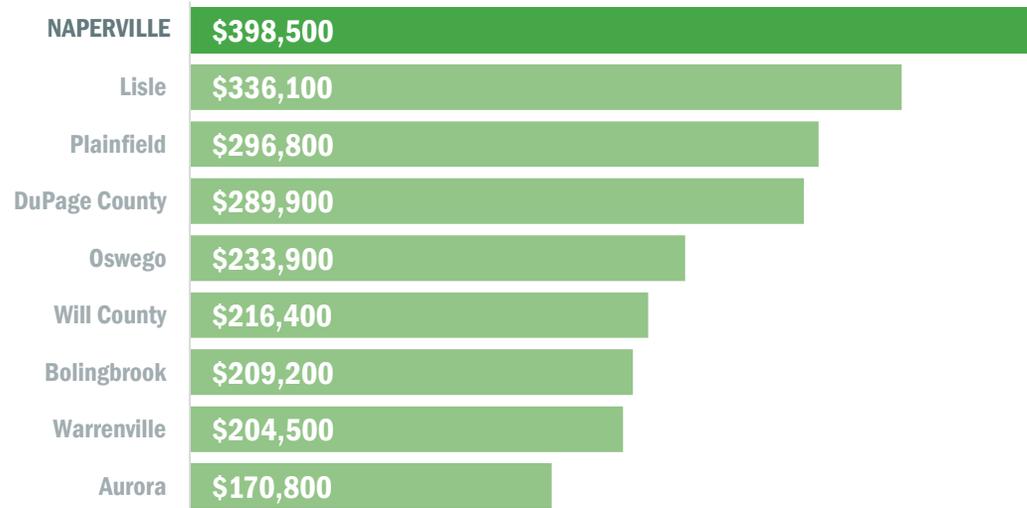
# Home Values & Rents Relative to Neighboring Communities

## 1.3 Housing Characteristics

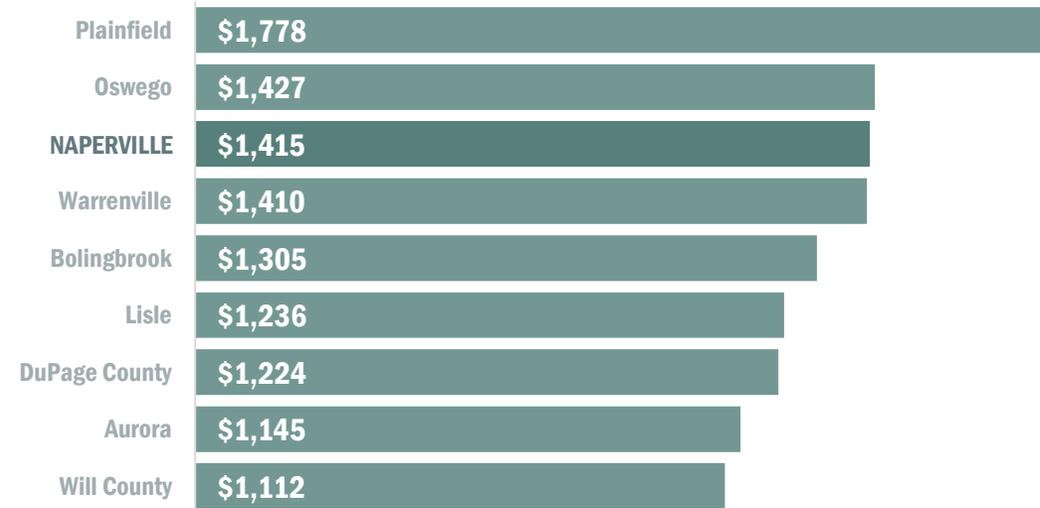
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Naperville has high housing prices relative to its neighboring communities. In terms of its median home value, it is at the top of values among neighboring communities and is more than \$60,000 above values in the next highest-priced community. In terms of median gross rent, Naperville is also near the top of the list. While Plainfield is significantly higher and Oswego slightly higher, those communities both have far fewer apartment units than Naperville and rental units are a much smaller share of the housing mix in those communities.

**MEDIAN HOME VALUE, 2017**



**MEDIAN GROSS RENT, 2017**



Sources: U.S. Census Bureau, SB Friedman

# Housing Affordability Analysis

## 1.4 Housing Affordability

Given the high median home value and rents, housing affordability appears to be a challenge across several income cohorts. This was confirmed through key informant interviews. SB Friedman evaluated housing affordability through two analyses:

1. Evaluating the number of households at each income cohort relative to the supply of housing available to that cohort; and
2. Reviewing the number and spatial distribution of cost-burdened households, as identified by the Census.

The results of these analyses are presented on the following pages. Separate analyses were undertaken for owner- and renter-occupied housing.

# Owner-Occupied Housing Affordability by Income Cohort

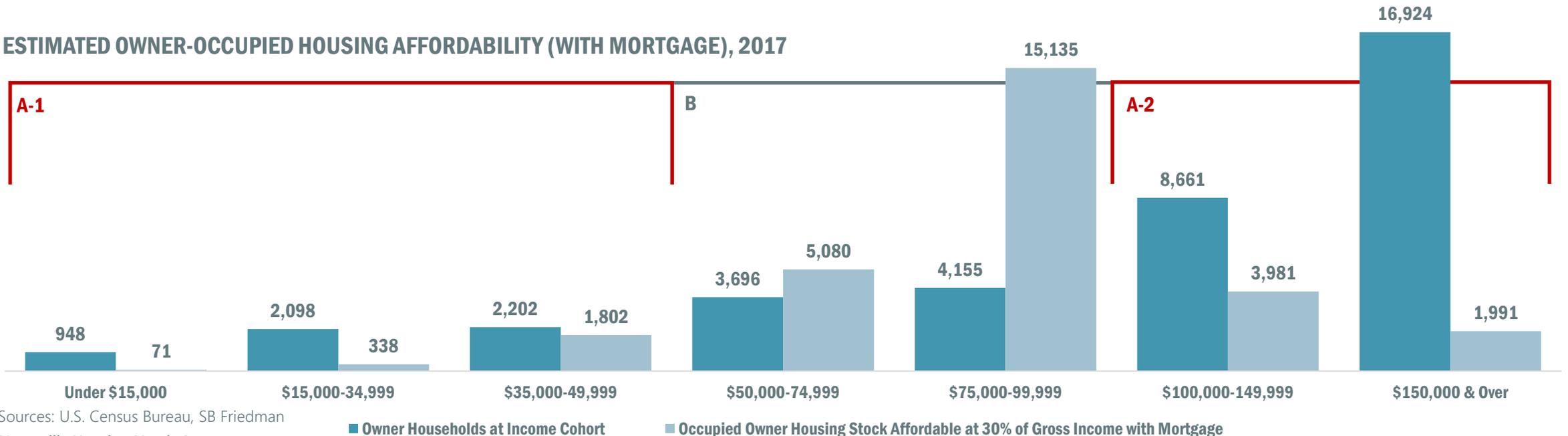
## 1.4 Housing Affordability

Presented below is the number of owner-occupied households at each income cohort relative to the supply of housing available to that cohort. Income groups labeled **A** are those where the number of households exceed the number of occupied housing units affordable at that level. While group **A-2** can occupy housing at lower affordability levels; group **A-1** is challenged by a lack of affordable units available at their corresponding income level. These households are likely spending more than 30% of total income on housing and are therefore considered cost-burdened.

Many of these households may be long-time homeowners with declining incomes (e.g., seniors) who would be unable to purchase a home with current income levels. However, for supply to match demand (based on the incomes of households owning homes), over 3,000 lower-cost, owner-occupied units would be needed to achieve balance for current Naperville households with incomes below \$50,000.

Income groups labeled **B** are those where the number of occupied housing units affordable at that level exceeds the number of households at that income level.

ESTIMATED OWNER-OCCUPIED HOUSING AFFORDABILITY (WITH MORTGAGE), 2017



Sources: U.S. Census Bureau, SB Friedman  
Naperville Housing Needs Assessment

# Cost-Burdened Owner Households

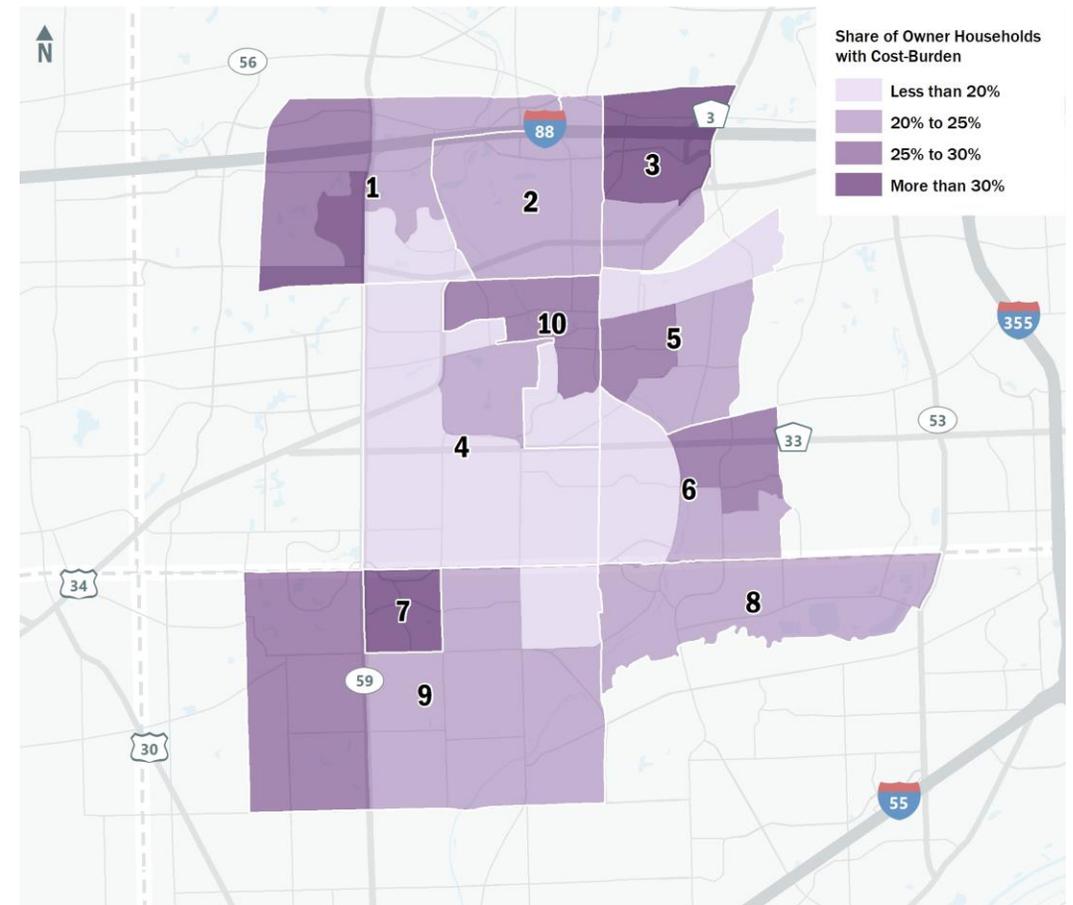
## 1.4 Housing Affordability

According to Census data, approximately 8,600 households (22% of all homeowners) are housing cost burdened, meaning that housing costs exceed 30% of income. The share of households that are cost burdened generally ranges from 19% to 26% by subarea, though 32% of households in Subarea 7 are cost-burdened.

**COST BURDENED HOMEOWNERS BY SUBAREA, 2017 [1]**



**COST-BURDENED OWNER HOUSEHOLDS BY SUBAREA [1]**



[1] Does not include homeowners with no or negative income, less than 1% of all owner-occupied households in Naperville.  
Sources: U.S. Census Bureau, Esri, SB Friedman

# Renter-Occupied Housing Affordability by Income Cohort

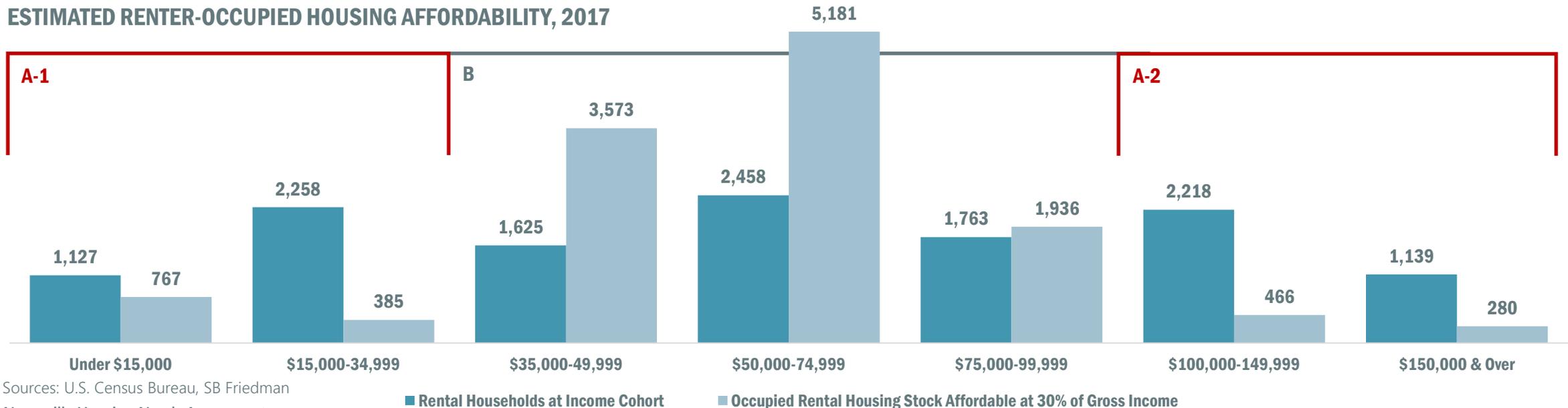
## 1.4 Housing Affordability

Presented below is the number of renter-occupied households at each income cohort relative to the supply of rental units affordable to that cohort. Again, income groups labeled **A** are those where the number of households exceed the number of occupied housing units affordable at that level. While group **A-2** can occupy housing at lower affordability levels; group **A-1** is challenged by a lack of affordable units available at their corresponding income level.

These households are likely spending more than 30% of total income on housing and are therefore considered cost-burdened. Over 2,200 lower-cost, renter-occupied units would be needed to achieve balance for current Naperville households with incomes below \$35,000.

Income groups labeled **B** are those where the number of occupied housing units affordable at that level exceeds the number of households at that income level.

ESTIMATED RENTER-OCCUPIED HOUSING AFFORDABILITY, 2017



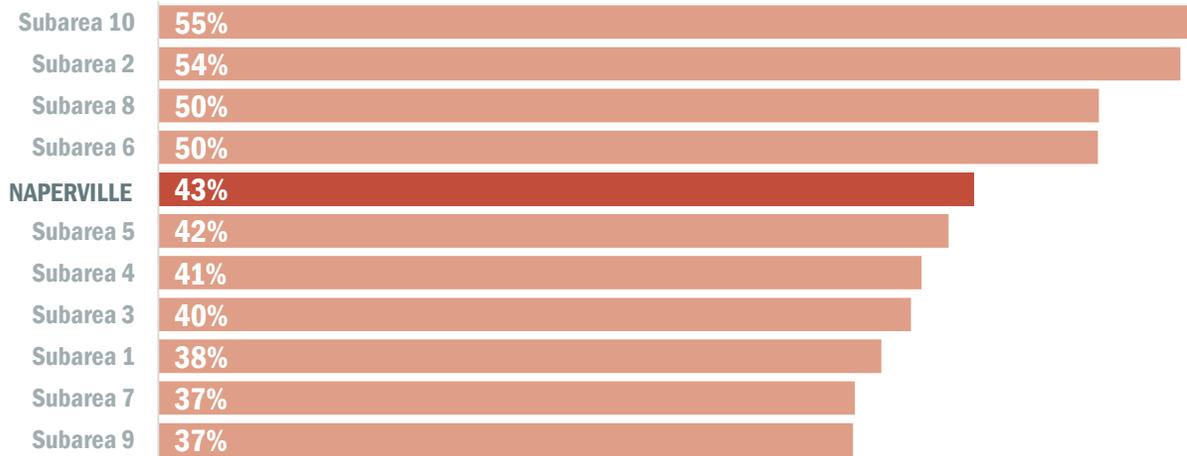
Sources: U.S. Census Bureau, SB Friedman  
Naperville Housing Needs Assessment

# Cost-Burdened Renter Households

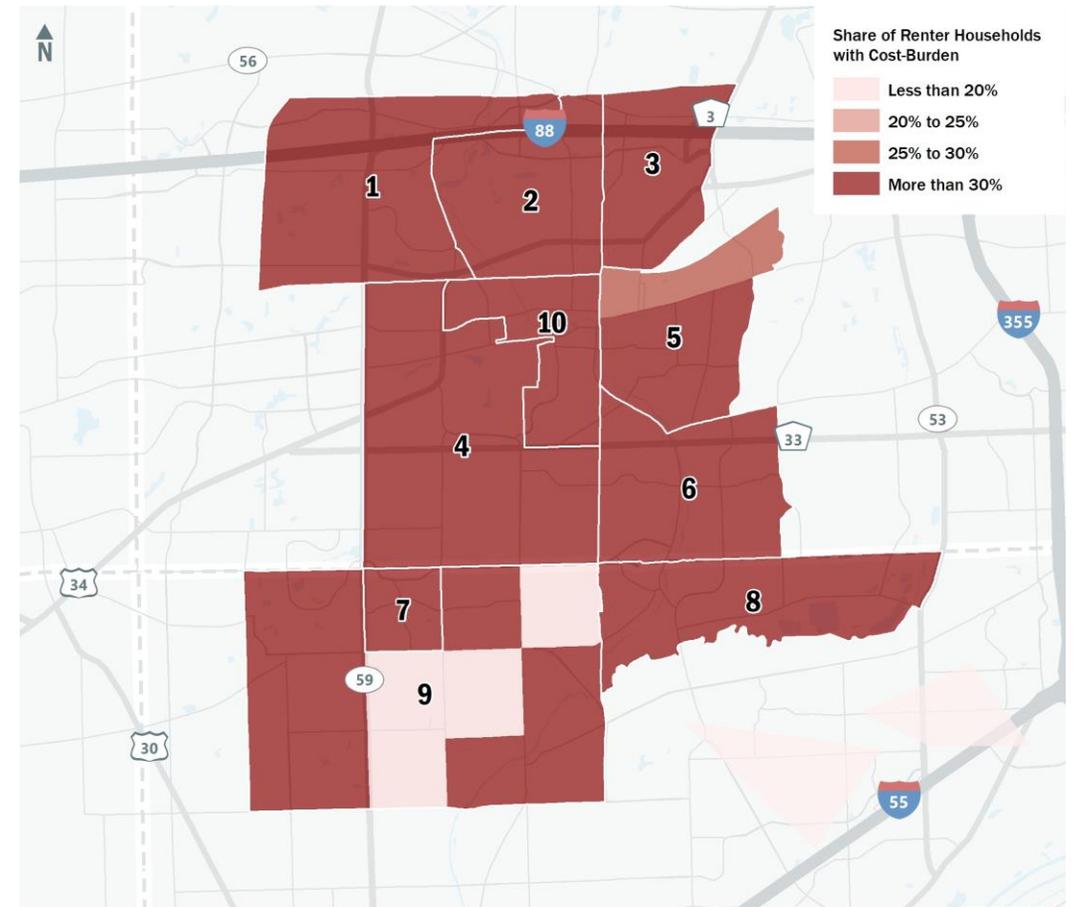
## 1.4 Housing Affordability

Approximately 5,200 households or 43% of all renter households in Naperville are housing cost burdened, based on Census data. Cost-burdened renter households appear to be spread throughout the City; however, rental product is largely concentrated in the northern portion of the City.

**COST BURDENED RENTERS BY SUBAREA, 2017 [1]**



**COST-BURDENED RENTER HOUSEHOLDS BY SUBAREA [1]**



[1] Does not include renters with no or negative income or which pay no rent, approximately 5% of all renter-occupied households in Naperville.  
Sources: U.S. Census Bureau, Esri, SB Friedman

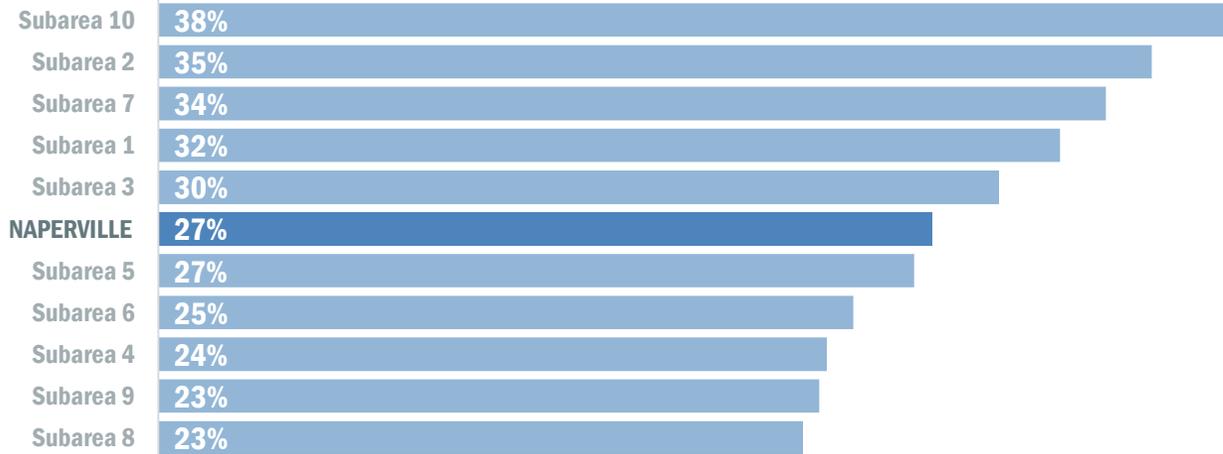
# Cost-Burdened Households Overall

## 1.4 Housing Affordability

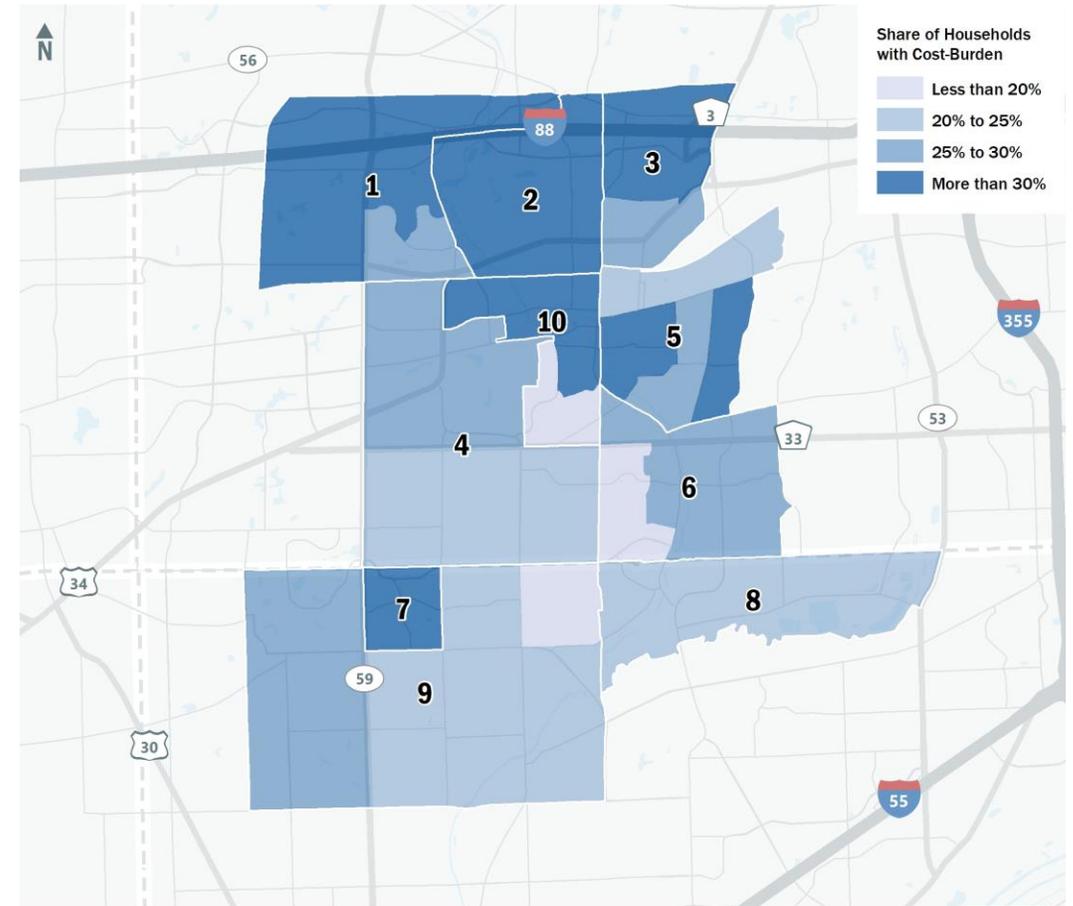
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Approximately 14,200 households or 27% of all households in Naperville are housing cost burdened, based on Census data. Cost-burdened households appear to be concentrated in the northern portion of the City where there is the most rental product.

**COST BURDENED HOUSEHOLDS BY SUBAREA, 2017 [1]**



**COST-BURDENED HOUSEHOLDS OVERALL BY SUBAREA [1]**



[1] Does not include households with no or negative income or renters which pay no rent, approximately 2% of all households in Naperville.  
Sources: U.S. Census Bureau, Esri, SB Friedman

# Other Affordability Challenges

## 1.4 Housing Affordability

In recent years, population growth has slowed, and the City has become nearly built-out. The lack of additional developable land, combined with the desirability of the community, is driving several housing-related issues, particularly in terms of housing affordability and constrained supply at certain price points. Furthermore, the lack of land has increased land pricing to a level where building new housing at lower, more affordable price points may be infeasible without public intervention.

Key informants indicated that housing affordability challenges are impacting not only lower-income households, but middle- and working-class households as well. Households experiencing affordability challenges include:

- **Seniors Looking to Downsize.** Key informants confirmed that there is a limited supply for seniors seeking to downsize from their single-family homes into another housing product while maintaining or reducing current housing costs in Naperville. These seniors are primarily seeking housing that is accessible (e.g., ranch home or first-floor master bedroom), smaller and in walkable locations. Many seniors are remaining in their single-family homes due to the constrained supply, which is limiting turnover and available inventory in the market.
- **Entry-Level Home Buyers.** Interviews with stakeholders indicated that finding an entry-level unit can be challenging for younger households. This is primarily due to a limited supply of lower-cost single-family homes, which is being further constrained by teardowns. While there are more affordable attached units available for purchase, many appear to be dated and do not offer the environment typically preferred by younger families in terms of walkability and proximity to amenities.
- **Workforce.** Naperville workers similarly have limited options. Given that the income required to purchase a Naperville home at the average sale price in 2019 was approximately \$100,000, at least two household members with typical Naperville incomes would be needed to purchase a house at an affordable level. Even renting an apartment at the median rent level, typically understood to be a more affordable option, would likely only be affordable to single-earners in professions with higher incomes (e.g., Professional and Business Services or Construction). Typical incomes in other industries appear to be insufficient to afford an apartment at the median rent level.

# Other Unmet Housing Needs

## 1.5 Other Unmet Housing Needs

Key informants also indicated unmet housing needs for the following groups:

- **Housing for People with Special Needs.** Households with special needs are challenged to find accessible or adaptable housing units near public transportation and available resources. Interviewees suggested there are no City requirements regarding universal design for new construction units, though projects receiving CDBG funds must meet ADA-accessibility standards. Limitations on the availability of affordable housing has also pushed service providers into considering how to provide housing for targeted populations. Multiple service providers indicated they would prefer to focus on service provision, while working in conjunction with affordable housing professionals who could provide housing.
- **Housing for the Homeless.** Homeless populations or those at the risk of homelessness are challenged to find short-term, transitional, and supportive housing. There are several programs who own units in the City or whose coverage area includes Naperville. However, key informants indicated the need for additional resources and housing units to meet unmet needs.

## **2. NAPERVILLE IN THE FUTURE**

Understanding the impact of population and employment growth and changing housing preferences on Naperville.

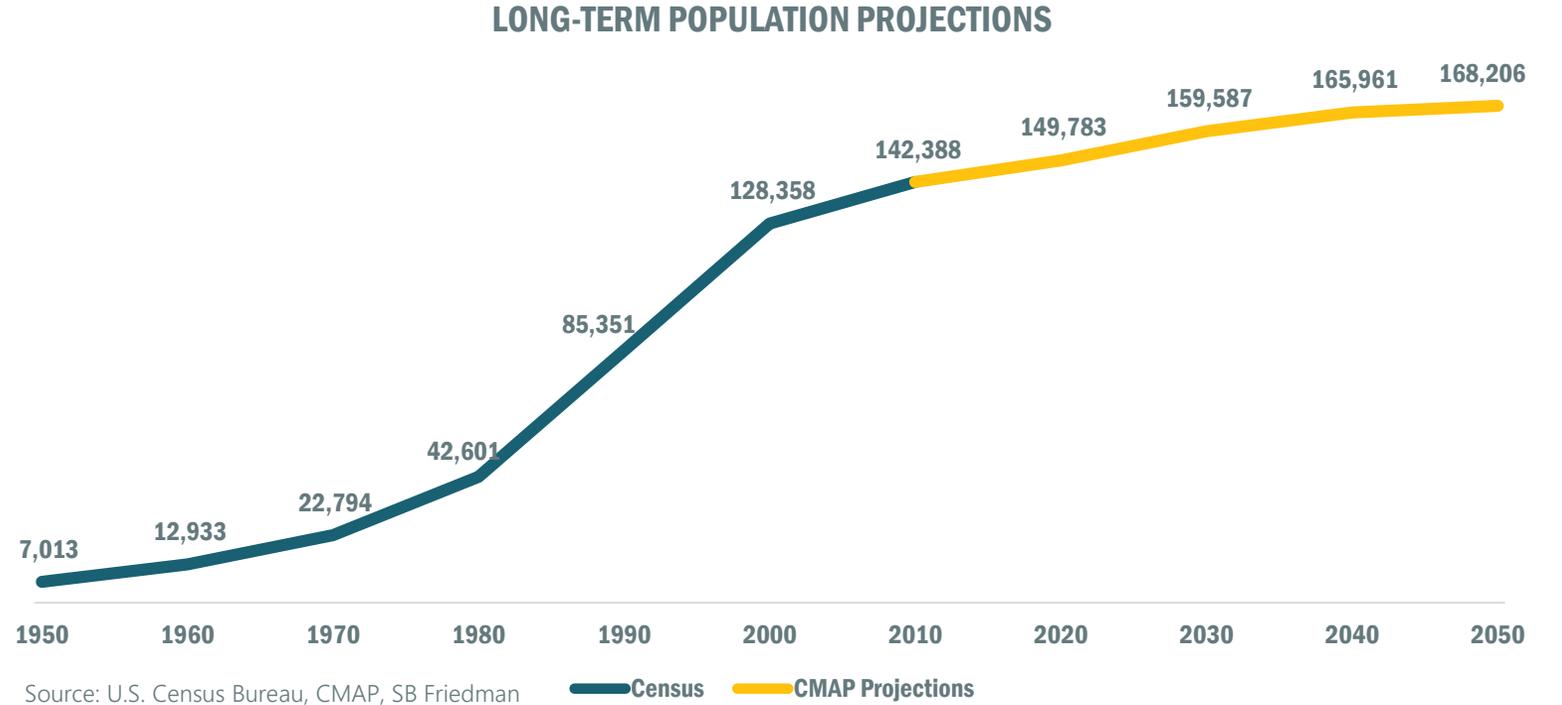
# Long-Term Population Projections

## 2.1 Projected Trends

Despite limited undeveloped sites in Naperville and adjacent unincorporated areas, the City is projected to grow through at least 2050. However, growth is anticipated to occur at a rate much lower than experienced previously in Naperville.

CMAP projects the City’s population will grow to 168,200 by 2050, with an overall average annual growth rate of 0.4% through 2050. Near-term, CMAP projects population to grow, on average, 0.7% annually through 2024, as compared to a 0.4% annual growth rate from 2000-2017.

CMAP population projections, relative to historic census estimates, are presented to the right.



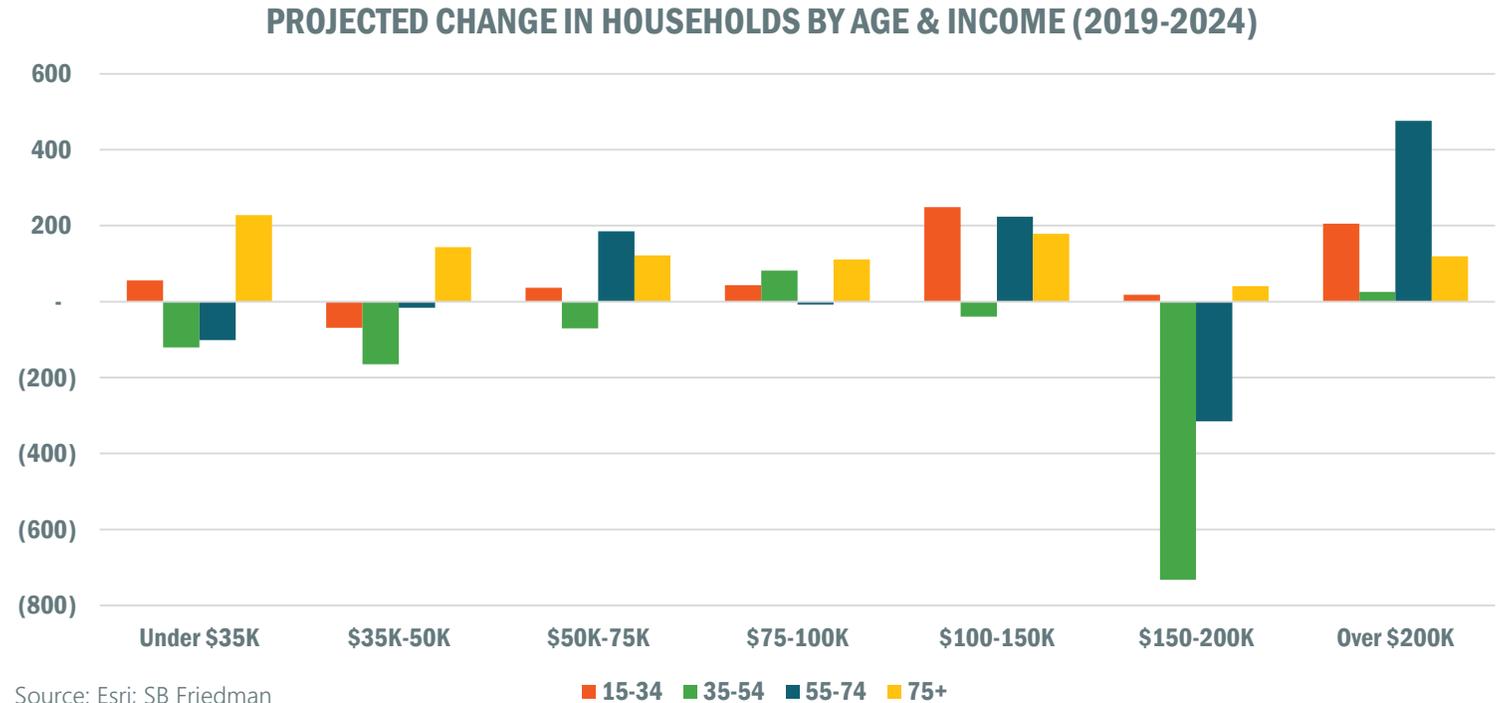
# Near-Term Projected Growth in Households by Age & Income

## 2.1 Projected Trends

DRAFT

Demographers from Esri are projecting a lower near-term annual growth rate of 0.4% from 2019 to 2024. Growth in households by age and income cohort, as projected by Esri, is presented to the right.

In aggregate, Esri is projecting a shift related to the aging of the Naperville population, with a loss of households ages 35-54 and growth of older households. The cohort with the greatest increase in households is age 55-75 with a household income over \$200,000 per year.



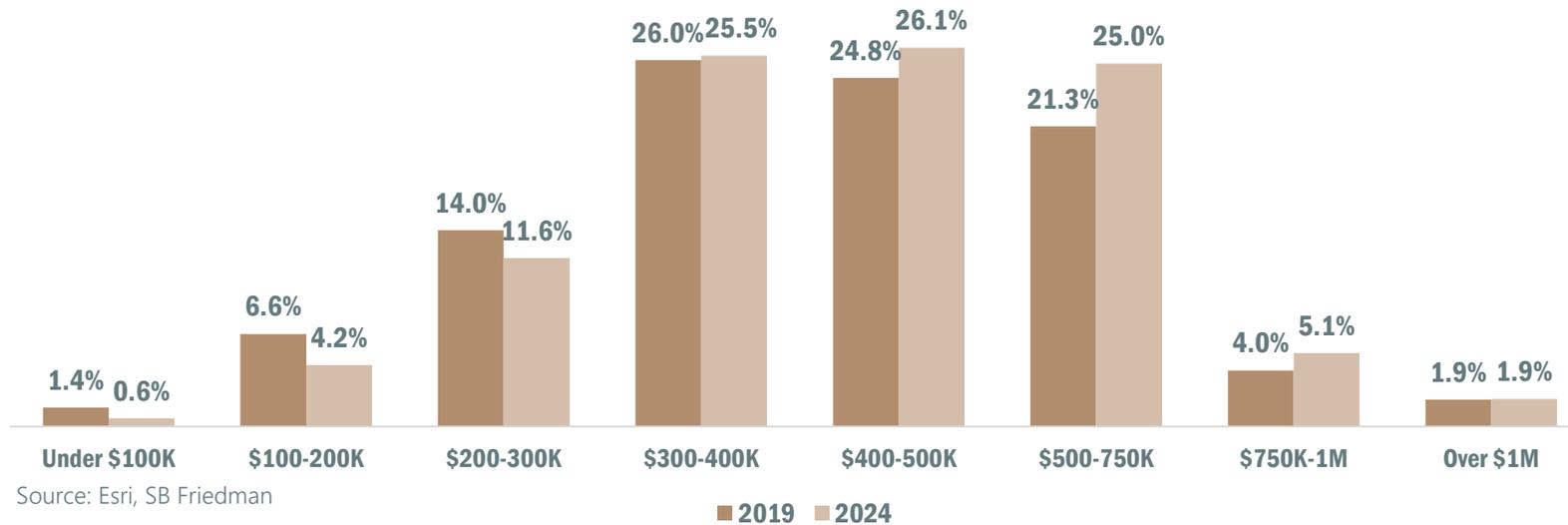
# Near-Term Projected Growth in Households by Age & Income

## 2.1 Projected Trends

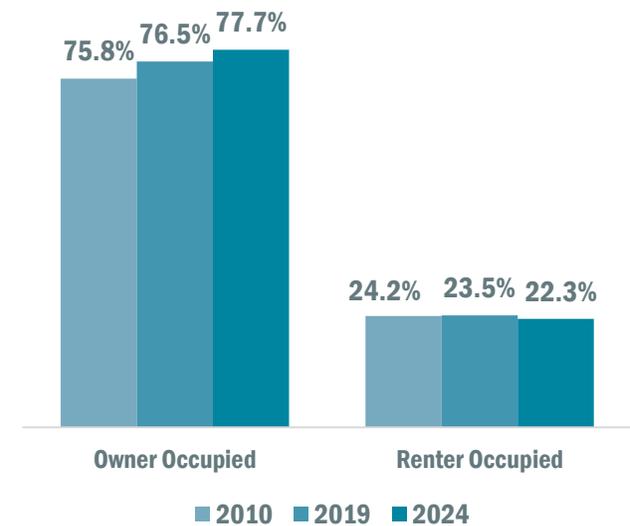
DRAFT

Demographers from Esri are also projecting a near-term increase in owner-occupied home values and owner-occupied households by 2024, as presented below. This indicates that affordability challenges and a constrained supply of rental product will likely continue without City intervention.

**OWNER-OCCUPIED HOME VALUE, AS A PERCENT OF TOTAL**



**OWNER-OCCUPIED VS RENTER-OCCUPIED, AS A PERCENT OF TOTAL**



# Housing Needs Forecast

## 2.2 Housing Needs Forecast

To evaluate the impact of population growth on the housing market, SB Friedman prepared a housing needs forecast model. After discussions with City staff, SB Friedman utilized slightly more conservative growth rates than those prepared by CMAP, essentially aligning with the 0.4% annual growth rate experienced from 2010 to 2017 and Esri near-term projections.

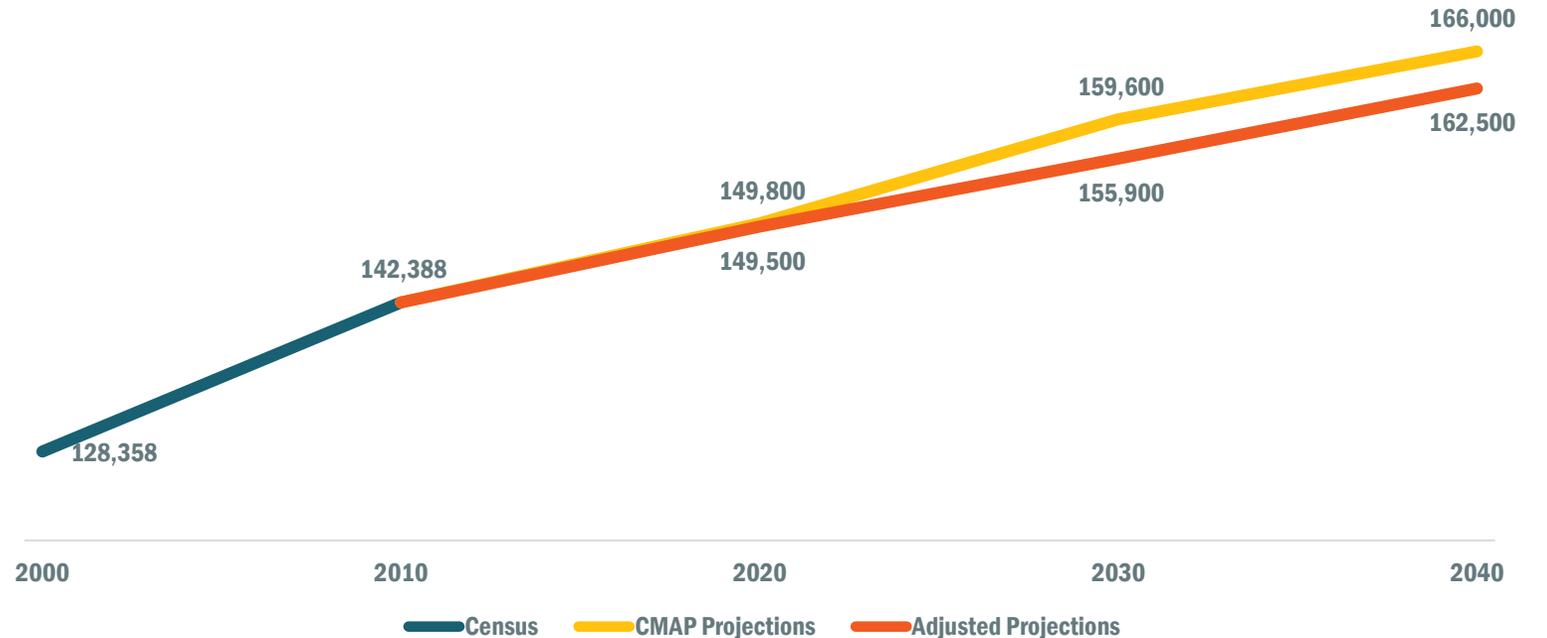
The model evaluates projected households by income cohort, relative to existing housing affordable to that cohort (assuming 30% of gross income is spent on housing). The identified gap between households and housing stock is indicative of unmet future housing needs.

Unmet needs were identified for two time periods, as requested by the City:

- 2025 (projected population of 152,700); and
- 2040 (projected population of 162,500).

The results of the demand forecast for both rental and owner households are presented on the following pages.

LONG-TERM POPULATION PROJECTIONS



Source: CMAP, SB Friedman. Figures are rounded.

# Housing Needs by Renter Income Cohort

## 2.2 Housing Needs Forecast

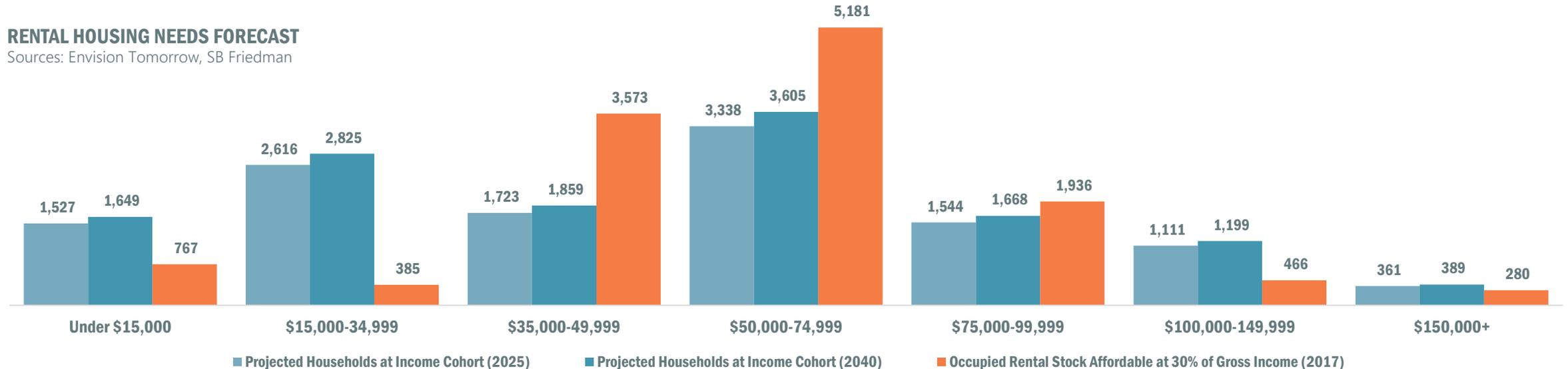
Existing rental households with incomes below \$35,000 are cost-burdened and renting at higher price points due to a constrained supply. By 2025 an additional 3,000 homes appear to be required to meet the needs of existing and projected very low-income (incomes below \$15,000) and low-income (incomes below \$35,000) rental households. That figure increases to 3,300 by 2040.

Given that these households are currently renting higher cost homes, there is a projected surplus of housing for those earning between \$35,000 and \$100,000. Should price-appropriate homes be built for the lower income population, there would likely be available housing stock for middle-income households.

It appears there will be continued demand for rental households with incomes of \$100,000 or more who may be seeking higher-end rental options than what are currently available.

### RENTAL HOUSING NEEDS FORECAST

Sources: Envision Tomorrow, SB Friedman



# Housing Needs by Owner Income Cohort

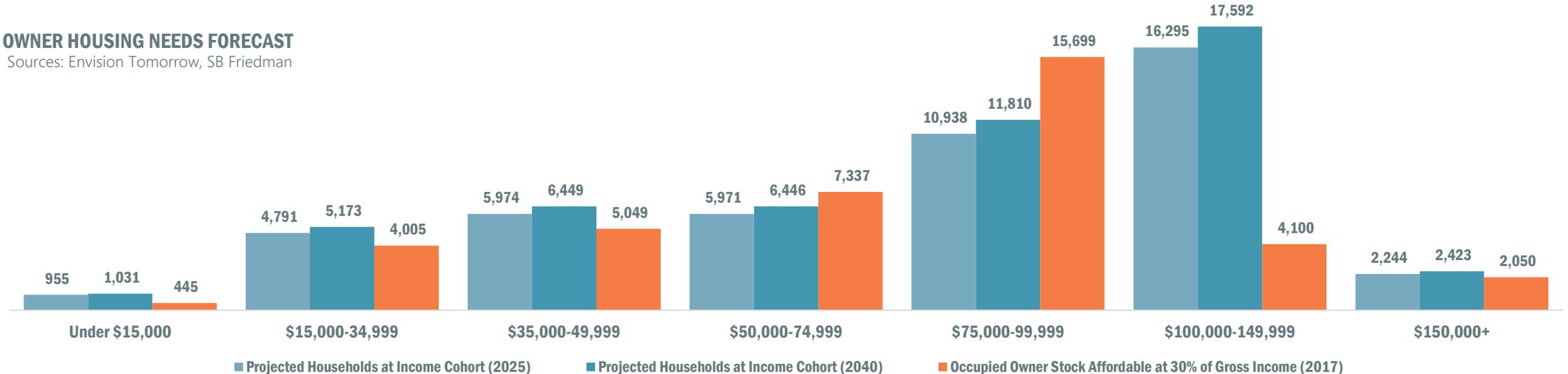
## 2.2 Housing Needs Forecast

For owner households, there is projected to be an additional 2,200 owner households earning less than \$50,000 annually that will be cost-burdened by 2025 and 3,200 by 2040. This unmet need reflects in part that there are some homeowners who had higher incomes at the time their homes were purchased but could not afford to purchase a new home today regardless of price point. Households with very low incomes often cannot afford to purchase homes in any market, given the need for a down payment, ability to secure a mortgage and need to cover ongoing and often unexpected housing maintenance. Certain households may be interested in shifting to rental product that could reduce some of the burdens of homeownership for households with fixed or unreliable incomes. However, there may be an opportunity for the City to support development or preservation of NOAH units affordable to lower-income households, particularly at the \$35,000-49,999 cohort.

While there appears to be a surplus of homes affordable to incomes between \$50,000 and \$100,000, both lower- and higher-income households are occupying homes at these price points. There continues to be housing demand for owner households with incomes of \$100,000 or more; however, these households frequently pay less than 30% of gross income on housing. Furthermore, the market appears to be responding to demand at price points affordable to this income cohort.

### OWNER HOUSING NEEDS FORECAST

Sources: Envision Tomorrow, SB Friedman



# Housing Needs from Workforce Balance & Growth

## 2.2 Housing Needs Forecast

It is almost important to ensure that appropriate housing stock is available that is affordable to Naperville workers who wish to live closer to their workplace. As discussed previously, only 14.9% of the 83,000 Naperville workers also live in the City. By 2027, it is projected that Naperville will add an additional 4,000 jobs, as presented below. Much of the growth is anticipated to occur in Professional and Business Services and Healthcare where the average salaries are \$78,000 and \$66,000 respectively. These incomes could support monthly housing costs ranging from \$1,650-1,950.



Sector	Total Number of Jobs, 2027	Projected Jobs Added, 2017-2027	Estimated Annual Wage <sup>[2]</sup>	Upper Limit for Monthly Affordable Housing Cost <sup>[2]</sup>
Retail	17,300	500	\$34,000	\$850
Healthcare	13,500	1,100	\$66,000	\$1,650
Construction / Other	2,000	200	\$70,000	\$1,750
Professional and Business Service	35,400	2,000	\$78,000	\$1,950
Manufacturing	1,700	(100)	\$37,000	\$925
Transportation/Utilities/Wholesale Trade	5,500	200	\$41,000	\$1,025

[1] Non-government employment  
[2] 2017 dollars.

Source: BLS OES; LEHD; Moody's; SB Friedman

# Future Housing Preferences

## 2.2 Housing Needs Forecast

A constrained supply of land available for residential development is likely to impact the type of new product that can be built in Naperville going forward. Much of the residential growth will need to occur through changes in land use and redevelopment of existing sites. This is likely to result in a shift toward product types with more density (i.e., multifamily product, townhomes or other attached single-family) and small-lot single-family homes. This shift aligns with wider trends in residential development, both regionally and nationally, that is leading to more compact development. In the future, it is also anticipated that there will be more renters who could afford to own a home, but still choose to rent.

These shifts in housing preferences have been incorporated into the housing product-type forecast on the following page.

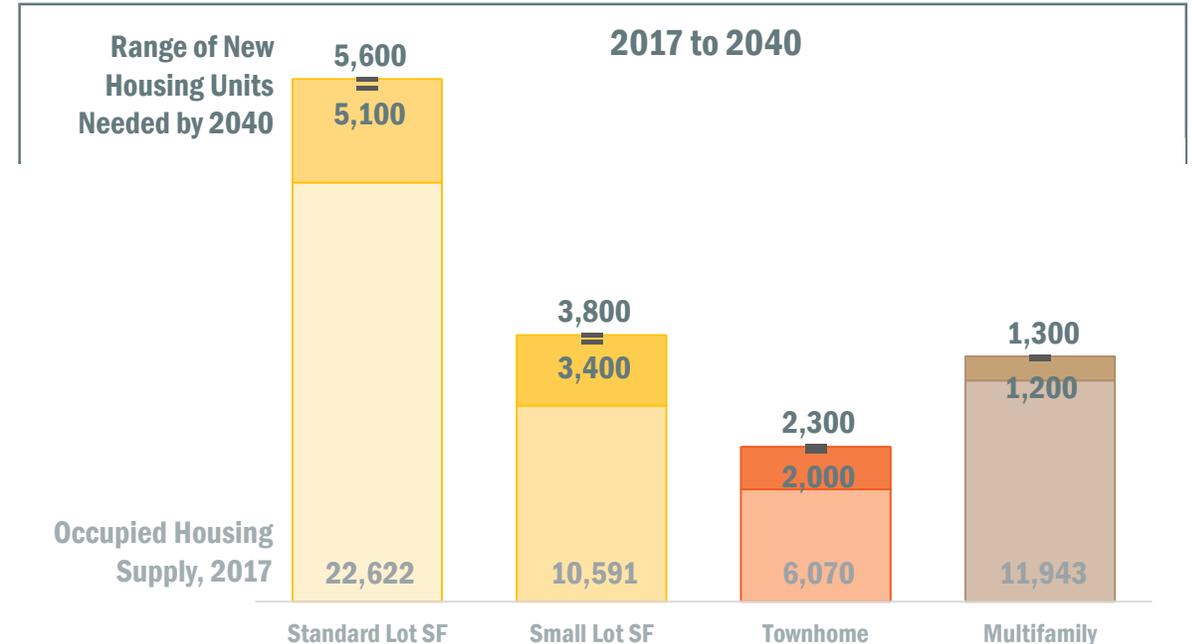
It is important to note that several key informants indicated that denser development may face opposition from existing residents.

# Housing Needs by Product Type

## 2.2 Housing Needs Forecast

To achieve a balanced housing profile – accounting for both existing cost-burdened households and projected population growth - there appears to be the need for 6,900-8,600 new housing units by 2025 and 11,700-13,000 new units by 2040. Over the long-term (to 2040), this would amount to the construction of 510-565 units per year. For comparison purposes, the City added an average of ±340 units per year from 2010 to 2017. Without production of new units, other strategies will be needed to mitigate existing housing burdens.

For new units by 2025, the projected allocation is 75% single-family to 25% townhome/multifamily units. By 2040, that expected allocation shifts to a greater share of townhome/multifamily units. It should be noted that much of the multifamily development in Naperville is older. Therefore, there may be an underlying preference for new product, which would drive further need for multifamily product.



Sources: Envision Tomorrow, SB Friedman  
Naperville Housing Needs Assessment

# 3. CONCLUSIONS

# Conclusions

## Housing Needs Assessment

### NAPERVILLE TODAY

Naperville is both a desirable residential community and a major employment center in the Chicago region. The City's residential population is predominantly higher-income households comprising families with children at home and empty-nesters, while the workforce consists of a mix of professional and business services, retail and health care sectors. Much of the Naperville workforce lives outside of the City, while most City residents commute elsewhere for work and earn higher incomes than those working in the City.

The City maintains a somewhat diverse housing stock (62% single-family detached) with a median year built of 1988 and high occupancy (96%). The concentration of single-family detached housing, as a percentage of total housing stock, generally increases as you move from the northwest to the southeast. Approximately 75% of housing units are owner-occupied. The median home value is approximately \$399,000, while the median rent is \$1,415 per month. To afford this housing, owners would need to earn approximately \$100,000 per year, while renters would need to earn \$57,000 per year.

New construction owner-occupied units are generally located near downtown Naperville and along the perimeter of the City. New construction near downtown generally replaces smaller, lower-cost entry-level housing that has been torn down.

Newer owner-occupied product sold at a 40% premium to the median home value in 2019, while newer renter-occupied units leased at a 25% premium to median rents.

Senior and income-restricted housing is very limited, with senior and income-restricted units accounting for 19% and 4% of all rental units respectively. Senior housing is predominantly nursing care. SB Friedman estimates that approximately 21% of Naperville's owner-occupied housing could be considered naturally-occurring affordable housing (NOAH) at 80% affordability levels, this increases to 66% at the 120% affordability level (workforce housing). Approximately 12% of rental units are NOAH at the 60% affordability level.

Given the high home value and rents, housing affordability appears to be a challenge across several income cohorts. Approximately 20-22% of existing homeowners and 38-44% of renters are currently paying more than 30% of their gross income on housing. These households are considered cost-burdened and many are low-income. Therefore, there appears to be a considerable need for both owner- and renter-occupied affordable and income-restricted housing throughout the City to meet current residents' needs.

In recent years, population growth has slowed, and the City has become nearly built-out. The lack of additional developable land, combined with the desirability of

# Conclusions

## Housing Needs Assessment

the community, is driving several housing-related issues, particularly in terms of housing affordability and constrained supply at certain price points.

Furthermore, the lack of developable land has increased property values to a level where building new housing at lower price points is challenging. Key informants indicated that housing affordability challenges are impacting not only lower-income households, but middle- and working-class households as well, particularly seniors looking to downsize, entry-level home buyers, and Naperville workers who wish to live closer to their workplace. Key informants also indicated unmet housing needs for people with special needs and those currently facing or at risk of homelessness.

### NAPERVILLE IN THE FUTURE

Naperville's population is projected by the Chicago Metropolitan Agency for Planning (CMAP) to grow through 2050, despite limited available sites for residential development. Redevelopment at a higher density would be required to achieve this level of population growth. In the near term, Esri projects that the population will become older and more affluent, with a near-term increase in owner-occupied home values and owner-occupied households by 2024.

A constrained supply of land available for residential development is likely to impact the type of new product that can be built in Naperville going forward. Much of the residential growth will need to occur through changes in land use and

redevelopment of existing sites. This is likely to result in a shift to more dense and small-lot development, including additional multifamily product and attached single-family homes. This shift aligns with broader trends in residential development, both regionally and nationally, that are leading to more compact development. However, key informants indicated that denser development may face some opposition from existing residents.

SB Friedman prepared a housing needs forecast for both renter and owner households. Unmet needs were identified for two time periods, as requested by the City: 2025 and 2040.

The results of the analysis indicate that to achieve a balanced housing profile - where appropriate unit types are available and affordable to anticipated households (accounting for both existing cost-burdened households and projected population growth) - there appears to be the need for 6,900-8,600 new housing units by 2025 and 11,700-13,000 new units by 2040. Over the long-term (to 2040), this would amount to the construction of 510-565 units per year. For comparison purposes, the City added an average of  $\pm 340$  units per year between 2010 and 2017. Without production of new units, other strategies will be needed to mitigate existing housing burdens

# Conclusions

## Housing Needs Assessment

In the near-term, we project a 75%/25% split between single-family and townhome/multifamily units based on existing housing preferences and recent trends. However, by 2040, it is anticipated that there will be a greater share of townhome/multifamily units. Approximately 6,500 of the projected units appear to be needed by 2040 to alleviate housing cost burdens for households at lower incomes.

Additional units are also anticipated to be needed to address unmet housing needs identified by key informants. This includes a constrained supply of housing for seniors looking to downsize, entry-level home buyers, Naperville workers, people with special needs and those currently facing or at risk of homelessness.

### NEXT STEPS

During the next phase of work, we will **identify policies, strategies and objectives to address the housing-related challenges** identified above and to work towards establishing a diversity of housing at a variety of price points.

# APPENDIX A

# Estimated Owner-Occupied Housing Costs

## A.1 Methodology

For multiple segments of this analysis, SB Friedman estimated gross owner-occupied housing costs using the following process:

1. **Housing Unit Cost.** The starting point for the analysis is the price of a housing unit. This was sourced either from the City of Naperville or based on data compiled by SB Friedman from the Multiple Listing Service.
  1. For the NOAH analysis only, home sales by year were inflated using the S&P/Case-Shiller IL-Chicago Home Price Index to 2019 values.
  2. For the single-family permit analysis, the permit amount was estimated to be approximately 60% of the cost of the home based on data from the National Association of Homebuilders. The remaining 40% consists of other development costs typically excluded from permit values, including land and builder's profit, among others.
2. **Estimate of Monthly Principal and Interest Payments.** SB Friedman estimated that each home would be purchased using a 30-year mortgage, assuming the average 30-year fixed rate mortgage rate at the time of the analysis, 3.68%. It was estimated that the mortgage would be for 87% of the purchase price, based on an average down payment value of 13% from the National Association of Realtors.
3. **Property Taxes.** Property taxes were estimated by applying the assessment rate (33.3%) to the market value of the home, subtraction of the homeowner Residential Exemption (\$6,000) and a prorated share of the Senior Citizens Homestead Exemption which is assumed to impact 10% of households (\$5,000 total exemption, \$500 removed in the SB Friedman analysis) and application of the tax code rate for the principal City (Naperville, 6.646%). The result was an estimate of annual taxes.
4. **Homeowners' Association Dues.** For the NOAH analysis, if the MLS data included information on homeowners' association due or similar assessments, that value was included. Otherwise, this value was assumed to be zero. No assessment information was added in the single-family permit analysis.
5. **Energy Costs.** Standard energy costs were estimated using information from the U.S. Energy Information Administration for single-family detached and attached homes in the Midwest (2015, inflation adjusted to 2019). Separate costs were applied by unit type (detached or attached). If square footage was available for the unit a per square foot value was applied, otherwise a standard value was applied.
6. **Summation.** Monthly values calculated from the results of steps 2 through 5 were summed to generate an estimate of monthly gross housing costs for owner-occupied units.
7. **To estimate annual income required to pay resulting monthly housing costs affordably,** monthly housing costs were multiplied by 12 and divided by 30% (i.e., what housing cost can be covered with 30% of income).

# Limitations of Our Engagement

Our deliverables are based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with the City, key informants and developers during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the deliverable. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the deliverables to reflect events or conditions that occur subsequent to the date of the deliverable. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in state statute or city ordinance, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverables are intended solely for your information, for purposes of understanding current and possible future housing conditions and considering new municipal policies to address unmet housing needs. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document without our prior written consent.

We acknowledge that upon submission to the City of Naperville, the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.



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