

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 28, 2020

TO: Doug Krieger, City Manager

THROUGH: Pam Gallahue, City Clerk

FROM: Ruth Broder, Community Planner

SUBJECT: Revised Agenda Item # 20-1110 – City Council Workshop

PURPOSE:

The purpose of this memorandum is to provide a correction to file #20-1110 on the City Council Workshop scheduled for Tuesday, September 29, 2020. There were eight program recommendations made by the Housing Advisory Commission identified in Motions 1 and 2 on page 4. Items 1, 2 and 3 were inadvertently duplicated in the Commission's motions. The revised agenda item, reflecting eight recommendations, is attached.

RECOMMENDATION:

Please include the revised agenda item as an attachment to the City Council Workshop scheduled for Tuesday, September 29, 2020.

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Provide direction on the eight priority housing program recommendations submitted by the Housing Advisory Commission

DEPARTMENT: City Clerk's Office

SUBMITTED BY: Ruth Broder, Community Grants Coordinator

BOARD/COMMISSION REVIEW:

In July 2020 the Housing Advisory Commission (HAC) completed its review of the Housing Needs Assessment/Affordable Housing Toolkit. Eight action steps were recommended for review by the City Council at its August 4 meeting.

BACKGROUND:

The Housing and Community Development Act of 1974 requires all communities receiving Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD) to certify that they will affirmatively further fair housing. To meet this obligation, municipalities must periodically conduct an Analysis of Impediments to Fair Housing Choice (AI) study. Naperville's most recent AI was completed and submitted to the City Council in May 2017.

The AI report, prepared by a consultant with extensive background in fair housing, identified four major impediments to fair housing choice, including an inadequate supply of affordable housing. The report stated that,

"A lack of affordable housing, particularly housing that is accessible, is the biggest impediment to fair housing choice in the City."

The AI further stated that,

"High housing costs are not a direct form of housing discrimination, but a lack of affordable housing does constrain housing choice. Residents may be limited to a smaller selection of communities or neighborhoods because of a lack of affordable housing in other areas. When the cost of quality housing units is high, low-income and marginalized segments of the population are disproportionately more likely to become cost-burdened."

In response to these findings, the AI Fair Housing Action Plan included Action Item 3A which states:

"Prepare an Affordable Housing Plan to determine the degree to which affordable housing demand exceeds current housing supply; implement any recommendations as supplemental initiatives to the AI Fair Housing Action

Plan.”

Preparation of an Affordable Housing Plan also supports the City’s efforts to comply with the State of Illinois Affordable Housing Planning and Appeal Act (AHPAA). Naperville is classified as a Non-Exempt Local Government under AHPAA and is required to adopt, and submit, an affordable housing plan to the Illinois Housing Development Authority (IHDA). IHDA has estimated approximately 7.5% of Naperville’s housing stock to be affordable according to AHPAA criteria, which is less than the 10% required by AHPAA.

The HAC was identified as the body responsible for overseeing the implementation of the AI Fair Housing Action Plan and conducted fair housing training for City staff, commissioners, and elected officials. The City Council voted to allocate Program Year (PY) 2018 CDBG funds for a consultant to prepare a Housing Needs Assessment and Affordable Housing Plan.

Beginning in January 2019, HAC and City staff partnered with the Metropolitan Mayors Caucus, Metropolitan Planning Council, and the Chicago Metropolitan Agency for Planning (CMAP). This pro-bono project was to conduct a basic housing needs analysis and develop a Naperville Housing Action Plan focusing on the most crucial housing issues facing the City. This plan formed the basis for the Housing Needs Assessment/Affordable Housing Plan.

A Request for Proposals was issued for the development of a Housing Needs Assessment/Affordable Housing Plan in May 2019. SB Friedman was chosen as the consultant and began work on the project in September 2019. SB Friedman is a specialized real estate, community and economic development, and public-private finance advisory firm based in Chicago. The company has extensive experience conducting housing needs analyses, formulating housing strategies, and leading policy planning assignments.

DISCUSSION:

The SB Friedman Housing Needs Assessment/Affordable Housing Plan Report

The report from SB Friedman was completed in March 2020 and has three main purposes:

1. Evaluate whether the existing housing stock meets current and projected needs over the short-term (five years) and long-term (20 years);
2. Identify key housing-related issues and unmet needs; and
3. Identify potential programs, policies, and strategies to address identified housing challenges and opportunities.

The report describes the overall characteristics of Naperville’s housing stock and population, including population/household, workforce, affordability, unmet housing needs and projected trends. Key findings discussed in the Executive Summary include the following:

1. Median owner-occupied home value is approximately \$399,000, requiring an income of approximate income of \$100,000/year to be affordable (paying no more than 30% of income for housing costs); median rent is \$1,415/month, requiring an income of approximately \$57,000/year;
2. Approximately 20-22% of homeowners and 38-44% of renters were paying more than 30% of income on housing costs;
3. Currently, approximately 21% of owner-occupied units could be considered affordable to households at 80% of median income and 66% of owner-occupied units could be considered affordable at 120% of median income (workforce/attainable housing); only 12% of rental units could be considered affordable at 60% of median income;
4. The lack of developable land has increased property values, making it difficult to build new affordable housing;
5. Over the long-term (present to 2040) meeting projected demand would require construction of approximately 510-565 units per year. Actual construction between 2010 and 2017 was approximately 340 per year. Approximately 6,500 units would be needed by 2040 to alleviate housing cost burdens for households at lower incomes.

The report notes that,

“.... housing affordability challenges are impacting not only lower-income households, but middle-and working-class households as well, particularly senior 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, those currently facing or at risk of homelessness and veterans.”

The report’s “Toolkit to Address Unmet Housing Needs” includes action steps the City can undertake to increase housing diversity and affordability. The action steps are divided into the following four categories:

1. Housing Programs
2. Regulatory Modifications
3. Financing Mechanisms
4. Strategic Planning

Action steps are also categorized into three levels of complexity based on the amount of time and effort needed to implement them:

1. Immediately feasible (within six months to one year);
2. Intermediate (minimum of one year; may require a funding source);
3. Complex or long-term (require both a funding source and identifying a high-capacity partner)

Review by the Housing Advisory Commission

In July, the HAC completed its review of the recommended action steps, which included

a brief memo from SB Friedman describing potential impacts of the Coronavirus pandemic on Naperville's housing market.

Using a four-point scale, the commissioners ranked each of the action steps based on two essential criteria:

1. The impact of the proposed action item on affordable housing, and
2. The effort/cost required to implement the action item

The combined results of the rankings are shown in the attached set of spreadsheets.

After reviewing the spreadsheets and engaging in a comprehensive, thoughtful discussion, the HAC passed the following two motions that recommend the City Council prioritize eight (of the total 22) action items for immediate implementation:

Motion 1: Accept the findings of SB Friedman Development Advisors "Naperville Housing Needs Assessment - Toolkit to Address Unmet Housing Needs" and to recommend the following items from the Toolkit to the Naperville City Council for action:

1. Develop a working relationship with affordable housing developers;
2. Develop a strategy to leverage publicly owned land to address housing challenges;
3. Develop a specific plan to preserve Naturally Occurring Affordable Housing (NOAH);
4. Establish additional resources to assist populations with special housing needs;
5. Create housing specific staff positions within the City;
6. Establish a Revolving Rehabilitation Loan Fund specifically targeted towards low income seniors who currently own in Naperville so that they can make the necessary repairs to their home and age in place;
7. Establish a Housing Trust Fund specifically targeted towards helping veterans, seniors, the population with special housing needs, and first responders including nurses, police, and fire in purchasing a home.

Motion 2: Accept the findings of SB Friedman Development Advisors "Naperville Housing Needs Assessment - Toolkit to Address Unmet Housing Needs" to recommend the following additional recommendation from the Friedman Toolkit to the Naperville City Council for action:

8. Implement an Inclusionary Zoning Ordinance (IZO)

The eight recommendations fall into three categories:

- Preserving existing affordable housing (#3, #6, #4)
- Developing new affordable housing (#1, #2, #4, #8)
- Financing/staffing infrastructure to achieve preservation/new development (#5, #7)

It is important to note that the Commission views the recommendations as a starting point and that adoption of these items does not preclude later adoption of other Toolkit action items. These eight were chosen because they had the greatest potential for positive impact and fall in the Immediately Feasible (six months to one year) or Intermediate (minimum of one year) category.

The Commission recognizes that the items will require additional research before they are ready for actual implementation. The recommendation to implement an Inclusionary Zoning Ordinance (IZO) will require extensive research to develop a variety of models for how an IZO could work successfully in Naperville. The Commission recognizes that there is no standardized approach and that developing an ordinance that is suitable for Naperville's housing market is crucial. Adopting this recommendation would allow the necessary research to be undertaken. The Transportation, Engineering and Development (TED) Business Group, would fund and supervise this effort.

FISCAL IMPACT:

Estimated cost of an Inclusionary Zoning Ordinance Study is \$20,000 to be funded by the TED Business Group.

Estimated cost of an additional FTE is \$65,000 - \$80,000, plus benefits.