

TO: NAPERVILLE
FROM: HOMES PROJECT TEAM
SUBJECT: NAPERVILLE HOUSING ACTION PLAN
DATE: JANUARY 9, 2020



INTRODUCTION

Homes for a Changing Region provides technical assistance to help municipal leaders address pressing housing issues. The Metropolitan Mayors Caucus (MMC) and the Chicago Metropolitan Agency for Planning (CMAP) provide assistance, with staff support from the Metropolitan Planning Council (MPC). The *Homes* team provided technical assistance to Naperville through a grant from the Illinois Affordable Housing Trust Fund (“trust fund”) as administered by the Illinois Housing Development Authority (IHDA). The trust fund helps create and preserve affordable, decent, and safe housing for low-income households throughout Illinois. The *Homes* process will help Naperville identify concrete recommendations that address local housing challenges, including barriers to housing affordability, and improving the conditions and quality of housing.

The project team held a kick-off meeting in May with Naperville Housing Advisory Commission to discuss the City’s housing market conditions and challenges, and to develop local housing goals. The project team held a focus group with local stakeholders to delve further into the most pressing housing issues in June. A panel of housing experts attended a meeting in August with the Housing Advisory Commission, City staff, and focus group participants to weigh in on strategies to address local housing issues. Panelists included Mary Ellen Tamasy, Vice President, Community Partners for Affordable Housing (CPAH); Sarah Flax, Housing and Grants Manager, City of Evanston; and Terri Worman, Associate State Director, Advocacy and Outreach, AARP Illinois.

This action plan aggregates all of the knowledge and feedback collected from these meetings, and outlines targeted housing strategies Naperville can implement. The implementation recommendations focus on three issue areas: rental affordability, housing for a growing senior population, and the need to address teardowns in the community. The memo concludes with three recommendations; these recommendations could be pursued as a package, or the City could choose to pursue any of the three recommendations independently over the short or long term.

HOUSING NEEDS ANALYSIS¹

The recommendations focus on these three areas based on qualitative and quantitative data gathered early on in the process. This section summarizes the findings. The full data workup developed by the team can be found in Attachment 1.

After years of steady growth, Naperville is a maturing suburban community with a stable population.² The population reached 146,431 in 2017—up 14 percent from 2000—while the region at large is up 0.2 percent. Currently, there are 51,272 households in Naperville, a 17 percent increase since the year 2000. Since 2010, however, growth has slowed and the number of households has increased by just 3 percent. CMAP estimates that the local households may expand to nearly 63,654 by 2050.³

Naperville has a somewhat diverse housing stock. Nearly three-quarters of the homes in Naperville are single-family, and owners far outnumber renters in these units by a factor of three to one. There are also many townhomes in the community, which are primarily owner-occupied. Renters tend to occupy multi-family units scattered throughout the northern and eastern parts of the city.⁴ Naperville homeowners earn a higher median income than Naperville renters (\$134,316 for owners and \$61,745 for renters). Staff indicates that housing affordable to low and moderate income households tends to be in the northern part of the City.⁵

Beyond the above baseline information, a review of housing data and discussions with local stakeholders pointed the team to three key findings about housing in Naperville.

There are fewer options for young families to purchase starter homes in Naperville and teardowns worsen this issue. As Naperville has grown, it has added a variety of housing types, including single family homes, townhomes, duplexes/triplexes, and apartments. As the chart below shows, Naperville has added 2,366 new townhomes, 2-4 units, and multifamily units between 2009 and 2017. The addition of small multifamily buildings is particularly noteworthy as the region as a whole lost more than 27,500 units in these buildings, with limited production in suburban areas.

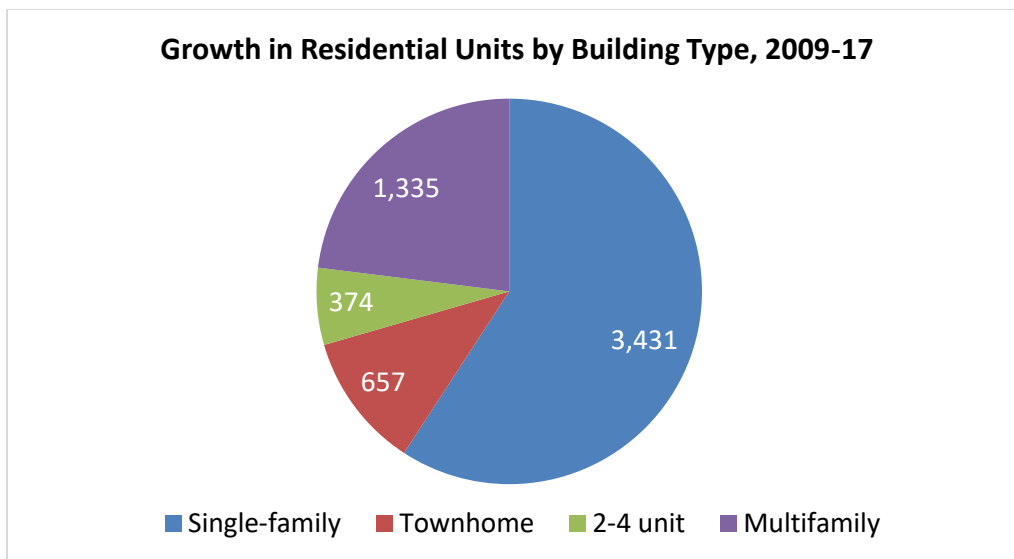
¹ This action plan, both in the text and in charts, repeatedly refers to the \$20,000 and \$50,000 income levels. These both hold particular significance as they are used to approximate the 30 percent and 80 percent area median income (AMI) levels. These income levels were chosen after a review of the Affordable Rental Unit Survey Methodology and applying that methodology to the median household income for the CMAP region (\$65,174).

² Source: US Census 2000 and American Community Survey 2013-17.

³ [CMAP produced population and household projections as part of ON TO 2050](#). The forecast considers birth, death, and migration trends with data from county health departments and the U.S. Census Bureau. Moody's Analytics, an economic research firm, forecasts employment by major categories each year, in each county, for the entire country. CMAP incorporates that data, as well as impacts of policy recommendations from *GO TO 2040* and *ON TO 2050*, into a model that calculates future population and employment statistics for the region.

⁴ All data points in this Action Plan are from analysis of American Community Survey 2013-17 unless otherwise noted.

⁵ Discussion at Naperville Focus Group, June 10, 2019.



Source: CMAP analysis of 2005-09 and 2013-17 American Community Survey data.

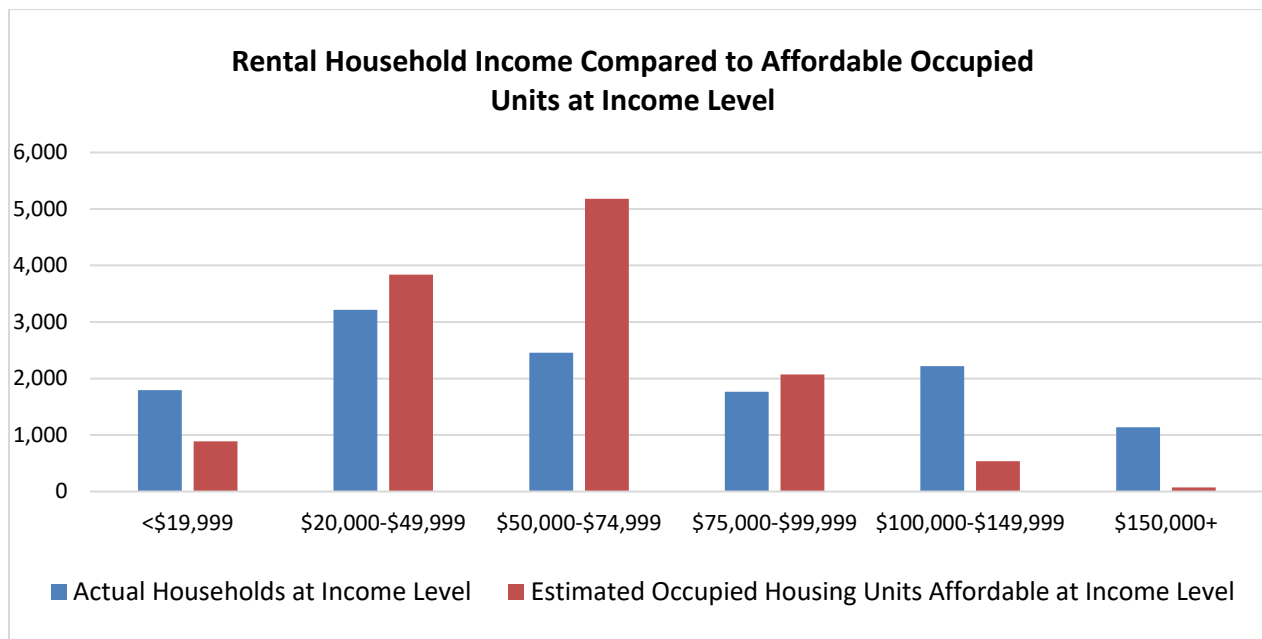
Despite adding many different types of housing, stakeholders still note strong price pressures in some part of the City that may be causing a loss of older smaller homes, especially in neighborhoods near downtown. Based on stakeholder discussions, the demand for these lots seems to be driven by the attractiveness of proximity to downtown combined with the condition of some of the homes. Those in poorer condition are more likely to be torn down and replaced by much larger homes that are far more expensive. When such a smaller home is in better overall condition, the home is often the subject of heated bidding between younger families looking to enter the market and older households looking to downsize.

Realtors engaged for this project reported a much different market in the southern part of Naperville, where neighborhoods are predominantly larger lot single family homes. In southern Naperville, older homeowners are not choosing to downsize because they do not find local options attractive, particularly the lack of small single family homes. The sluggishness of the southern Naperville market puts further price pressures on the area near downtown. Despite its success adding a new variety of new housing options, Naperville still needs smaller size ownership opportunities to help the market meet the demand generated by older residents and young families.

Naperville needs more affordable rental units. Renters in Naperville earn a median income of \$61,745, which is only slightly lower than the median income across the region for both owners and renters (\$65,174). Even with the relative affluence of local renters, many of them struggle with housing costs. 43 percent of local renters live in unaffordable housing, compared with only 39 percent in 2009.⁶ Given this, it is unsurprising that Naperville has a growing need for more affordable rental units. As shown in

⁶ Unaffordable housing is defined as housing on which the household must spend more than 30 percent of income toward rental or owner costs.

the table below, many more local renters earn less than \$19,999 than there are units with rents affordable to households at that income level. Even with the slight surpluses of units for moderate (\$20,000 - \$49,999) and middle-income households (\$50,000 - \$74,999), renter households across the income spectrum likely struggle with housing costs given that more than 40 percent of all renters pay more than 30 percent of their income toward housing costs.



Source: CMAP analysis of 2013-17 American Community Survey data.

The lack of affordable rental units may be one reason that most of the Naperville workforce lives in other communities. Naperville is a major regional job center, with much of its employment base in the professional, scientific, and technical services occupations, as well as at Edward Hospital and its two school districts.⁷ About 48 percent of these jobs pay less than \$40,000.⁸ A discussion with community members revealed the difficulty for certain workers to find affordable housing in order to both live and work in Naperville, including administrative professionals, healthcare workers, and school teachers. Given the known lack of affordable rental housing for households earning less than \$19,999 and the overall challenges with rental affordability among local renters, these challenges are not surprising. Almost 60 percent of those who commute to Naperville for jobs travel more than 10 miles to get to work, as local workers trade time and transportation costs for potentially lower housing costs.⁹

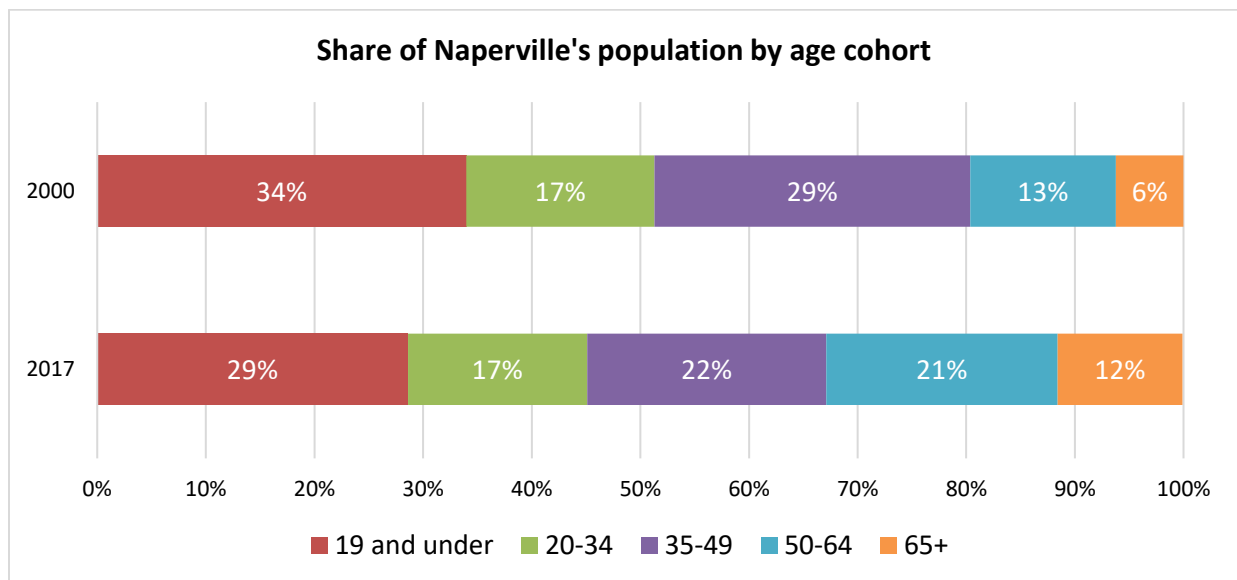
Some Naperville residents are aging in place. Naperville has a median age of 38.7. More than one out of every four households has at least one person 60 years or older. As shown in the table below,

⁷ Source: CMAP analysis of 2015 Local Employment and Household Dynamics survey data. 23.6% of primary employment is in the professional, scientific, and technical Services sector, 19.8% in healthcare and social assistance services, and 14% is educational services.

⁸ Source: CMAP analysis of 2015 Local Employment and Household Dynamics survey data.

⁹ Source: CMAP analysis of 2015 Local Employment and Household Dynamics survey data.

Naperville's senior population (65 years and older) has doubled since 2000 and will likely continue to grow. Despite the city's overall relative affluence, nearly four in 10 senior Naperville households make less than \$50,000 per year.



Source: 2000 U.S. Census and 2013-17 American Community Survey data.

Officials noted that there seem to be more aging single-family homeowners living in Naperville, particularly in older neighborhoods close to downtown. The U.S. Census indicates that 14.8 percent of Naperville homeowners are 65 and older. As individuals age, their needs often change. The maintenance responsibilities that go along with ownership of a single-family home, such as doing yard work, taking out garbage, or even shoveling snow, can become increasingly difficult. Additionally, some older homeowners may live on fixed incomes and lack the funds needed for repairs, which can cause homes to deteriorate over time. Limited mobility, disability, and/or social isolation can exacerbate these needs over time. Staff mentioned Naperville currently has resources for seniors that can help with home repairs.¹⁰

Given the programs that Naperville already offers for seniors to help them age in their own homes, focus group discussions identified that the more pressing local issue was additional options for seniors looking to downsize. Local realtors mentioned that Naperville seniors are staying in their homes longer because of a lack of options, which has a downstream effect on the housing market of reducing the sales supply, leaving fewer options available for new homeowners, a trend that contributes to the aforementioned teardowns in neighborhoods closer to downtown. Focus group members agreed that Naperville seniors are looking for not just multi-family options, but also townhomes, and smaller single-

¹⁰ Source: The City of Naperville offers a variety of Household Maintenance Assistance programs for seniors including sidewalk repair, minor home service repairs through DuPage Senior Citizens Council and a weatherization assistance program. These resources can be found in the [Naperville's Home page](#).

family homes. Naperville can support these residents by exploring new housing options for seniors, including options for households earning less than \$50,000 per year.

RECOMMENDATIONS

As noted earlier, the *Homes* team convened an expert panel to help Naperville address these key housing challenges. As a result of that conversation, this action plan recommends a few steps the City can pursue.

1. *Establish an affordable housing trust fund and funding sources*
2. *Create a community land trust for Naperville.*
3. *Explore an inclusionary zoning framework*
4. *Meet senior demand for more housing types*

It is important to understand that the following recommendations overlap and can be pursued separately, in tandem, or in phases. While recommendations 1, 2, and 3, can be pursued separately, they will reinforce and maximize their impact if all are implemented in the long term. For example, if Naperville creates a land trust (recommendation 2), that organization can be funded by the revenue stream described in recommendation 1 and through payments-in-lieu generated by an inclusionary zoning ordinance (recommendation 3). Additionally, these recommendations may require significant staff time to be implemented in tandem, so they could also be implemented incrementally. For example, the City could establish a trust fund initially funded by a demolition tax, as noted in recommendation 1, then later use monies from the trust fund to launch the community land trust (recommendation 2).

Each recommendation is explained more thoroughly below.

EXPERT TOPIC 1: Establish an affordable housing trust fund and funding sources

The Homes engagement identified the need for additional housing funds in Naperville. Currently, CDBG funding helps pay for many of the City's housing efforts, such as the rehabilitation program. Expanding local funding sources to create or preserve affordable housing is an important part of being able to move forward a variety of potential strategies. Mary Ellen Tamasy, currently a Vice President with Community Partners for Affordable Housing (CPAH), and Sarah Flax, Division Manager for Housing and Grants with the City of Evanston, spoke about how Highland Park and Evanston each created an affordable housing trust fund and funding sources.

The Highland Park Affordable Housing Trust Fund was created in May 2002 to provide financial support for affordable housing activities that address the needs of low-and-moderate income individuals and families. Money from the Housing Trust Fund is made available to developers, owners, or operators of housing developments, as well as units of government. Activities eligible for grants include: housing production, rental assistance, weatherization, emergency repairs, homeownership assistance, preservation of existing housing, housing-related support services such as ownership and financial counseling, capacity grants for nonprofits working to advance affordable housing initiatives, and any other activity the Housing Commission determines will address the city's affordable housing needs. The

Housing Trust Fund helped finance Temple Avenue Town Homes, Hyacinth Place, Community Partners for Affordable Housing, and a moderate-income rehabilitation program.

Initially, the Highland Park Housing Commission granted the trust fund \$1 million in seed money from the refinancing of a Section 8 development owned by the City. Any fee-in-lieu that is generated under the City's inclusionary zoning ordinance goes into the trust fund, and the City occasionally makes small donations on excess bond capacity. The major source of ongoing revenue for the trust fund is the City's demolition tax. In 2020, Highland Park set the fee at \$10,000 per building for single-family homes and duplexes and \$3,000 per unit for larger multifamily developments.

Evanston too has created an affordable housing trust fund, with similar operating structures and permitted uses. Funds captured under the City's inclusionary zoning ordinance (see topic 3), fees negotiated from larger developments to which the inclusionary zoning ordinance do not apply, and funds from a demolition tax flow into the trust fund. The Evanston Demolition Tax was adopted in 2006 and has been updated since that time, most recently in 2019. It assesses a residential structure demolition fee of \$15,000 per building or \$5,000 per unit, whichever is more. The fee is adjusted annually based on the Consumer Price Index. The following are exempt from the tax.

- If applicants enter into an agreement with the city to provide affordable housing.
- If the Evanston Community Development Director determines the replacement structure will be affordable.
- If the demolition is ordered by the City.

In Naperville, some teardowns occur because owner-occupants demolish their own homes to build bigger ones on the same property. In Evanston, whether an owner will be charged a tax depends on how long they have and will own the home. An owner may apply to defer the tax if he/she has been the occupant for three consecutive years prior to the demolition. In this case, a lien for the tax amount will be recorded against the property. If the owner sells the replacement house within three years of receiving its certificate of occupancy, the deferred tax plus interest is due. If the person remains an occupant of the replacement house for three years, the lien is released and no tax is due. Alternatively, an owner may pay the tax at the time the demolition permit is issued and later apply for a monetary stability incentive equal to the amount of the tax if the person remained the owner and occupant of the replacement house for three consecutive years after issuance of the certificate of occupancy. Highland Park has a similar provision for owner occupants who want to demolish their home, but require five years of ownership prior to the demolition and five years of ownership of the new home as well to be except from the tax.

A trust fund can also help fund predevelopment costs or soft costs for multifamily rental programs managed through IHDA. These programs include [Low Income Housing Tax Credits](#), Affordable Housing Trust Fund, and the [State Donation Tax Credit](#). However, these programs cannot always fully fund all costs associated with an affordable rental building. A trust fund can help cover these budgetary gaps, make affordable multifamily rental more attractive to investors, and leverage these existing programs to

produce more units. The Mayors Caucus manages a [Municipal Resource Guide](#) of housing programs that details the eligible incomes and costs for these programs and others.

If Naperville plans on funding additional housing activities for those earning less than \$50,000, the creation of the trust fund helps clarify administration and use of funds set aside for affordable housing. Given focus group feedback on the number of demolitions in Naperville, a demolition tax could be an appropriate revenue source to flow into the trust fund.

Next Steps

- *Create an affordable housing trust fund for any fees that the City is collecting to support housing work.*
- *Engage the housing market analysis consultant to research the amount a demolition fee should be in Naperville to balance current local development climate with community goals for creating affordable housing.*
- *Set up a meeting with Sarah Flax from the City of Evanston to identify the process they used in order to create and implement a demolition tax.*

EXPERT TOPIC 2: Create a community land trust and housing non-profit within Naperville

The interrelated housing issues in Naperville are similar to those that Highland Park grappled with in the mid-1990s (and still does today). Some members of the community were concerned about a lack of affordable housing. Buyers were tearing down smaller and more affordable 1950s and '60s era homes in western Highland Park. In response, the City created a community land trust (CLT), which expanded its capacity over time to provide other housing services in Highland Park. Naperville could emulate this approach.

As part of creating a new comprehensive plan, the City Council directed the Housing Commission to prepare an affordable housing plan to be incorporated into the comprehensive plan. A key recommendation in the affordable housing plan was to create a CLT to preserve the existing housing stock and develop new housing that will remain affordable in perpetuity. The model was found to be among the most effective and efficient models of affordable housing, particularly in high-cost areas such as Highland Park. In 2003, the City of Highland Park and interested residents established the Highland Park Illinois Community Land Trust (HPICLT) as an independent nonprofit, 501(c)3 organization. Mary Ellen Tamasy, currently a Vice President with Community Partners for Affordable Housing (CPAH) spoke of her experiences working with Highland Park as they developed a CLT in the late 1990s and early 2000s. Mary Ellen was the first executive director of HPICLT, which today is called CPAH.

Using the CLT model, CPAH acquires existing properties (primarily foreclosed and/or blighted properties), conducts a thorough environmentally sustainable rehabilitation and then sells the homes to income-qualified buyers at an affordable price. CPAH retains ownership of the underlying land and leases the land to the homebuyer for a nominal fee (\$25 per month) via a 99-year, renewable ground

lease. The purchase price for the homebuyer is typically 40 to 65 percent below the market value because, the homebuyer only purchases the home and not the land. If the homebuyer later wants to sell their home, it is sold to another income-qualified buyer or back to CPAH at a formula price designed to give the homeowner a fair share of appreciation, while still keeping the home affordable for the next buyer. The resale restrictions maximize the cost-effectiveness of public and private investment because the homes are not only affordable to the first buyer, but will remain affordable for succeeding generations of homebuyers forever. In addition to the home preservation program, CPAH also develops new affordable for-sale and rental housing using the CLT model. Like CPAH's preservation program, the organization retains ownership of the underlying land to ensure newly constructed homes also remain affordable forever. Mary Ellen explained that the land trust has developed over 90 permanently affordable homes, both ownership and rental, in and around Highland Park since its creation.

Beyond creating affordable units, a CLT in Naperville could build its capacity over time. Like CPAH, a CLT in Naperville could leverage other federal and state resources to provide housing services for the City, developers, and residents. This would require some ramp up, but action at the municipal level provides the "seed" for such a non-profit to grow and administer numerous resources:

- **Community Development Block Grants:** This organization could administer Naperville's CDBG funded housing rehabilitation program.
- **IHDA Rehabilitation Programs:** This organization could also apply for and administer funds from IHDA. These include the Single Family Rehabilitation program, which recently expanded eligibility to HUD entitlement communities, and the [Home Accessibility Program](#), helps fund accessibility improvements within existing units. There is currently no provider to administer these funds in Naperville.
- **Homeownership Programs:** This organization could promote and leverage [IHDA homeownership programs](#) for income-eligible buyers when it helps preserve owner-occupied housing units (see below).
- **Waitlist Administration:** In Evanston and Highland Park, CPAH serves as the waitlist administrator and income certifier for the units created via inclusionary zoning ordinances, thereby reducing the administrative burden on the city while providing developers with a competent partner to make compliance with the inclusionary zoning ordinances easier (see recommendation 3).

The establishment of a CLT will require initial start-up funds. In Highland Park, the start-up costs were funded with resources from the Highland Park Affordable Housing Trust Fund. The trust fund and land trust were created at the same time with the start up in mind. Given its small staff size, the annual operating budget of the land trust was roughly \$180,000. The total estimated cost per scattered-site unit is approximately \$290,000, including acquisition, rehabilitation, and soft costs such as insurance, utilities, and legal fees. Naperville could choose to emulate this model, funding some portion of start up and/or seek funding from DuPage County.

To create and preserve housing opportunities for households earning less than \$50,000 in Naperville, the City should lead the creation of a CLT, organized as a 501(c)3, with a mission to preserve housing opportunities for those earning less than \$50,000 in Naperville. The immediate focus of a CLT would be to acquire and rehabilitate homes in order to preserve and create an affordable housing stock for the community. Over the longer term, the CLT could expand to administer Naperville's CDBG-funded rehab program, secure and administer other rehab funding available through IHDA, leverage and promote state homeownership programs, and to manage wait lists, if Naperville chooses to pursue an inclusionary zoning framework. As a next step, Naperville should work through its Housing Advisory Commission to better understand the startup costs associated with a CLT and work with DuPage County to explore the potential for seed funding from the County to create a CLT.

Next Steps

- *Engage the housing market analysis consultant to explore the setup costs for a CLT in Naperville.*
- *Set up a meeting of Naperville, DuPage County, and CPAH staff to discuss the interest of the County in supporting the creation of a CLT.*

EXPERT TOPIC 3: Explore an inclusionary zoning framework

While both the CLT (topic 1) and an affordable housing trust fund and demolition tax (topic 2) can create more units affordable to families earning less than \$50,000, inclusionary zoning is a potential tool as well. Sarah also spoke at the focus group about Evanston's extensive experiences adopting and modifying inclusionary zoning ordinances several times in the past 15 years. In the Chicago region, [Evanston](#) is one of several communities that have adopted inclusionary zoning ordinances, alongside [Chicago](#), [Highland Park](#), [Lake Forest](#), Oak Park, and St. Charles.¹¹

Inclusionary zoning requires or incentivizes a private developer to set aside a percentage of the units in a given project for households earning below a certain income threshold and that in order for those households to afford the unit, setting the rent or sales price at below the market rate. Inclusionary zoning efforts work well in strong housing markets, leveraging the demand to build new market rate units to also add affordable units. The units created by inclusionary zoning can be built within the new development, but communities can also allow for the developer to build the units off site nearby or to pay in lieu of providing a unit.

Evanston created its first inclusionary housing ordinance (IHO) in 2007. This initial version applied only to for-sale planned developments with 25 units or more. Condominium construction stopped with the onset of the recession and the ordinance generated no units or fees. Evanston implemented a revised IHO in 2016. The revised IHO broadened the types of projects covered and included different requirements in different parts of the City, framed as transit oriented development (TOD) areas and non-TOD areas. Because the ordinance was still not working as envisioned, the City Council adopted a

¹¹ Some community names are underlined because they link to more information about the ordinance of that community.

new IHO in October 2018, which, among other things, removed the differing requirements in different parts of the City (i.e. TOD vs. non-TOD areas). To date, Evanston's IHO (across all of its variations) has generated 49 affordable units and \$2.4 million in fees that the community is using to support other affordable housing developments.

Evanston's current IHO applies to all residential developments of 5 units or more. For privately funded developments, 10 percent of the total number of dwelling units must be affordable. For developments with public funding, 20 percent of the total number of dwelling units must be affordable. When the ordinance creates a new affordable for-sale unit, that unit must be sold to someone earning less than 100 percent of the area median income (AMI). When the ordinance creates a new affordable rental unit, that unit must be rented to someone earning less than 60 percent of AMI. Project types that are covered by the IHO include:

- New construction;
- Renovation or reconstruction of existing multifamily housing that increases the number of residential units in the building;
- Conversions of buildings from rental to owner or owner to rental; and
- Mixed-use and adaptive reuse projects.

The IHO permits condominium developments to pay a fee in lieu of providing the affordable units on site. Fees range from \$150,000 to \$262,500 depending on the type of approval and development location. Fees increase annually based on the Consumer Price Index. Apartment developments must provide units on site. Developers not wanting to either pay out their obligation under the ordinance or create units on-site may file an "equivalent proposal," such as buying and restricting existing units somewhere else in the same neighborhood. These proposals must be approved by Council.

Finally, Evanston offers additional development incentives to generate investor support and compliance with the ordinance:

- Priority processing above all other residential land use applications;
- Deferral of fees for plan review and building permits until the first temporary certificate of occupancy is issued, with those fees related to the affordable units waived altogether;
- Eligibility for density and floor area ratio bonuses depending on the development location and the share of affordable units provided on-site; and
- Reduced parking requirements, with the affordable units themselves requiring no parking.

As evidenced by the multiple revisions to Evanston's IHO between 2007 and today, this recommendation will require considerable staff capacity as well as regular input from the Naperville Housing Advisory Commission and City Council. First, the municipality must effectively design the ordinance to work within the current housing market. Because development conditions and housing cycles can change, this strategy also requires on-going staff bandwidth to administer, monitor, and recommend updates to the ordinance to ensure that it meets local housing goals. Ms. Flax emphasized in her presentation that inclusionary zoning works best when the requirements of the ordinance are

closely tailored to balance the current local development climate with community goals for creating affordable housing. To maintain that equilibrium, inclusionary zoning ordinances need to be regularly adjusted. Building local and political support to adopt an inclusionary zoning ordinance takes time as well. Evanston spent more than a year to draft and approve major revisions to the IHO in 2016. Input from stakeholders was sought throughout the update process, including through a large community meeting attended by City residents, businesses, developers, and community organizations in order to share plans for the revision of the IHO and solicit feedback on how to make the policy more effective.

Inclusionary zoning can be a useful tool for Naperville to expand the supply of housing for those earning less than \$50,000, but before investing time or resources to develop an ordinance, the City should first gather information about the tradeoffs associated with possible features including:

- To which developments should the ordinance apply?
- What sort of affordable housing obligation should the ordinance create (i.e. the percent of affordable units)?
- Should ordinance standards vary by location in the City?
- Should Naperville allow a fee-in-lieu, and if so, what should that fee be?
- Will Naperville offer incentives or bonuses?
- To who should the created units be affordable (i.e. 100% or 60% of AMI for example)?
- Could Naperville identify a non-profit partner to help with administration?

The City has hired a consultant to perform a housing market analysis and it should take the opportunity to use that consultant to also explore the tradeoffs associated with the above ordinance features to better understand what a balanced ordinance in Naperville might look like.

Next Steps

- *Engage the housing market analysis consultant to explore the tradeoffs associated with the above ordinance features and make a recommendation on ordinance design that allows Naperville balance current local development climate with community goals for creating affordable housing.*
- *Continue local conversations to gauge support for adoption of an inclusionary zoning ordinance using the more detailed information provided by the housing market analysis.*

EXPERT TOPIC 4: Meeting senior demand for more housing types

As noted earlier, Naperville residents are growing older. One third of residents are 55 and older, up from 19 percent in 2000. Additionally, over 3,500 senior-led households in Naperville earn less than \$50,000 per year and over 1,100 earn less than \$19,999. Almost two out of every three Naperville households led by someone over 55 own a home. Yet, as individuals age, their needs often change. Given the programs that Naperville already offers for seniors to help them age in their own homes, focus group discussions identified that the more pressing local issue was additional options for seniors looking to move.

Naperville has done a good job of diversifying its housing stock, offering residents of all ages more housing options than before.

Despite this added diversity, stakeholders think that the housing stock must be more diverse to meet the needs of aging seniors. The focus group particularly emphasized the need for more townhomes and smaller single-family options, not just large multi-family buildings. As supported by the data, those senior options must also include adequate options for households earning less than \$50,000 to truly meet community needs.

Terri Worman from AARP Illinois spoke at the expert panel about national research AARP has done to educate communities about the wide array of “missing middle” housing types that communities can add to better provide the housing types of interest to aging residents. This included examples from the publications [The ABCs of ADUs](#) and [Making Room](#). She emphasized how many of the housing characteristics of interest to seniors are also those of interest to other generations too.



The “Missing Middle” framework identifies five key characteristics of housing that Naperville can use as a guide when exploring what types of missing middle options might fit best in the existing development context of Naperville:

1. Located in Livable Communities (walkable context)
2. Compatible with Single Family Homes
3. Provide Small, Well Designed Units
4. Provide Fewer Off-street Parking Spaces
5. Create a Strong Sense of Community

For example, Naperville could explore permitting the addition of accessory dwelling units within its existing housing stock. An accessory unit is a second dwelling unit located within or attached to a principal single-family dwelling. Recently, ADUs have received local and national attention as a strategy to increase the supply of housing in submarkets that have seen sharply rising costs. Some municipalities in Illinois, including Oak Park, Evanston, Bull Valley, and Park Forest, have relaxed their regulation of ADUs or allowed them as of right over the last three years.

It is very important to note that there is no “cut and paste” approach to enabling accessory units, because municipalities vary significantly in their land use patterns, size of housing stock, access to transportation, and other factors. Across the region, regulations on ADUs vary significantly and individual municipalities must consider several factors in drafting an ordinance, including:

- **Occupancy:** When a municipality proposes an ADU ordinance, residents and elected officials frequently express concern that the unit will not be cared for, or that an absentee landlord will rent out both units. Alternatively, the municipality may want to enable ADUs to support intergenerational living but express reservations about what happens to the unit when the house is sold. It is common for ADU ordinances in our region to require that one unit remain owner occupied. For example, Wilmette requires owner occupancy within either the primary or accessory unit. Homer Glen requires that occupants must be a family member and apply for an occupancy permit each year.
- **Attached vs. Detached:** Communities can specify whether an accessory unit is attached or detached in an effort to fit in the character of existing homes. This may also impact the outcome of the ordinance across different types of land uses. For example, communities with alleys or compact street grids, such as Evanston, may allow homeowners to add a freestanding unit or convert their detached garage. In newer growth areas, such as southern Naperville, the cost of utility hookups and concerns about emergency access makes attached ADUs more desirable.
- **Unit Size:** Municipalities express concern about the size of new construction, detached accessory units. Most ADUs are 800 square feet or less. When communities allow ADUs, they can limit the size and massing of new detached units by regulating either its total square footage or the coverage of lot area. For an attached unit, communities can limit the total square footage or percentage of interior space.
- **Parking:** The potential impact on parking is a frequent concern, as is the case with other types of new development, particularly in residential areas without transit access. However, parking requirements may make it difficult for a homeowner to add a detached ADU on a narrow lot or an attached ADU in an existing single family home. Many zoning ordinances, including recently passed language in Park Forest and Oak Park, have waived parking minimums for an ADU.

Because there is no “one size fits all” approach to consider these variables, Naperville will need to consider in designing an ADU ordinance. Evanston discussed its efforts to enable ADUs on all properties during the expert panel. Additionally, Park Forest and South Elgin enabled ADUs in recently Unified Development Ordinances developed by CMAP and [this ordinance language is available as a template](#) on the Mayors Caucus website.

Naperville could also explore allowing senior cottage clusters, a group of smaller detached homes clustered together on one lot. Cottages in these developments are typically much smaller than single family homes. This building type may help alleviate the demand for starter homes by the City’s growing senior population. The City may need to waive parking requirements, setbacks and lot coverage standards to allow a cluster. While the Chicago region does not possess many comparable developments

to easily inform these zoning changes, [Zion Senior Cottages](#) is one successful example of a cottage development, which was funded with Low Income-Housing Tax Credits allocated by IHDA.

Naperville is currently working on a new comprehensive plan. As such, it is a good time for the community to prioritize the building types identified by AARP and their possible application in Naperville.

Next Steps

- *In the comprehensive planning process, the consultant should answer the following questions:*
 - *What types of “missing middle” housing best meet the needs of Naperville’s senior population, including the needs of seniors earning less than \$20,000 and \$50,000?*
 - *Where such housing could build in Naperville?*
 - *What zoning changes Naperville would need to take in order to permit such development?*

KEY CONTACTS

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