MINUTES
HOUSING ADVISORY COMMISSION
NAPERVILLE MUNICIPAL CENTER, MEETING ROOM A
MONDAY, FEBRUARY 4, 2019 – 6:30 PM

A. CALL TO ORDER: Meeting called to order at 6:34 p.m. by Chairwoman Michele Clemen.

B. ROLL CALL

Commissioners Present: Michele Clemen (Chair), Mercedes Haber-Kovach, Linda Kuhn, Steve Lakner, Mark Rice, Linda Wilhelm

Others Present: Becky Anderson, Ruth Broder, Allison Laff, Scott Williams

Chairwoman Clemen introduced Shree Gurusamy, whose appointment to the Housing Advisory Commission was approved by City Council on February 5, 2019. Gurusamy attended the February 4th meeting as an observer. Clemen also read a letter from Commissioner Laura Ellman, resigning from the Housing Advisory Commission effective February 3, 2019. (See Attachment A).

C. PUBLIC FORUM

Speakers: Bev Frier, Senior Task Force; Marilyn Schweitzer

Bev Frier: Frier highlighted the lack of affordable housing as demonstrated by seniors who would like to downsize, but cannot find affordable units. First responders are also unable to find affordable housing in Naperville.

Marilyn Schweitzer: Schweitzer requested that the Housing Advisory Commission be consulted on all new developments until the City can integrate affordable housing into its comprehensive plans. Schweitzer also hoped that the City would not wait until plans are completed to act on affordable housing. A written copy of her full comments is attached (see Attachment B).

Dr. Bob Buckman: Dr. Buckman asked that Commissioner Ellman's resignation letter be added to the record.

D. OLD BUSINESS <u>19-117</u> Fifth Avenue Development

Discussion of the 5th Avenue Project began with a PowerPoint presentation by Allison Laff, Deputy Director of the Transportation, Engineering & Development Business Group (TED) (see Attachment C). The presentation described the background of the 5th Avenue Project, citizen participation, survey results, definitions of affordable and attainable housing and calculations of maximum sale prices and rents that would result if various definitions were applied.

Commissioner Haber-Kovach commented that the calculations for taxes should include Will County as well as DuPage County. Chairwoman Clemen commented that differences in taxes between different school districts should also be considered.

Commissioner Kuhn requested information on the geographic location of affordable units within the City. Kuhn also stated that affordability should be determined by the number of persons within the household as well as Area Median Income (AMI). It was suggested that Choose DuPage might have some data on the location of affordable units.

Haber-Kovach asked why only Illinois Housing Development Authority (IHDA) data on income was used instead of HUD data, which does consider household size. Laff responded that the City would need to use IHDA's data to comply with the Affordable Housing Planning & Appeal Act's requirements for achieving the state's goal that a minimum of 10 percent of housing units be affordable. Based on these criteria, the income levels used by IHDA would yield the lowest dollar figures for the maximum allowable costs of affordable owner and renter-occupied housing.

Commissioner Lakner asked what the recommendation requested by City Council should include? Laff responded that the recommendation should include whether below market-rate housing should be included in the 5th Avenue development and at what income levels.

Councilwoman Anderson asked if it would be possible to develop a policy on inclusion of affordable units in all developments exceeding a certain size. She stated that she did not want the City to lose the opportunity to have affordable housing included in large developments. Clemen responded that these policies could be discussed going forwards, but that the Commission should focus on the 5th Avenue Project at this time. Clemen stated that the DuPage Homeless Alliance would also give their presentation and that comments and questions would be taken prior to a vote on the recommendation to City Council. Commissioner Wilhelm stated that the 5th Avenue development would influence how housing is included in other developments going forward. Anderson commented that the City has a better opportunity to guarantee the inclusion of affordable housing in the 5th Avenue development because the City owns the land and can require more conditions that it could with privately-owned land.

Kuhn asked if the 5th Avenue Project would go out to bid? Laff responded that this is not yet determined. Ryan Companies could be selected as the developer, but a lot more discussion will take place. The original intention was for Ryan Companies to be the developer, but they are not authorized to move forward at this time. No dollars have been invested at this point. The City could award a contract to Ryan or could build portions of the project itself. Anderson said that Ryan has included affordable units in other developments it has completed. Laff stated that the Council can impose conditions on any developer chosen to complete the project. The project must work financially for both the City and the developer. This will be determined by the ability of the developer to sell units at given price points. It is not possible to do these calculations now, because all the costs are not known at this time.

Comments were made by members of the public that programs are available to subsidize costs and that the number of affordable units available in the immediate geographic area of 5th Avenue may influence the requirement for affordable units.

Laff reiterated that Council wants to know the Commission's views on what the City should ask Ryan to include; Ryan can come back with a counter offer based on what they think can actually be done. As noted by Anderson, the City has much more control of this site because the land is owned by the City. The Commission can look at a larger discussion later.

Chairwoman Clemen asked the DuPage Homeless Alliance (DHA) to give their presentation (see Attachments D and E).

Mike Ryder, representing DHA, stated that DHA's goal is for economically diverse groups to be able to live in Naperville. They are asking that attainable housing be defined as affordable housing as defined by IHDA. Other presenters stated that Naperville could be subject to legal complaints and sanctions if no affordable housing is included in the 5th Avenue Project. They also discussed the number of units (20-30) that could be included in the 5th Avenue Project and methods that could be used to accomplish these goals. Examples of affordable developments in other cities were shown.

Following conclusion of DHA's presentation, the Commission returned to a discussion of the recommendation to be made to City Council, answering the questions outlined in Laff's presentation:

1) Should below market-rate housing be a required component of the 5th Avenue Development Project?
2) Should below market-rate housing be attainable or affordable? How should these terms be defined?
3) What level or percentage of the housing in the 5th Avenue Development Project should be below market-rate?

Clemen asked for a show of hands to the first question on whether or not below market-rate housing should be required in the 5th Avenue Development Project.

Haber-Kovach asked for a definition of what is below market-rate.

Laff replied that below market-rate could be considered housing costing less than a developer would normally build without it being required.

Some commissioners asked if a recommendation could be delayed allowing for more time to discuss the alternatives.

Clemen said that the commission needed to reach a consensus tonight to move forward. Anderson stated that the questions could be answered now.

Discussion took place regarding whether the commission should recommend that 10 percent or 20 percent of units be affordable using IHDA's definition of affordable owner and renter-occupied housing.

Motion by Clemen to recommend that City Council direct the developer to include a minimum of 20 percent affordable housing, as defined by IHDA, in the proposed 5th Avenue Development Project. Seconded by Commissioner Lakner. Motion unanimously approved by a voice vote (6-0).

The reasons given for adopting this recommendation were as follows:

- The properties are owned by the City, making it easier for the City to require affordable housing.
- The properties are adjacent to or within walking distance of the train station.
- The location is a good fit for addressing the housing needs of seniors, veterans, young professionals/workforce and persons with disabilities.
- The 20 percent minimum of affordable units can potentially qualify the developer for incentive programs offered by the federal government and State of Illinois.

The commission also agreed to a suggestion by the DuPage Homeless Alliance to develop a more complete position paper on the recommendation. Commissioners Haber-Kovach and Kuhn volunteered to prepare the position paper, which will be reviewed by the full commission at its March 4, 2019 meeting.

The commission also requested that TED provide information on upcoming housing developments. Laff said that TED can provide this information for commission review, and can provide an overview of when affordable housing can be required. Laff also noted that Housing Advisory Commission members could also attend meetings of the Planning & Zoning Commission to offer comments on residential zoning cases. She noted that representatives of the Senior Task Force regularly attend Planning & Zoning Commission meetings.

E. NEW BUSINESS 19-119 Housing Needs Analysis

Staff Liaison Broder provided an overview of the Metropolitan Mayors Caucus Technical Assistance Process (see Attachments F, G and H). Broder additionally provided an overview of the Housing Needs Assessment that is intended to be undertaken, as well as the questions that are to be answered through this study (see Attachment I).

Commissioner Rice requested that the slides be emailed to the commission for review.

Chairwoman Clemen stated that all commissioners should review these slides and send any items that they believe need to be added to Broder for discussion at the March 4th commission meeting.

Councilwoman Anderson asked how much the study would cost? Broder noted that the Housing Analysis will be paid for through CDBG funds which Council has already allocated. The Metro Mayors Caucus Technical Assistance program is completely free.

A copy of IHDA's 2018 Non-Exempt Local Government Handbook (Attachment J), a copy of DHA's position paper on affordable housing (Attachment K) and Business and Professional People for the Public Interest's (BPI) publication, A Community Guide to Creating Affordable Housing (Attachment L) are also included in the minutes at Councilwoman Anderson's request.

F. REPORTS

1. 18-1038 Receive the updated report regarding progress on the Analysis of Impediments to Fair Housing Choice (AI) Action Items.

Staff Liaison Broder presented the current report progress report on the AI Action Items (see Attachment M). Broder also reported that Senior Assistant City Attorney Kristen Foley is interested in undertaking an update to the Commission's fair housing complaint procedures by May, 2019. Foley requested that Chairwoman Clemen and Commissioner Bernicki work with her to develop this policy which would be presented to the Commission for discussion at a future meeting. Foley also wants to increase the complaint period to a year.

Commissioner Rice noted that many of the Analysis of Impediments to Fair Housing Choice (AI) Action Plan items have not been started. He asked if commissioners been assigned to guide these items through? Clemen noted that the Commission is helping to oversee implementation of the items. Rice asked for more commissioners to focus their efforts on these implementation items. Broder noted that staff time is limited to working on 1-2 implementation items per year due to workload constraints.

Broder said that additional fair housing training can be undertaken with the help of the Naperville Police Department, including landlords, property owners, and property managers. Rice will work with Broder to develop a plan to accomplish this additional training.

2. 18-1037 Approve the minutes of the December 3, 2018 HAC meeting.

Commissioner Haber-Kovach noted one typo to be changed. Lakner moved to accept minutes with changes. Haber-Kovach seconded. Motion approved (5-0, 1 abstention - Rice). The December 3, 2018 minutes are attached (see Attachment N).

Clemen asked if Fair Housing Month banners will be hung on light poles in April? Broder noted that we have requested their installation. Additionally, there will be a proclamation at the April City Council meeting noting Fair Housing Month. Clemen asked that the proclamation include efforts that the Commission has completed in the last year.

Rice asked if the Commission could meet more frequently. Staff noted that meeting frequency is limited based on staff workload. Commissioners asked if they could meet without staff and prepare their own minutes for approval. Staff noted that we can check with Legal to determine if this is possible.

G. ADJOURNMENT

Motion to adjourn by Lakner, seconded by Wilhelm; meeting adjourned at 9:09 p.m.

Attachment A

Dear members of the Naperville Housing Advisory Commission,

It is with a heavy heart that I'm resigning from the Naperville Housing Advisory Commission. Working on this commission inspired me to run for office, by showing me how work in the public sphere, with people from different backgrounds and interests, can help improve people's lives. And so I leave my seat here on HAC to take up another seat representing Naperville residents – and the rest of District 21 – in the Illinois State Senate.

If there's one thing I may have learned already in the Senate, it's to not give up an opportunity to say a few words. So please humor me. I don't want to go without telling this commission how important your work is and can be, because now is a pivotal time for housing in Naperville, particularly around affordable housing.

First, as written in the Naperville Sun, Naperville must submit a plan to expand affordable housing by June 2020. Second, our commitment to act – and the intrepid work of our commissioners to carry out the recommendations – of the Analysis of Impediments study will help shape housing in Naperville. And third, of course, the Fifth Avenue project provides an opportunity for Naperville and this commission to plant a flag in our commitment to affordable housing in Naperville.

Embracing affordable housing is not a departure, it is a return. When people invoke the term "Old Naperville," it hearkens back to the day when 75th Street was a gravel road, and cornfields lay to the south. This is when the house I live in on Gartner Road was built – a 3 bedroom split level (with closets with room enough for a housecoat and one pair of shoes). This is when working families could afford to move to Naperville. Naperville's roots and future engine for growth is in allowing for spaces where working families can start and grow and stay.

But housing is only one proverbial leg of a stool. I believe we can visualize a Naperville that is a vibrant diverse community – home to families and people of all incomes, races, and ages. A community that runs smart, with forward-thinking transportation, utilities, education and services, and that encourages the arts, entrepreneurs and corporate investment. One whose Housing Advisory Commission leads the way in crafting a vision for housing – with a voice about transportation and jobs – for the rest of the city.

My time on this commission was great fun, where we emerged from a small group waiting for housing complaints, to one that expanded its mission and its name. We committed ourselves to fulfilling the recommendations of the AI study. And I wish I could be with the commission as we develop even more; instead I only offer my encouragement to you and the new community leaders that will join the team.

I wish each of you all the best in the work ahead, and thank you for the time I've had with the HAC.

Sincerely,

Laura Ellman

Feb 3, 2019

Public Comment for the February 4 , 2019 Housing Advisory Commission Meeting

I am unable to attend the February 4 , 2019 Housing Advisory Commission Meeting and wish to submit the following comments for your consideration.

1. Regarding File #19-119

I wholeheartedly support the DuPage Homeless Alliance's recommendation that the Housing Advisory Commission be consulted on "any significant housing developments being considered for Naperville" until "planning for affordable and fair housing can be integrated into the comprehensive planning process."

2. Regarding File #19-117, #19-119, and #19-121

I am rather weary of the continued haggling over definitions as to what is affordable versus attainable housing and which type should be included in the 5th Avenue Development or other developments. It's more worrisome when the granularity comes down to whether the housing should be simply senior or workforce housing. Over time this discussion simply seems to be a way to:

- resist doing anything below market-rate housing
- mitigate "Not In My Backyard" commentary

That this discussion has been going on for well over a year with 5th Avenue Development and surfaces in other substantial new developments signifies to me the absolute need to adequately educate residents, landlords, real estate agents, property management agents, lenders, City staff, City Council, and City boards and commissions regarding Fair Housing. Item #1C in the September, 2018 AI Progress Report - Fair Housing Action Plain was claimed to have been completed. It was amended in January, 2019 to be in progress. (Please also note that the internal date in the January 2019 AI Progress Report - Fair Housing Action Plain still says September 2018.) I suspect that "completed" simply reflects that a contract has been arranged, materials have been prepared, and some workshops given. If file #18-1040 "Discuss Fair Housing Education Training" in the Housing Advisory Commission Draft Minutes Notes dated December 3, 2018 refers to the same education as that of #1C, then it does not seem this effort has been going especially well. If so, I recommend that the Housing Advisory Commission not consider item #1C complete until they receive adequate feedback as to the training's effectiveness and outreach.

I thank the DuPage Homeless Alliance for putting forth a definition that is consistent with the Illinois Housing Development Authority, but I question why the definition seems to only cover rental units. Seemingly, a definition is needed to cover both rental and sale units. I recommend that the Housing Advisory Commission:

- Put forth a definition that covers both rental and sale units.
- Request that the definitions not only be used for the 5th Avenue Development, but also for any other new Naperville housing developments.
- Request that those definitions be incorporated into the education and outreach resources such as those referred to in item #1C.

3. Regarding File #19-117

I applaud the DuPage Homeless Alliance's comment regarding the 5th Avenue Development that:

> "Naperville has an opportunity to burnish its already solid image as a progressive, forward thinking, and "great place to live" city. It is an opportunity that should not be squandered."

I would even take it a step further and say that the City of Naperville, as the primary owner (keeping in mind some of the acreage is leased), has a duty to set an example for developers. If the City is unwilling to provide Fair Housing when they have the opportunity, how can they in good conscience encourage or expect a private developer to do so?

According to a January 5, 2019 Chicago Tribune article, only 7.5% of Naperville's housing units fall into the category of affordable and state law requires Naperville to submit a plan by mid-2020 to raise that percent to the desirable level of 10%. If the 5th Avenue Development were to have 10% of the housing units be attainable (i.e. the minimum recommended by the DuPage Homeless Alliance), then Naperville would only be meeting the State's minimum on 5th Avenue Development site. The City would be doing nothing to reduce the City's overall deficiency. Again, since this is primarily City owned land there is an opportunity, if not an obligation, to do more than the minimum.

10% of 200 housing units (proposed by Steering as a potential concept) to 400 housing units (proposed by Ryan Companies's existing concepts) would amount to 20 to 40 attainable/affordable units. That seems rather meager and arbitrary considering Naperville's overall deficiency of around 1200 units. The 10% recommendation gives a minimum that should be achieved, states nothing regarding a maximum that could be achieved. I believe the Housing Advisory Commission should make a stronger recommendation that takes into account both the area surrounding the 5th Avenue Development site and the overall financial perspective of the 5th Avenue Development project. For example:

- The May 2017 Analysis Of Impediments To Fair Housing Choice document shows opportunities per various tracts within Naperville. If the analysis tract that includes the 5th Avenue Development parcels is below the State's 10% minimum for affordable units, then how many could be added to raise that tract's percentage to 10%? How many should be sale versus rental and how many should have three or more bedrooms? If the analysis shows the surrounding area to have exceeded the State's 10% minimum, then an argument could be made to keep the recommendation for the 5th Avenue Development parcel at 10%.
- Federal Community Development Block Grants may be applied for to offset S.B. Friedman's complaint that affordable housing is not in the best financial interest of the City. Retail and Office space, not just housing, are potential revenue generating components under consideration for the 5th Avenue Development project. The HAC need not delve into the financial details, but could recommend that the measurement of the 5th Avenue Development's economic success be viewed as a whole, not just by individual components.

4. Regarding File #19-121

I compared the January 2018 AI Progress Report - Fair Housing Action Plan with its January 2019 counterpart. The only progress made in 2018 was to start item #3A and to make some progress on item #1C. Besides item #1G, the annual review, other items have not begun:

- 4 Low Complexity Items (#1B, #1D, #1E, #1F, and #3D) have not started
- 6 Medium Complexity Items (#1F, #2A, #3B, #3C, #4A, and #4B) have not started
- 1 High Complexity Item (#4C) has not started

Items #1E and #1F were deferred from starting in 2018 and are only tentatively planned for 2019. Thus, progress on the Fair Housing Action Plan seems to be rather slow. Fair Housing should be a priority for Naperville. I recommend that future progress reports for each item include:

- A tentative start date or a list of which items must be completed before a particular item can begin.
- The anticipated duration to complete a task in months or years rather than the time frame of short, medium or long.

Again, thank you for your consideration.

Sincerely,

Marilyn L. Schweitzer
Febuary 4, 2019

Attachment C

Naperville

5th Avenue Project

Introduction

What We Have Heard

- City Council
- HAC
- Public
- Working Group
- Steering Committee
- City Advocate

Questions for HAC

Next Steps

Presented by

Allison Laff, AICP

Deputy Director TED

Naperville

Input Requested from HAC

Introduction

What We Have Heard
- **City Council**
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- **Public**
- **Working Group**
- **Steering Committee**
- **City Advocate**

Questions for HAC

Next Steps

At the December 4, 2018 Meeting, City Council asked for HAC input on the following:

1. Review and provide recommendation relative to attainable units within the 5th Avenue Development
2. Provide recommendation for definition of attainable (100% of AMI, 60% of AMI, Other)?

www.naperville.il.us/fifthavenue

Naperville

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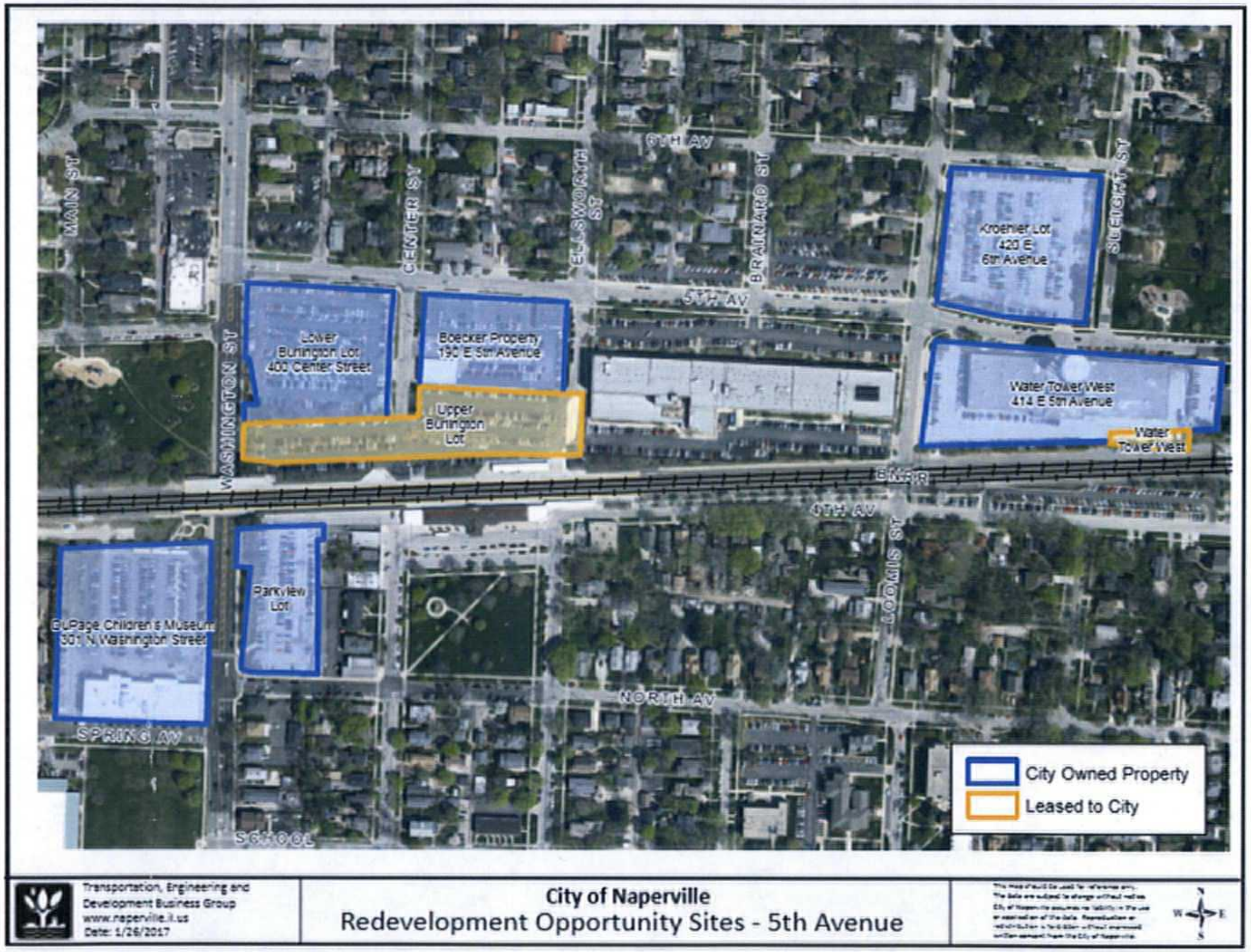
- **City Advocate**

Questions for HAC

Next Steps



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Naperville

5th Avenue Project Process

- RFQ Released February 2017
- 5 Firms Responded May 2017
- Ryan Companies Authorized to Proceed By City Council September 2017
- 12 Month Community Planning Effort (October 2017 – October 2018)
  - Meetings
  - Workshops
  - Surveys
  - Interviews
  - Working Groups and More

Naperville

Introduction

What We Have Heard

- **City Council**
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- **Steering Committee**
- **City Advocate**

Questions for HAC

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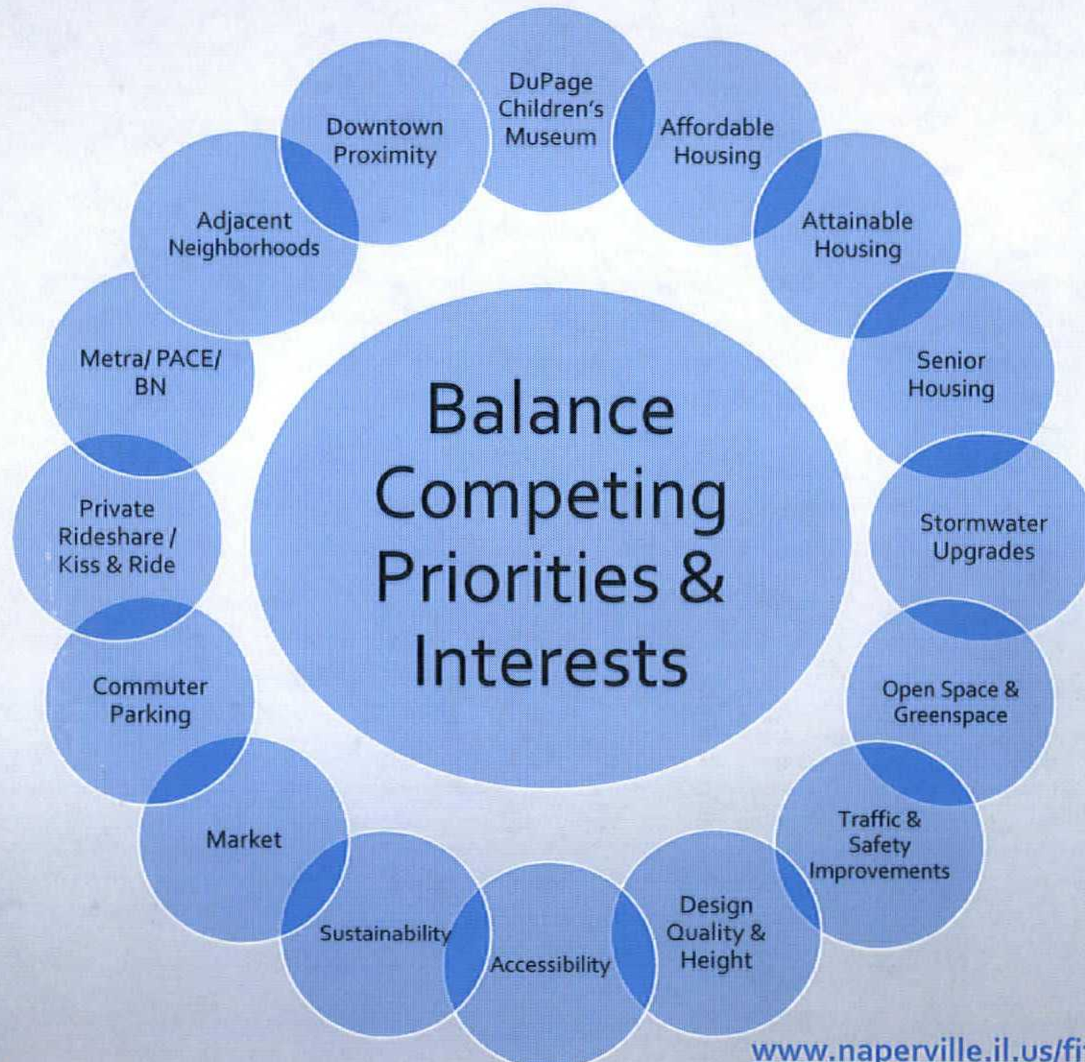

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Naperville

Initial City Council Input

Introduction

What We Have Heard

City Council

HAC

Public

Working Group

Steering Committee

City Advocate

Questions for HAC

Next Steps

- July 2016 Council Survey Priorities (based on Average of City Council Responses)
  1. Establish a Gateway to Downtown
  2. Generate Sales Tax Revenue
  3. Affordable housing*
  4. Provide commuter-support type uses
  5. Profit from the sale of land

  *City Council did not distinguish specifically between "affordable" and "attainable" at this time. Simple intention was to clarify if below market housing should be provided

- February 2017 RFQ
  - RFQ approved by City Council did not specifically ask for affordable, attainable, or senior housing
  - RFQ did stipulate, "*Favorable consideration will be given to redevelopment concepts which meet an unmet community need or support the City of Naperville Strategic Ends Policies and Financial Principles.*"

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Naperville

HAC Input

Introduction

What We Have Heard
- City Council
- HAC
- Public
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- Steering Committee
- City Advocate

Questions for HAC

Next Steps

- Open Invitation To:
  - 2 Community Meetings (Fall 2017)
  - 9 Community Input Sessions (Fall 2017)
  - 6 Public Staff Meetings (Fall 2017 – Spring 2018)
  - 5 City Council Workshops
  - 2 Community Open Houses (June and August 2018)

- February 5, 2018 HAC Meeting with Jim McDonald, Ryan Companies. HAC recommended:
  1. *Ryan Companies Review AI*
  2. *A portion of the housing units in the 5^{th} Avenue development be <u>attainable</u>*
  3. *While housing for seniors continues to be important, Ryan Companies should also <u>consider</u> the housing needs and affordability for all generations.*

- Working Group (March – June 2018)
  - Councilwoman Anderson (HAC Liaison), Phil Meno, DuPage Homeless Alliance, and Allison Laff/Amy Emery (City) were members of the Land Use Working Group selected by the 5^{th} Avenue Steering Committee and facilitated by Ryan Companies. The group specifically reviewed and discussed the findings of the latest AI, as directed by the HAC.

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Naperville

Community Input

Introduction

What We Have Heard

City Council

HAC

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Questions for HAC

Next Steps

- 9 Community Input Sessions (October – November 2017)
  - Nearly 100% comments about housing alternatives to market rate were specific to senior housing
  - Virtually no support, based on comments received, for any other type of non-market rate housing
- Community Survey (May 2018)
  - *Should housing be included as part of the 5th Avenue Development?*

	ENGAGED	COMMUTER	CROSSOVER	COMMUNITY	WEB Opt-In
YES	75%	50%	69%	64%	61%
NO	25%	50%	31%	36%	39%

ENGAGED – Residents on Contact List (essentially surrounding neighborhoods) and Commuter Database
COMMUTERS – Exclusively on City Commuter Connection
CROSSOVER – Both
COMMUNITY - Naperville Residents – Random Sample
OPT-IN – Self-Selected Participants from Web

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Naperville

Community Input

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Questions for HAC

Next Steps

- Community Survey (May 2018)
  - *If Housing is to be included, please indicate types of housing you feel should be included...*

	ENGAGED	COMMUTER	CROSSOVER	COMMUNITY	WEB Opt-In
Affordable/ Workforce	23%	22%	30%	17%	19%
Attainable / Cost Effective	55%	48%	65%	53%	49%
Independent Living (for seniors)	58%	42%	56%	53%	43%
Market Priced Housing	77%	71%	77%	66%	69%

ENGAGED – Residents on Contact List and Commuter Database
COMMUTERS – Exclusively on City Commuter Connection
CROSSOVER – Both
COMMUNITY - Naperville Residents – Random Sample
OPT-IN – Self-Selected Participants from Web

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Naperville

Land Use Working Group

Introduction

What We Have Heard
- City Council
- HAC
- Public
- Working Group
- Steering Committee
- City Advocate

Questions for HAC

Next Steps

- Working Group Report (Language Reviewed and Approved by Land Use Working Group Members on 5/24/18)
  - **Provide for a diverse mix of uses, including green space/public spaces, parking, residential, boutique retail and commercial office.**

Notes:

- **Green space/public spaces.** In accordance with Naperville's Building Design Guidelines, buildings will frame special public spaces such as green space, parks, plazas, outdoor seating, the streetscape, and most notably, the train station, combining amenities with safety for residents, commuters, employees, visitors and surrounding property owners.
- **Residential.** Housing product should appeal to a variety of ages and incomes, including young professionals, empty-nesters, seniors, students and older adults.
- **Retail.** Focus on destination-oriented retail and dining concentrated along Washington Street.
- **Commercial office.** Distinct from typical suburban office product, the office space will use smaller floor plates and create a more active and urban feel.

Naperville

5^{th} Avenue Steering Committee

- June 20, 2018

  The 5^{th} Avenue Steering Committee recommended that at least one concept for the 5^{th} Avenue Development should offer units at various price points designed to be attainable. All agreed one concept should include 10% of housing geared to workforce.

Naperville

Introduction

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Questions for HAC

Next Steps

12/4/18 City Council Discussion

- Geoff Dickinson, SB Friedman (City Advocate), raised the following question to City Council on December 4, 2018 (to get direction to inform concept refinement):

  "Should some percentage of non-market rate housing be included as a part of the 5th Avenue Redevelopment as recommended by the 5th Avenue Steering Committee? Specifically noting:

  - Workforce/Attainable Family Housing (approx. 10% of units at 100% of AMI*)?
  - Attainable Senior Housing?"

*100% of AMI. Area Median Income, or AMI, is a statistic generated by the U.S. Department of Housing and Urban Development (HUD) for purposes of determining the eligibility of applicants for certain federal housing programs.

- Phil Meno testified at the 12/4/18 City Council meeting this would equate to a monthly rent of $2,105 , based on an income of $51,000 for a family of 4 in Naperville. He requested following the IDA Guideline of 60% of AMI for a monthly rent of $1,270.

Naperville

12/4/18 City Council Discussion, cont.

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At the December 4, 2018 Meeting, City Council asked for HAC input on the following:

1. Review and provide recommendation relative to attainable units within the 5th Avenue Development

2. Provide recommendation for definition of attainable (100% of AMI, 60% of AMI, Other)?

Naperville

HAC Discussion: 2/4/19

Introduction

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- **City Advocate**

Questions for HAC

Next Steps

- Question 1: How is "Attainable" defined?

		Owner Occupied*		Rental*	
	Source of Area Median Income	*% AMI*	*Affordable Sale Price (per unit)*	*% AMI*	*Affordable Rental Price (per month)*
Attainable	DuPage County	100% AMI: $84,442	$328,136	100% AMI: $84,442	$2,111
		80% AMI: $67,554	$230,620	60% AMI: $50,665	$1,266
	Chicago MSA	100% AMI: $63,327	$206,215	100% AMI: $63,327	$1,583
Affordable per IHDA	Chicago MSA	80% AMI: $50,662	$133,083	60% AMI: $37,996	$950

*Per IHDA calculations; assumes no more than 30% of income is spent on housing (mortgage, taxes, insurance; or rent and utilities)

IHDA's Calculations

- IHDA uses the following calculation to determine affordability for ownership units:
  - 80% of Chicago MSA AMI x 30%/12 months = Maximum Monthly Income that can be spent on Housing (mortgage and taxes)
  - Maximum Monthly Income – Average Property Taxes Paid Per Year in Naperville = Maximum Monthly Mortgage Payment
  - Maximum Monthly Mortgage Payment determines Affordable Purchase Price
- For Naperville: 80% of $63,327 Chicago MSA AMI x 30%/12 = $1,266.54/month that can be spent on housing
  - $1,266.54/month - $690.33 property taxes/month*= $576.21 mortgage payment/month = **$133,083** Affordable Purchase Price

    **Assumes an average of $8,284.00 in property taxes are paid in Naperville*
- IHDA's calculations do not make an adjustment to the Average Property Tax assumptions based on actual affordable value of the home, thereby skewing the resulting Affordable Purchase Price.
  - Property Taxes are typically 2% of home value – Naperville's average is equivalent to $414,200 home value
  - Property Taxes on $133,083 home would be closer to $2,700/year (or $222/month)
- If a lesser (but still conservative) Property Tax assumption of $5,000/year (or $250,000 home value) is used, Naperville's Affordable Purchase Price increases to $196,291.
  - Naperville's resulting affordability levels then increase from 7.5% to 11.3%.
- IHDA's rental calculations assume Gross Rent and do not appear to have the same calculation errors. The affordable monthly rent in Naperville per IHDA is $950.
- The City will reach out to IHDA to further discuss the calculation concerns.

Naperville

HAC Discussion: 2/4/19

Introduction

What We Have Heard

- **City Council**
- **HAC**
- **Public**
- **Working Group**
- **Steering Committee**
- **City Advocate**

Questions for HAC

Next Steps

- Question 2: Should below market-rate housing be a required component of the 5th Avenue Development Project?

  If "Yes":

www.naperville.il.us/fifthavenue

Naperville

HAC Discussion: 2/4/19

Introduction

What We Have Heard
- **City Council**
- **HAC**
- **Public**
- **Working Group**
- **Steering Committee**
- **City Advocate**

Questions for HAC

Next Steps

- Question 3: Attainable? Affordable?

www.naperville.il.us/fifthavenue

Naperville

HAC Discussion: 2/4/19

Introduction

What We Have Heard
- **City Council**
- **HAC**
- **Public**
- **Working Group**
- **Steering Committee**
- **City Advocate**

Questions for HAC

Next Steps

- Question 4: What % of the housing in the 5th Avenue Development Project should be below market-rate?

www.naperville.il.us/fifthavenue

Naperville

HAC Recommendation: 2/4/19

Introduction

What We Have Heard
- **City Council**
- **HAC**
- **Public**
- **Working Group**
- **Steering Committee**
- **City Advocate**

Questions for HAC

Next Steps

- HAC recommends that City Council direct the developer of the 5^{th} Avenue Development project to include a minimum of 20% of affordable housing, as defined by IHDA, into the proposed 5^{th} Avenue Development project. (Approved 6-0)
- Reasons: city-owned land; adjacent/access to train station; addresses housing needs of workforce, senior, veteran, young professionals, persons with disabilities; makes developer potentially eligible for incentive programs
- HAC will have 2 commissioners develop a more complete position on this discussion item and report back at March 4, 2019 HAC meeting.

Naperville

Next Steps

- Share HAC Feedback with City Council
- Continued opportunities for HAC through public process

www.naperville.il.us/fifthavenue

DuPage Homeless Alliance
Affordable Housing
Presentation to
Housing Advisory Commission

Anne Houghtaling
Phil Meno
Mary Beth Nagai
Mike Ryder

February 4, 2019
Municipal Building

DuPage Homeless Alliance: Who We Are

Active Members:

- Board of Directors of the Naperville Homeowners Confederation
- HOPE Fair Housing
- St. Thomas the Apostle Church
- DuPage Housing Authority

Partnered and allied with:

- Chicago Coalition for the Homeless
- Naperville Housing Advisory Commission
- Country Wood Apartments
- Small property landlords
- Several other Faith-Based and Non-Profit Institutions not listed above

DuPage Homeless Alliance: What Are We Fighting For?

- Changing the narrative on fair and affordable housing in Naperville, DuPage County
- Pushing the City of Naperville to implement the recommendations in the Analysis of Impediment to Fair and Affordable Housing
- Fighting for the 5th Ave. Development to include attainable housing

Key Definitions

Affordable Housing

As defined by Illinois Housing Development Authority (IHDA) – For family with income that is 60% of the Area Median Household Income (AMHI), if housing costs no more than 30% of that income, then the housing is affordable.

Attainable Housing

Term being used in 5th Ave Development documents and discussion. However, it is not defined.

Proposed Definition of Attainable Housing

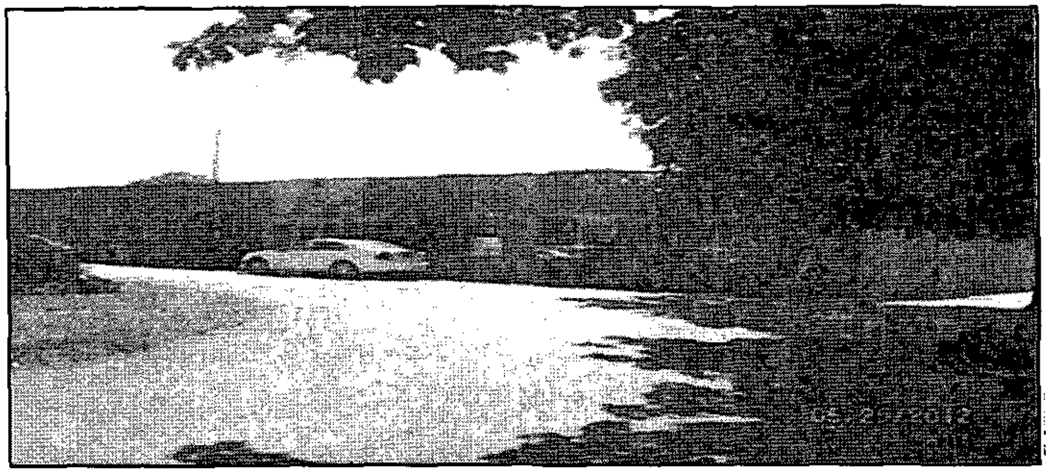
Attainable Housing = Affordable Housing as defined by IHDA.

5th Ave. Development Position

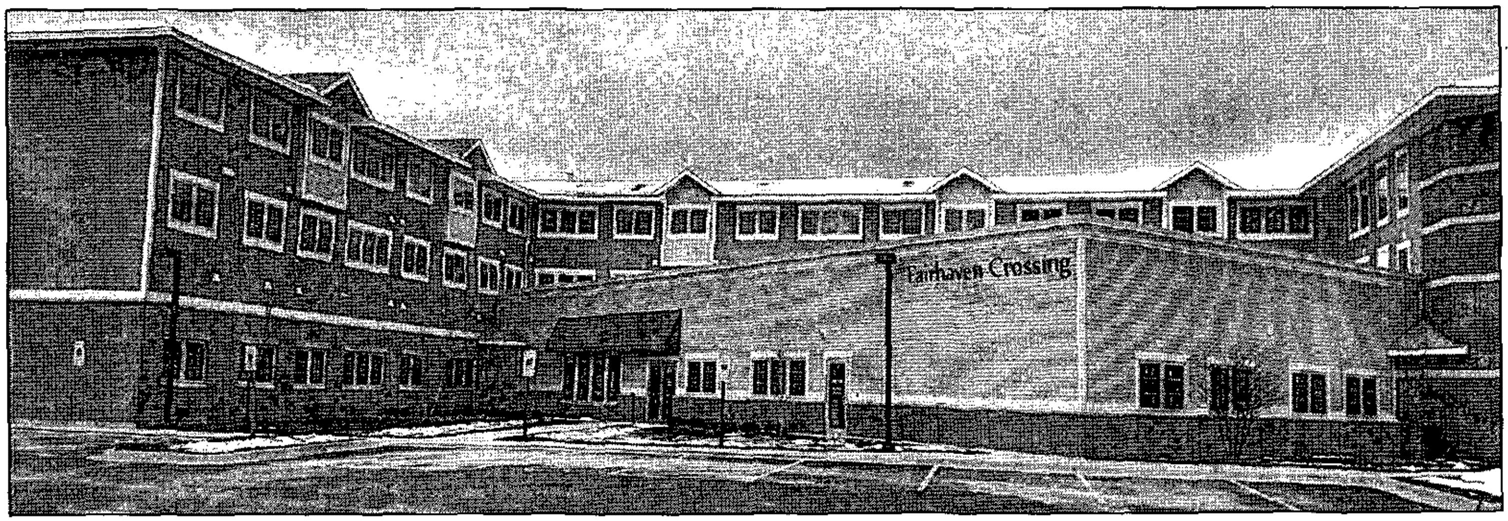
Mary Beth Nagai

What Does "Affordable Housing" Look Like?

Fairhaven Crossing, Mundelein, IL



Before



After

Grayslake Senior Housing

Spring Creek Nehemiah is an affordable housing success story in East New York

The development off Flatlands Ave. is home to 233 first-time homeowners who won the right to live there via lottery.

BY JASON SHEFTELL / NEW YORK DAILY NEWS / Friday, July 27, 2012, 11:43 AM

A A A

Share 33 | Tweet

AARON SHOWALTER/FOR NEW YORK DAILY NEWS

IL Affordable Housing Planning and Appeal Act

Phil Meno

IL Affordable Housing Planning and Appeal Act (AHPAA) - 2003

- Passed to address lack of moderately priced housing in many communities
- Established 60%/80% criteria for measuring lack of affordable housing in communities
- "Regional Median Household Income" (RMHI)
- Illinois Housing Dev. Authority (IHDA) goal for each city=20% of housing stock affordable

[Excerpted from IHDA AHPAA 2013 Handbook)

Municipalities Subject to/at-risk of being Subject to, AHPAA → Aff Hsg %

Villa Park	Now Exempt	Carol Stream	Now Exempt
Lombard	Now Exempt	Downers Grove	Now Exempt
Wood Dale	Now Exempt	Lisle	16.5%
Roselle	Now Exempt	Glen Ellyn	15.9%
Darien	17.9%	Itasca	17.6%
Wheaton	13.7%	Bloomingdale	Now Exempt
Clarendon Hills	14.1%	Winfield	18.7%
Oakbrook Terrace	11.3%	Elmhurst	8.2%
Bartlett	10.2%	**Naperville**	**7.5%**
Hinsdale	3.3%	Oak Brook	2.6%
Burr Ridge	3.3%	Wayne Village	4.8%

Source: Statewide 2018 Affordability List at www.ihda.org based on 2016 ACS 5 yr estimate

Who is impacted by the shortage of Affordable Housing in Naperville?

- Naperville Workforce being priced out
- Seniors
- Disabled
- Veterans

Suggestion for Integrated Housing Plan for Naperville

Anne Houghtaling

The Federal Fair Housing Act

- Title VIII of the Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988 together are called the Fair Housing Act (FHA)

- The FHA prohibits housing discrimination based on certain protected classes

The Seven Federally Protected Classes

- Race
- Color
- National Origin
- Religion
- Sex
- Handicap (Disability)
- Familial Status

Note on State and Locally Protected Classes

- Some state and local jurisdictions prohibit housing discrimination based on additional protected classes

- Depending on the jurisdiction, additional protected classes may include
  - Source of income
  - Sexual orientation
  - Age
  - And others

Closing Thoughts & Ask for Commitments

Mike Ryder

Housing Position Paper Recommendations

<u>Referencing Analysis of Impediments Action 3B</u>:
Prepare a Housing Position Paper that fully integrates planning for fair housing and affordable housing into Naperville's comprehensive planning and implementation Process.

Until fair housing and affordable housing is integrated into Naperville's processes, have the Housing Advisory Commission consult on significant housing developments being considered.

<u>Commission Actions Tonight</u>

1. Commit to the preparation of a Housing Position Paper draft within eight months.
2. Identify two Commission members to lead the preparation of a Position Paper draft and provide a plan and timeline for the draft at the March meeting.
3. Identify one Commission member to follow and report to Commission on housing developments being considered.

Attainable Housing in 5th Ave. Development Recommendations

Take the position that any 5th Ave Development housing component include a minimum of 10% Attainable Housing ... with Attainable Housing defined as the Illinois Housing Development Authority (IHDA) definition of Affordable Housing.

Commission Actions Tonight

1. Commit to the above recommendation.
2. Identify two Commission members to draft the Position Paper and circulate for comment prior to the March Commission meeting.
3. Plan on approving the Position Paper at the March Commission meeting.

Key Definitions

Affordable Housing
As defined by Illinois Housing Development Authority (IHDA) – For family with income that is 60% of the Area Median Household Income (AMHI), if housing costs no more than 30% of that income, then the housing is affordable.

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Proposed Definition of Attainable Housing
Attainable Housing = Affordable Housing as defined by IHDA.

DRAFT

Du Page Homeless Alliance's Suggestion for a Position Paper on Attainable Housing in the Proposed 5th Avenue Development

Naperville has an opportunity to burnish its already solid image as a progressive, forward-thinking, and "great place to live" city. It is an opportunity that should not be squandered.

Background:

At the December 4 meeting of the Naperville City Council, during discussion of Agenda Item K. 1 regarding the 5th Avenue Development, it was decided that a late January workshop for City Council would be desirable to discuss several major issues impacting the decision to go forward with Phase II of the development. Among those issues was the inclusion of attainable housing in the planned development. The Housing Advisory Commission (HAC) was asked to provide input ahead of such workshop. To facilitate a response, The Du Page Homeless Alliance has sketched out herein what a position paper might look like.

Definition:

No one thus far in the Ryan/Steering Committee process has, to our knowledge, fixed a definition to the term "attainable housing". We would suggest that such housing, in the case of rental units, consists of units for which a given family size making 60% of the Area Median Household Income (AMHI) for such family size would have to spend no more than 30% of such household income on rent. Defining attainable as anything more expensive than this standard would achieve nothing for the City in terms of its progress towards its goals contained in the most recent Analysis of Impediments study, nor in its dealings with the Illinois Housing Development Authority (IHDA).

Addressing Salient Comments Made at the December 4th Meeting:

1. City Advocate SB Friedman made the categorical statement that including attainable housing clearly is not the optimal financial use of the properties in question.

   – RESPONSE: In a vacuum, this statement is compelling. However, it ignores a few resources/tactics available to a developer that could ameliorate the "shortage" in rents/proceeds for having below-market units in the project. These would include federal Low-Income Housing Tax Credits (LIHTCs) administered by the Illinois Housing Development Authority. Since Naperville's percentage of attainable housing units (as defined above) is so far below the state's target percentage, it is considered an "Opportunity Zone", thus INCREASING the ability of a developer to win such credits in the competitive application process' scoring system. There are also other funding vehicles available to a developer from IHDA (see https://www.ihda.org/developers/applying-for-tax-credits-for-multifamily-housing/) to help offset the reduced rent streams for attainable units. Also, while the goal of all attainable housing is to make those units indistinguishable from the market units from the outside, the floorplans/size of the affordable units can be smaller, finishes more basic, etc. thus reducing the building costs of such units (i.e. there are 2,500 sq. ft. 3-bedroom apartments, and there are 1,100 sq. ft. 3-bedroom apartments), and the number that can be fit into the same space. Finally, in any "cost-benefit analysis", the potential cost/exposure of a failure to address Naperville's attainable housing shortage given this golden opportunity presented to the City must be taken into account.

2. The desire from Councilmen White, Anderson, and Obarski for more information on attainability:

RESPONSE 1: This is a fairly broad request and it is hard to determine exactly what information is being sought. There is no shortage of data, most of it in the 2017 AI and exhibits thereof, highlighting the shortage of attainable units in Naperville. In a separate document we lay out a rough outline for a comprehensive integration of planning for affordable and fair housing into the comprehensive planning and implementation process of the city, such integration being one of the goals of the most recent AI. In that document, we have highlighted and cited several sources of information regarding attainable housing as defined above.

RESPONSE 2: The DuPage Homeless Alliance, together with DuPage United, put together a primer presentation on Attainable Housing which was presented to a broad audience in July, 2018 at St. Thomas the Apostle Church. A handful of councilmen and HAC commissioners were in attendance, but it might be useful for Council to parse through the power point presentation at or before its workshop.

Very Pertinent Facts About This Proposed Development:

1. The proposed development surrounds the Naperville Metra station, and is also served by Pace bus routes. It is also walking distance to the vibrant Naperville downtown district which is in constant need of service and other employees; and,
2. The City owns the parcels of land that would be included in the proposed development and therefore has more control than it would normally have concerning the development's particular features, and it should be able to contractually retain such control whether the property is sold or leased as the project goes forward

Conclusion:

The HAC, having been tasked by City Council with implementing the goals and action steps documented in the AI accepted by City Council in 2017, has been diligently working on various items in such AI, including most recently the task of educating council, staff, and others on fair housing issues.

As mentioned above, also included in the action steps are longer-term goals which include working to fully integrate attainable and fair housing into the comprehensive planning and implementation process of the City.

The fact that these longer-term objectives have understandably not yet been achieved should not cause the City to miss the golden, and perhaps once-in-a-lifetime, opportunity that the 5th Avenue Development presents to achieve substantial progress on its twin goals of 1) increasing the amount of attainable (as defined) housing stock in Naperville, AND 2) increasing such stock that is accessible to public transportation.

Accordingly, the Du Page Homeless Alliance urges the commission to recommend, as others in the community have, that at least 10% of residential units that become a part of the development be attainable as defined for such unit sizes by the Illinois Housing Development Authority (the 60% AMHI threshold), and that all available tax credits, grants, and other financial assistance that is available for the construction of such units be pursued.

<u>Homes for a Changing Region Technical Assistance Process</u>
Last Updated: December 21, 2018

<u>Process Overview</u>
The *Homes* team will provide assistance to ten selected communities across three phases of work.

The Homes team will identify the ten communities over two years. Once selected, each engagement will follow the process below:

- First, the team will develop an **housing needs assessment** and use that analysis to identify key housing issues through facilitated conversations with elected officials and stakeholders;
- Next, the team will convene an **expert panel** targeted to those key housing issues to discuss implementation strategies to address them; and
- Finally, the team will produce a **housing action plan** that recommends targeted steps to address key issues and will hold at least one meeting to begin implementation.

<u>Technical Assistance Process</u>

<u>Step One: Housing Needs Assessment</u>
The *Homes* team starts each engagement with a **housing needs assessment** that identifies the most pressing housing issues in that community. The assessment includes a targeted housing needs analysis to understand and quantify existing housing conditions for households at all income levels, including low-income households. **CMAP** or **MMC** will lead this task.

This assessment will be a Powerpoint and will:

- Review the community's existing housing supply and compare the type and price of housing stock to the age, income, and tenure of the current population via the *Homes* toolkit, IHDA market sheets, US Census data, and other publically accessible data sources.
- Assess housing needs, especially for low-income households.
- Summarize existing community plans, their current recommendations on housing if any exist, and whether it qualifies as a community revitalization plan.

The needs assessment will be used to facilitate two meetings:

- A **kickoff meeting** will be held with key elected officials and staff, at which the team will introduce the project, present the housing needs assessment, initiate a conversation on housing challenges and opportunities informed by the data, identify other local issues that the assessment did not identify, and reveal prior or on-going municipal actions to address known challenges.
- A **stakeholder focus group** will consist of local stakeholders, including developers, realtors, and landlords, to further discuss needs and challenges. At this focus group, the team will introduce the project, discuss the key findings from the needs assessment, facilitate a conversation on housing challenges informed by the data, and identify top housing issues to be addressed in the action plan.

After these two meetings, the team will update and finalize the needs assessment.

Deliverables:

- **Minutes from focus group meetings** of local stakeholders; and

- **One housing needs assessment**, in Powerpoint format.

<u>Step Two: Convene an Expert Panel</u>
Next, the team will convene an **expert panel** of outside experts and peer communities to identify and discuss potential implementation steps targeted to each issue in the needs assessment. Panel topics will be tailored to the findings of the needs assessment. **MPC** will lead this task.

The panel will include three to five participants and consist of a mix of IHDA staff, regional experts, and staff from peer municipalities with experience in the issue:

- Within IHDA, the best participant will be matched to that community's most pressing issues, such as multifamily development, homebuyer assistance, or abandoned and blighted properties.
- An experienced elected official or staff member from a municipality of equivalent size or capacity may discuss the issue and ideas for readily achievable steps for implementation.
- Finally, the panel may include staff or an elected official municipality of equivalent size or capacity with experience in the issue and ideas for readily achievable steps for implementation.

To prepare the panelists, the team will share the needs assessment and hold a call.

Deliverables:

- **Minutes from expert panel meeting**; and
- **Documentation of each expert panel** in a short memo.

<u>Step Three: Housing Action Plan</u>
In this last phase of the engagement, the team will synthesize all of this planning work and pivot to implementation by developing a **housing action plan**, which will recommend strategic actions that the community can take and directly link those actions to available IHDA programs to create a pathway to implementation. This action plan succinctly summarizes the needs, goals, and strategies developed over the course of the engagement. **CMAP** or **MMC** will lead this task.

The action plan will include the following elements:

1. A summary of the needs assessment;
2. A summary of the expert panel, including panelists' recommendations;
3. Recommendations for municipal actions to address the issues;
4. Available funding to implement the recommendations, focused on leveraging private and public dollars, with a focus on IHDA programs;
5. Best practice ordinances and programs in similar communities;
6. Clear steps to establish a revitalization plan, as defined by IHDA, if one is needed; and
7. Future local committees or planning initiatives to continue municipal focus on housing.

The team will draft the plan for IHDA review. Once reviewed, the team would present this action plan at a Village Board or City Council meeting. After the presentation, the team will remain engaged on implementation by directly connecting the community to successful peer municipalities and partners who can coach them on initial action steps.

Deliverables:

- **One action plan**; and
- **One presentation of the action plan** at a Village Board/City Council meeting.

HOMES FOR A CHANGING REGION: Antioch

November 28, 2018

Attachment G

Chicago Metropolitan Agency for Planning

Metropolitan Planning Council

Metropolitan Mayors Caucus

PART 1:
Project Background

OVERVIEW:
Homes for a Changing Region

A partnership between:

Metropolitan Mayors Caucus

CMAP

Metropolitan Planning Council

Process, deliverables, provided free-of-charge through funding from:

Illinois Housing Development Authority

HOMES FOR A CHANGING REGION:
Approach

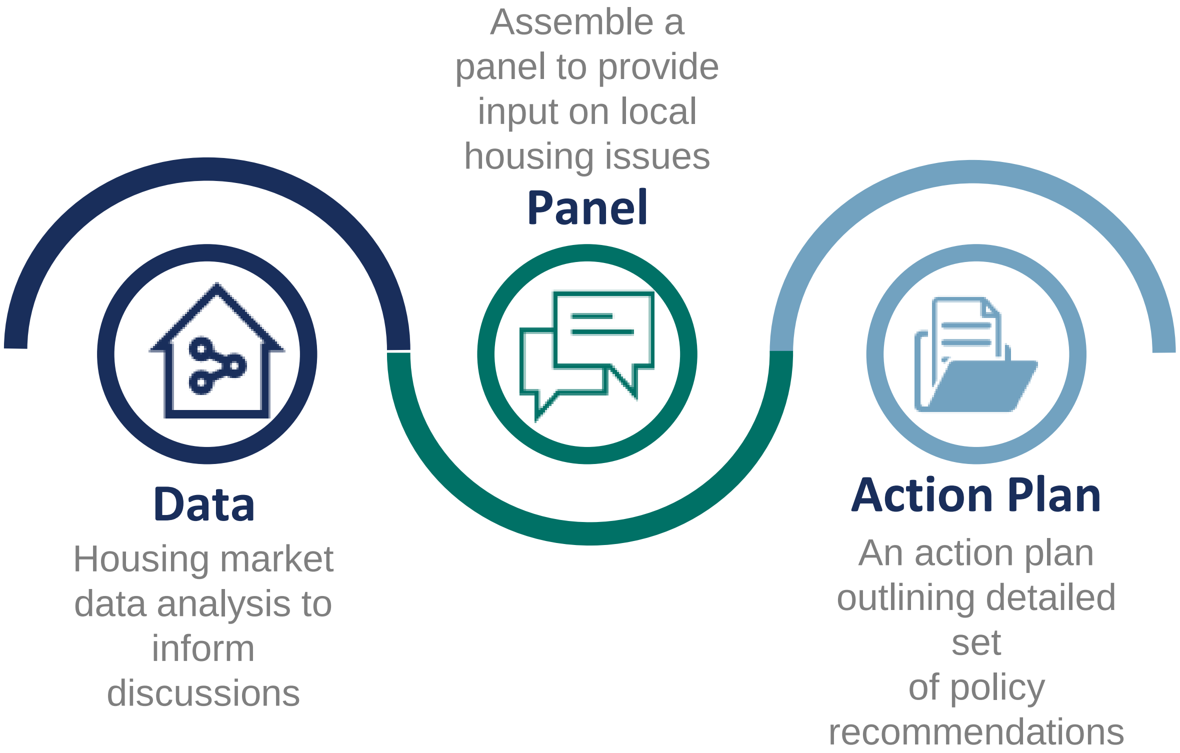
People-focused

Experienced

Forward-looking

Market-based

HOMES FOR A CHANGING REGION: Process



HOMES FOR A CHANGING REGION: Today

Data

Housing market data analysis to inform discussions

Discuss

Talk about the most pressing local housing issues

PART 2:
Housing Trends

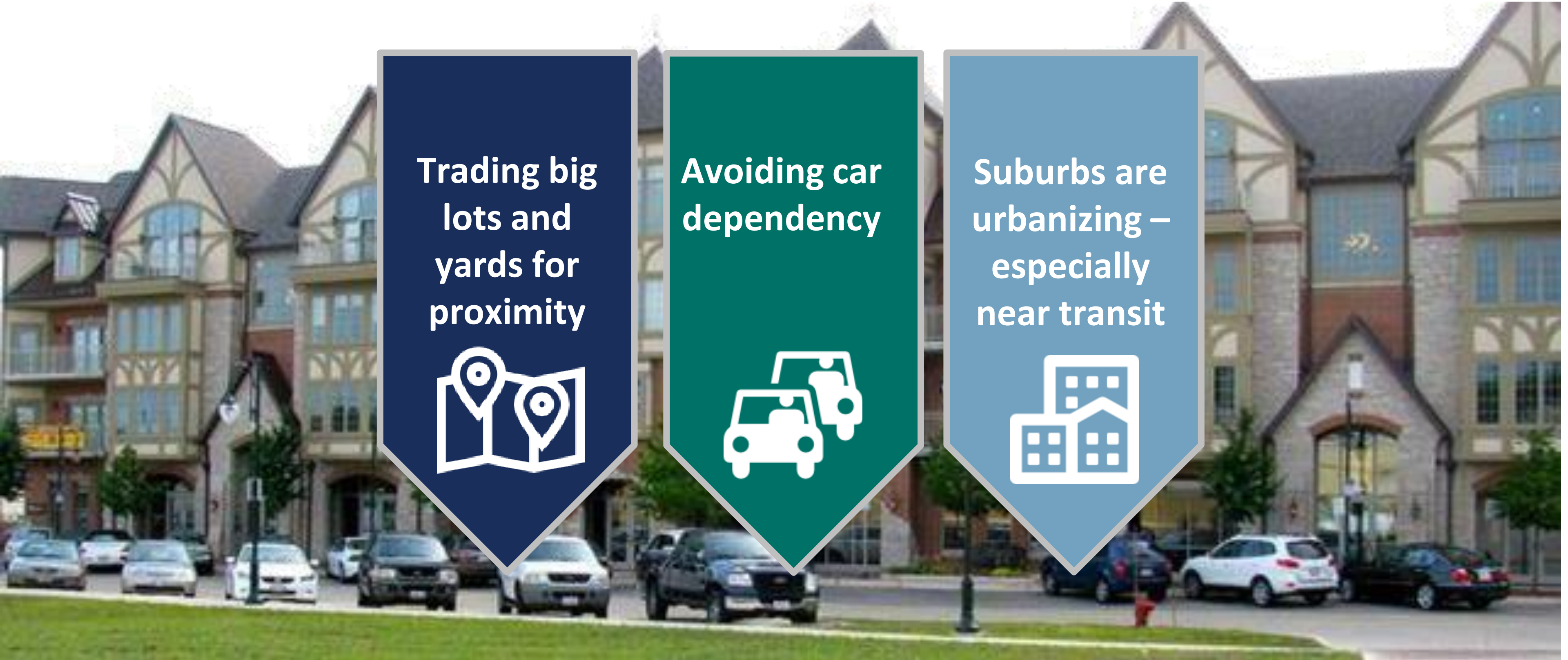
HOUSING TRENDS:
Demographics Impact Demand

By 2050, the region's senior population will **double.**

Millenials are deciding now **where to live** and **whether to own.**

What housing will they want?

HOUSING TRENDS:
Populations Shifting to Infill



Trading big lots and yards for proximity

Avoiding car dependency

Suburbs are urbanizing – especially near transit

HOUSING TRENDS:
Changed Housing Market Emerging

People will seek to live in housing that they can afford; housing costs will be more directly tied to income.

The demand for traditional single family housing will fall and demand for townhomes and multi-family will rise.

Renting will be more appealing to many households – these households will demand high quality rental options.

HOUSING TRENDS:
Developers are Looking for…

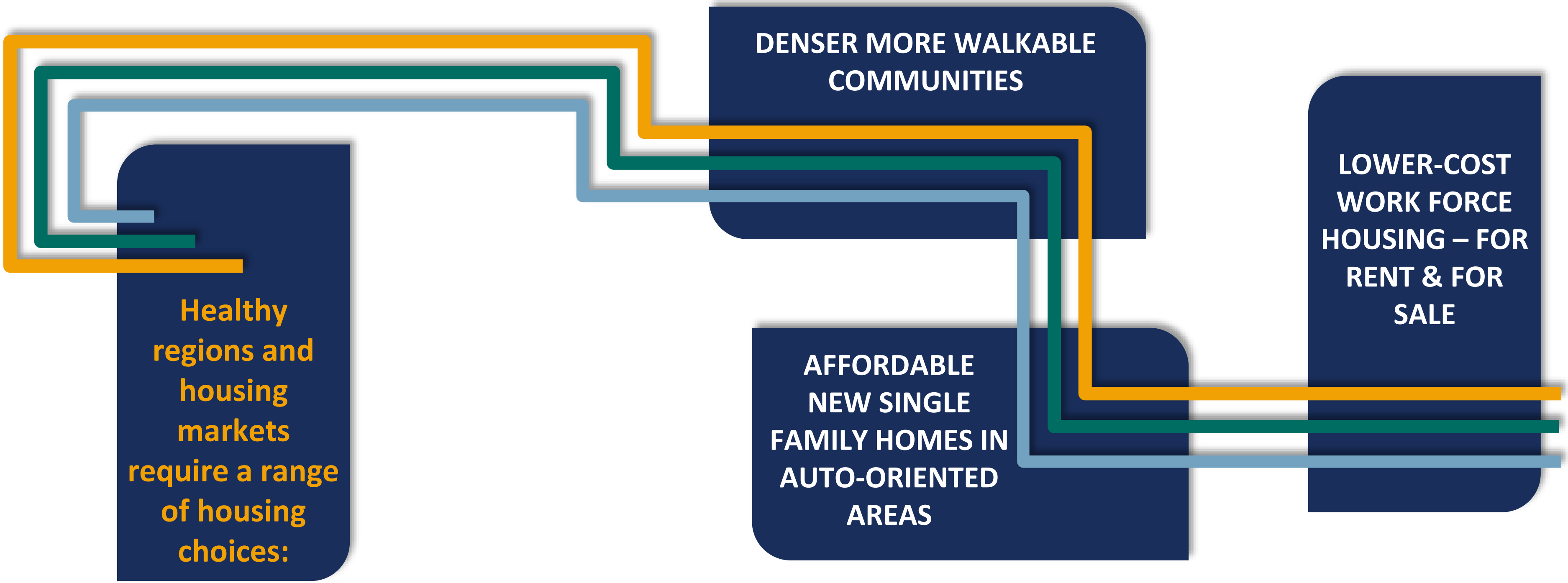
Future success relies on identifying prime locations for *compact development*

Suburban parcels ready for makeover

Greater revenue, lower infrastructure cost

Developers betting on infill

HOUSING TRENDS:
Housing in the Evolving U.S. Suburbs



PART 3:

Antioch Baseline Data

Overview

2016 Population: 14,342

+63% since 2000
+.2% since 2000 in the region

2016 Households: 4,964

+53% since 2000
+5% since 2000 in the region

Antioch has grown since 2000.

Source: US Census 2000 and American Community Survey 2012-2016

Median household income: $81,406

Owner: $96,637
Renter: $34,538

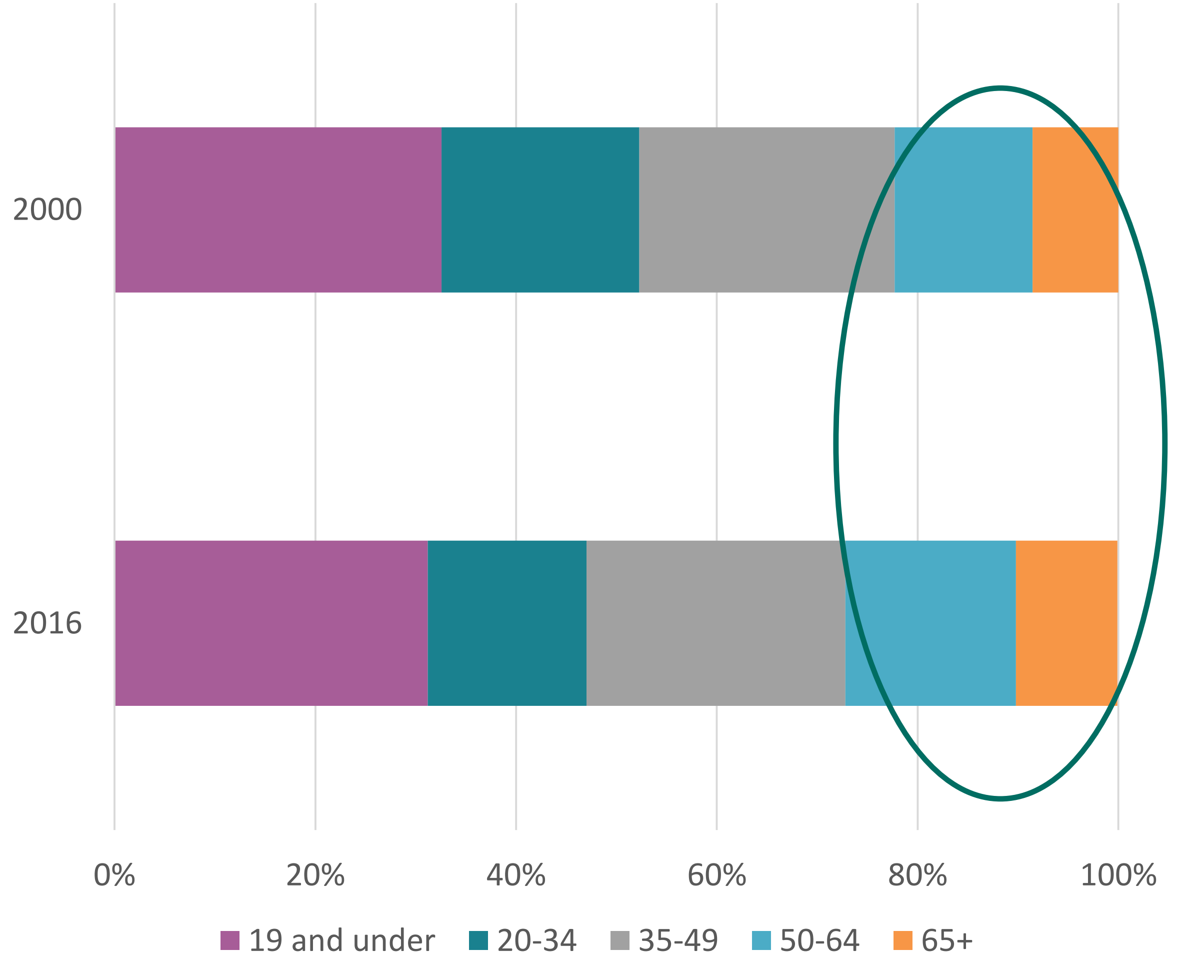
$65,174 in the region

8% of population below poverty line

Appx. 1,500 households below $50,000

Almost a third of Antioch households earn less than $50k a year.

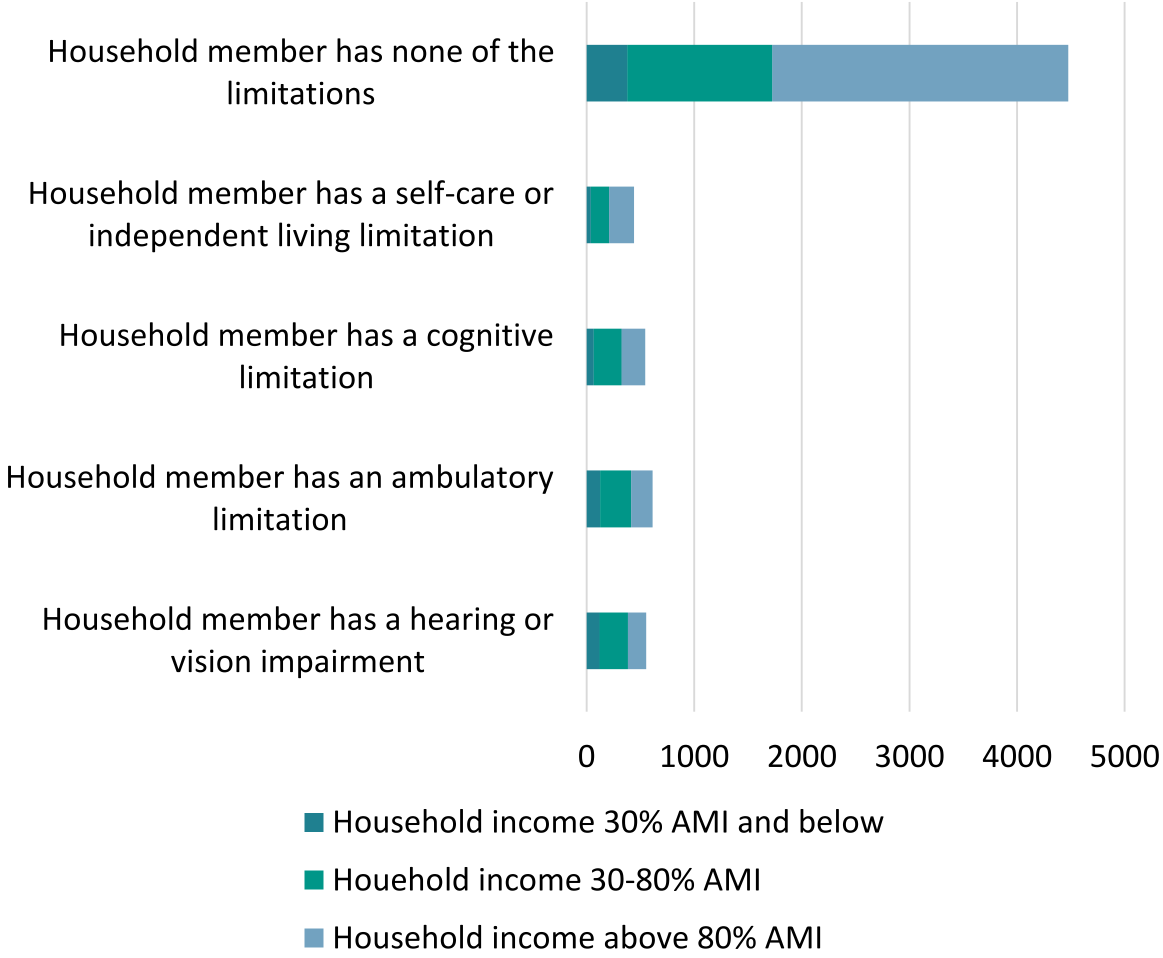
Source: American Community Survey 2012-2016



Antioch is aging.

Population by age group in Antioch

Souce: US Census 2000 and American Community Survey 2012-2016



Aging may increase the number of people with disablities.

Disablity status of Antioch households

Souce: Comprehensive Housing Affordablity Strategy 2011-15

3,792

Employees commute into Antioch

639

Employees live & work in Antioch

5,994

Antioch residents commute out

51%	**43%**

Percent of workers earning $40k and below

48%	**15%**

Percent of workers commuting within 10 miles

Antioch residents commute farther than local workers.

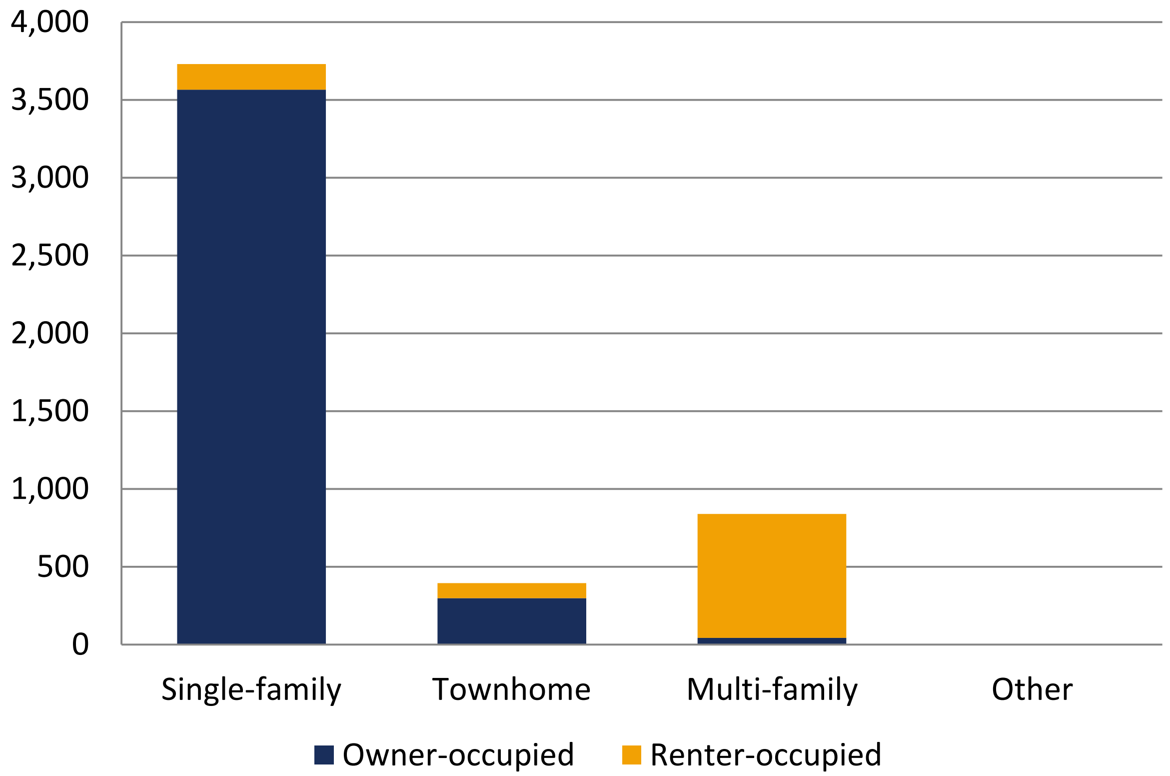
Half of workers who come in to Antioch earn less than $40k per year.

Commuting details in Antioch

Souce: Longitudinal Employer-Household Dynamics: 2015

PART 3:
Antioch Baseline Data

Housing Stock & Market Characteristics



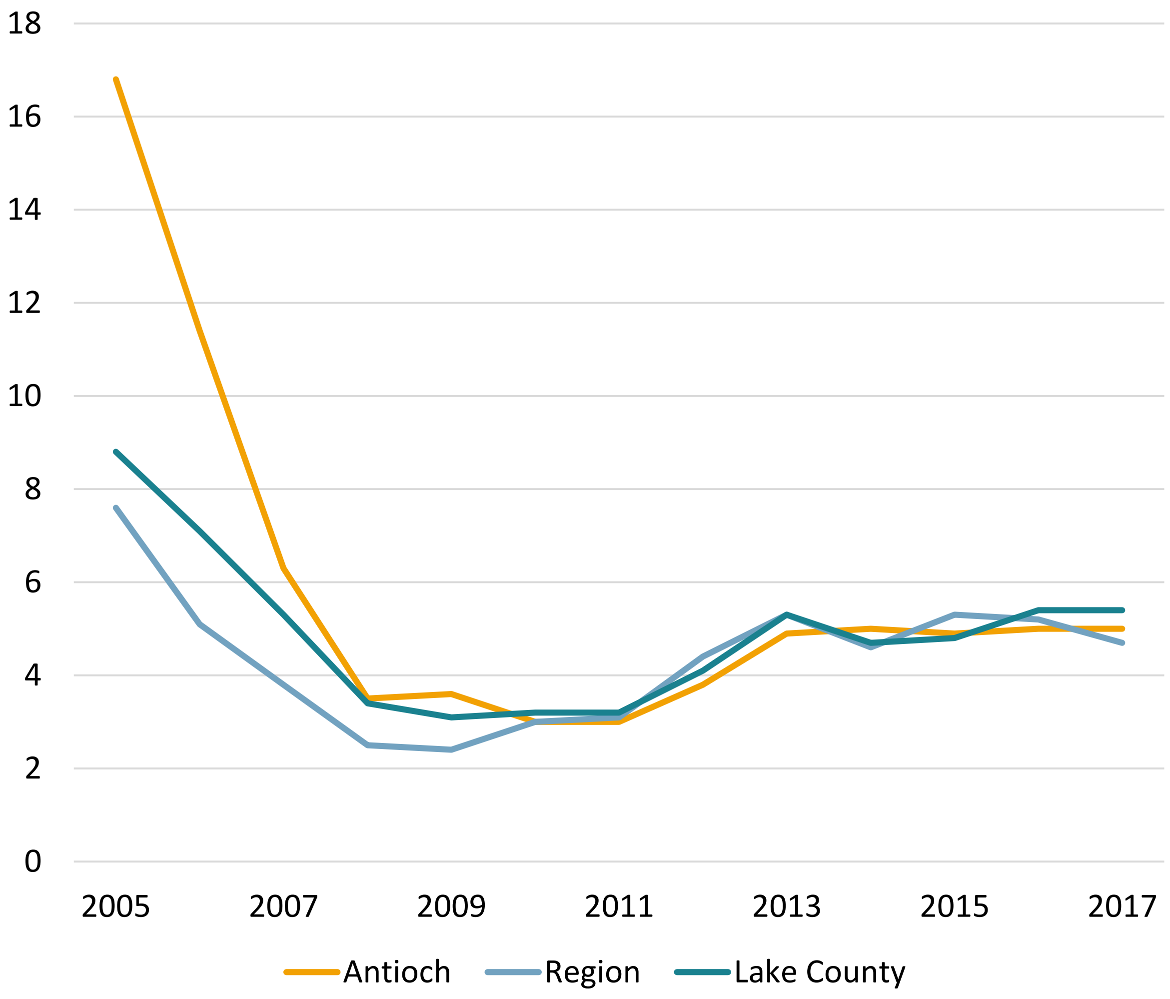
10% of units vacant

Most Antioch households own single-family homes.

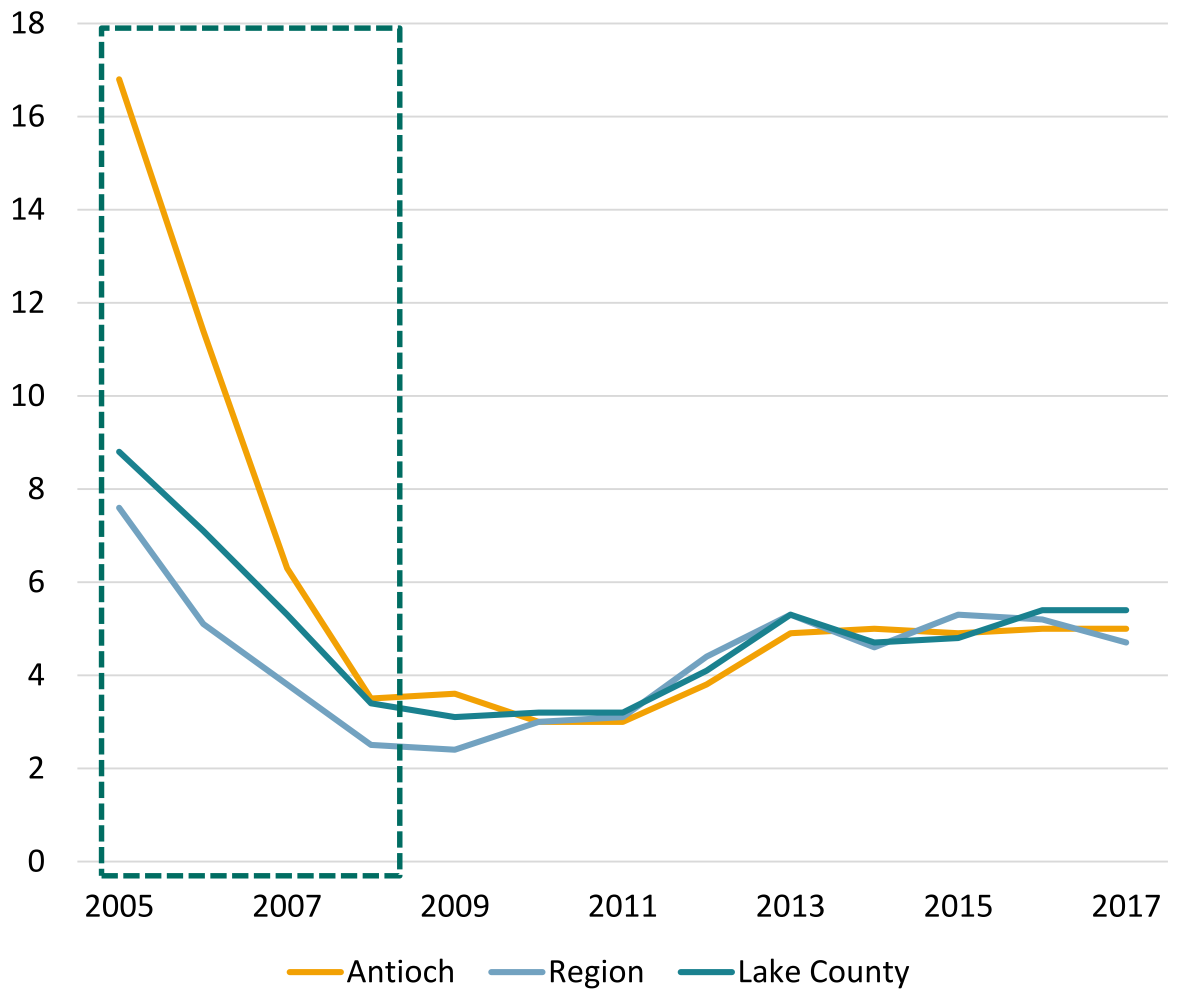
Housing type by owner/renter in Antioch

Source: American Community Survey 2012-2016

RESIDENTIAL SALES PER 100 PARCELS: Antioch & the region

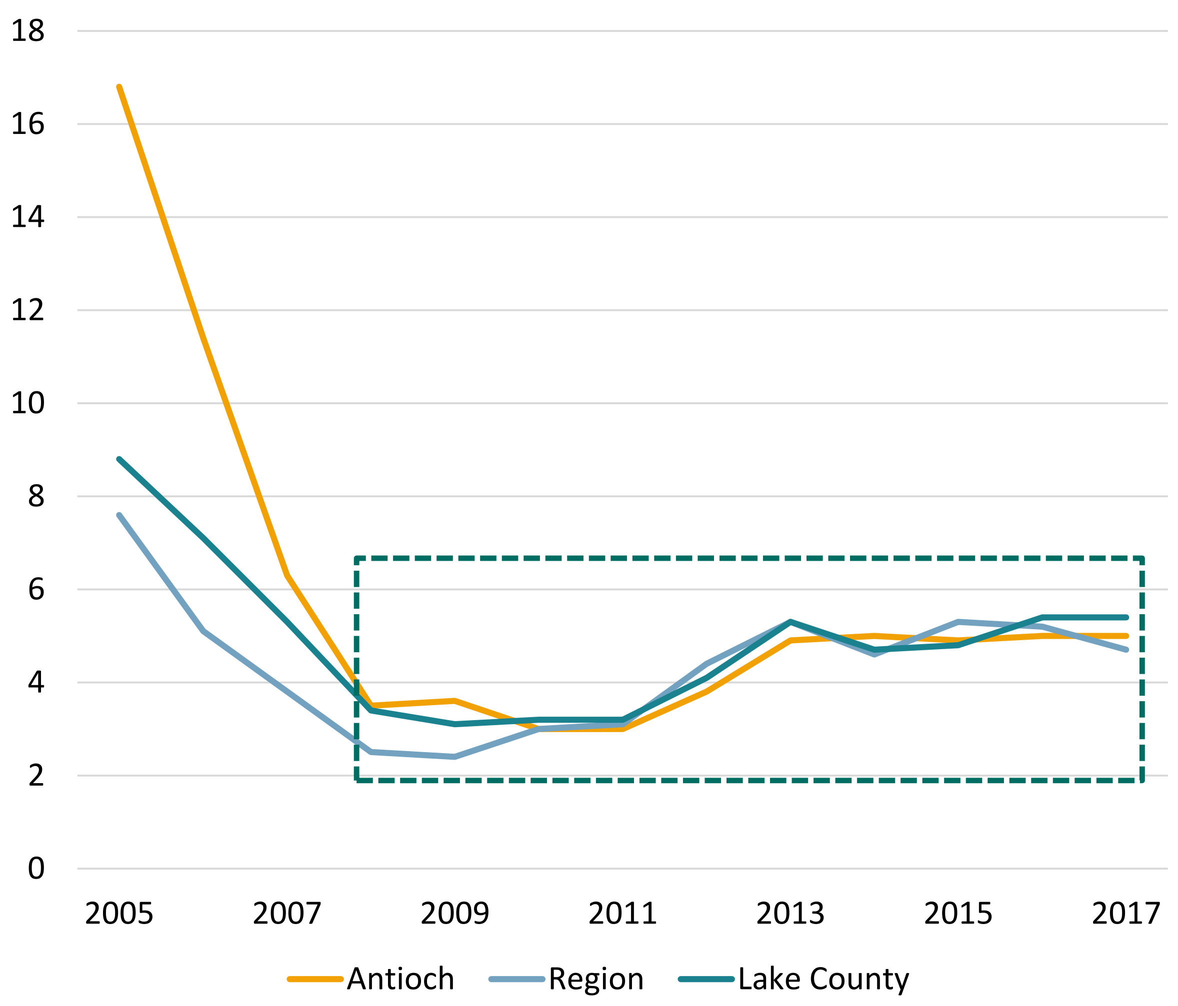


Source: Institute for Housing Studies 2005-2017



Antioch homes sold more frequently before the recession.

Source: Institute for Housing Studies 2005-2017



Now Antioch's housing market is more like that of the county and region.

Source: Institute for Housing Studies 2005-2017

PART 4:
Antioch Baseline Data
Affordability & Sales

What does affordability mean?

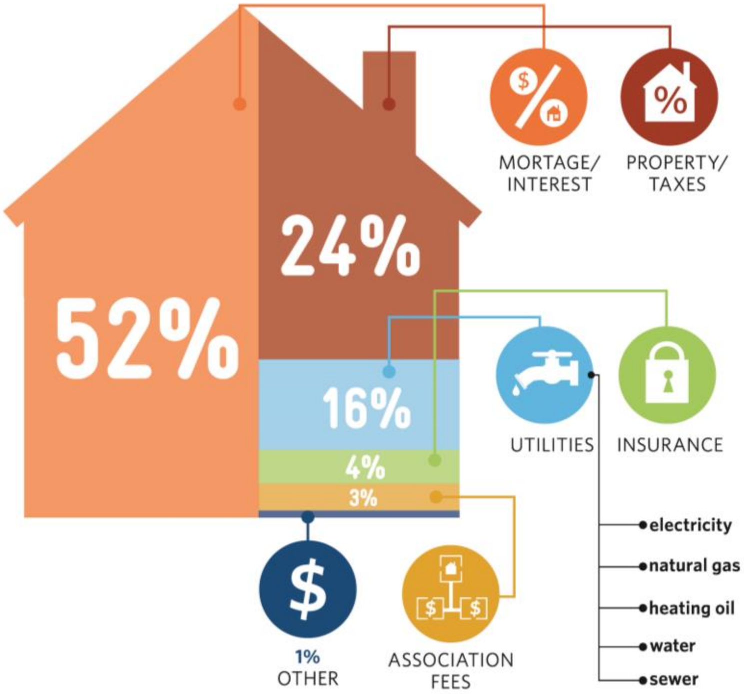
"Affordable housing" costs less than 30 percent of household income.

"Unaffordable housing" costs more than 30 percent of household income.

"Severely unaffordable housing" costs more than 50 percent of household income.

What is included in monthly owner costs?

Average monthly costs for renters in Chicago Metroplitan area, 2009



Source: Chicago Metropolitan Agency for Planning analysis of the 2009 American Housing Survey (AHS).

The 2009 AHS data includes Cook, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will Counties in the metropolitan area.

Owners living in unaffordable housing in Antioch:

35% in 2009
29% in 2016

Owners living in severly unaffordable housing in Antioch:

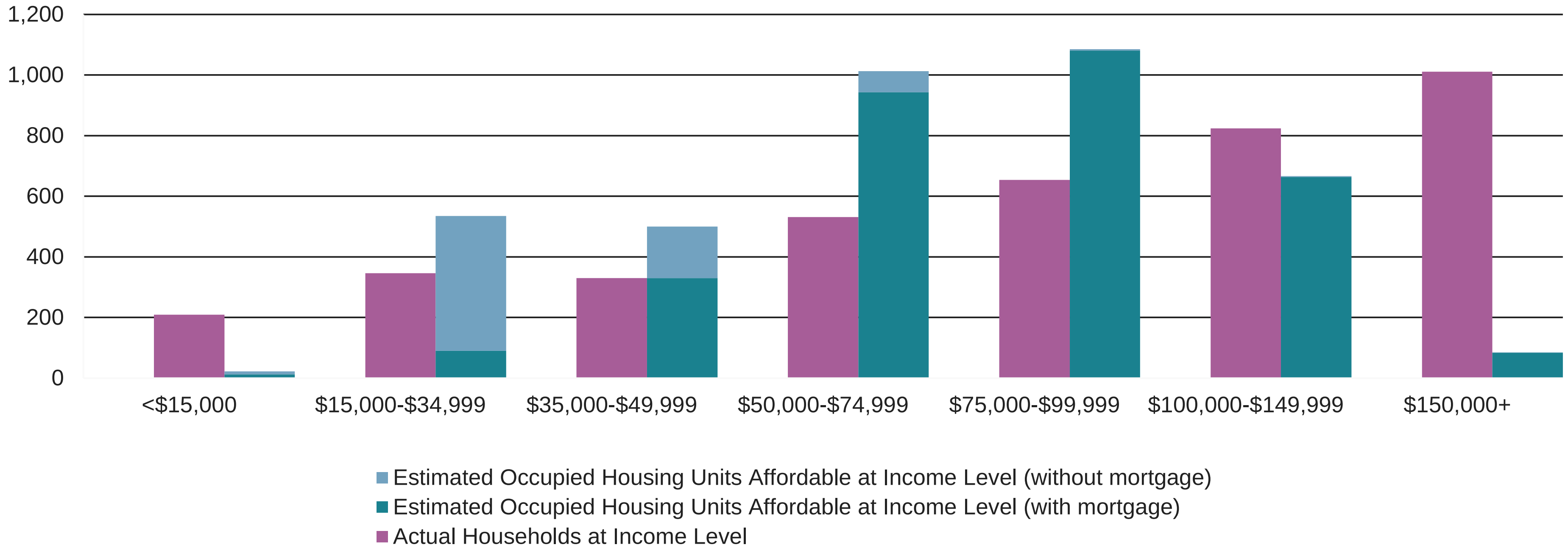
12% in 2009
14% in 2016

Fewer owners are living in unaffordable housing now than in the recession.

Source: American Community Survey, 2005-2009 and 2012-2016

OWNER HOUSEHOLD INCOME COMPARED TO AFFORDABLE OCCUPIED UNITS AT INCOME LEVEL: Antioch

Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2012-16



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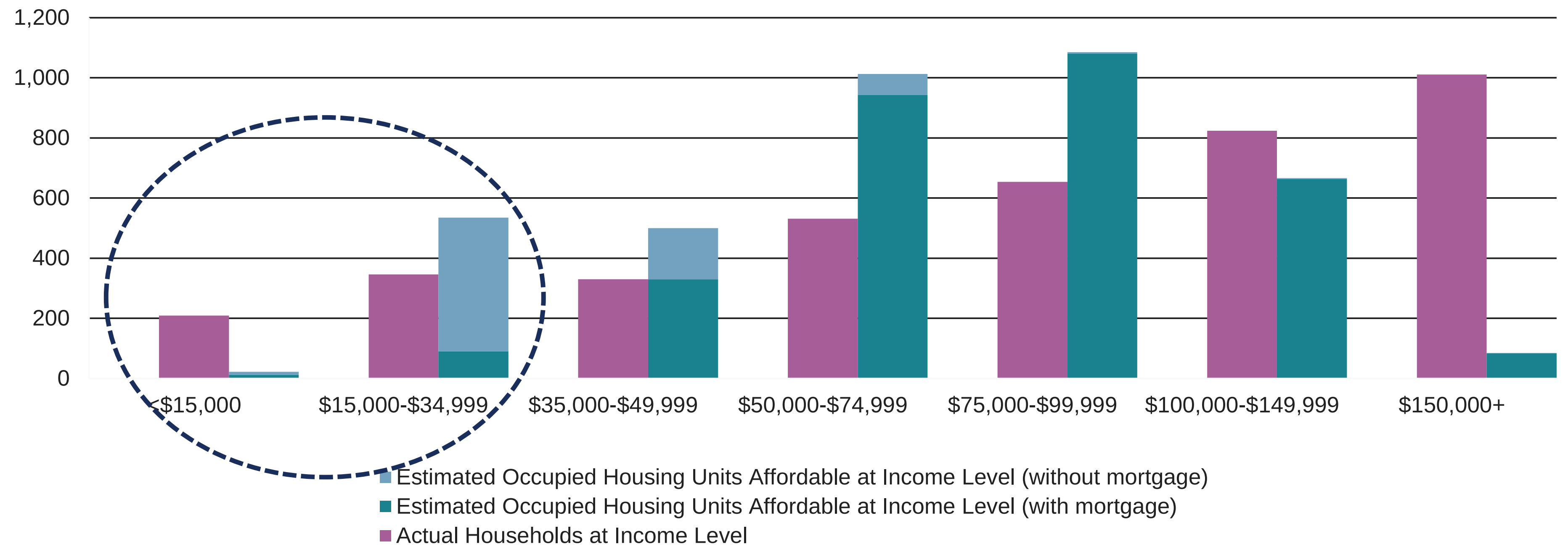

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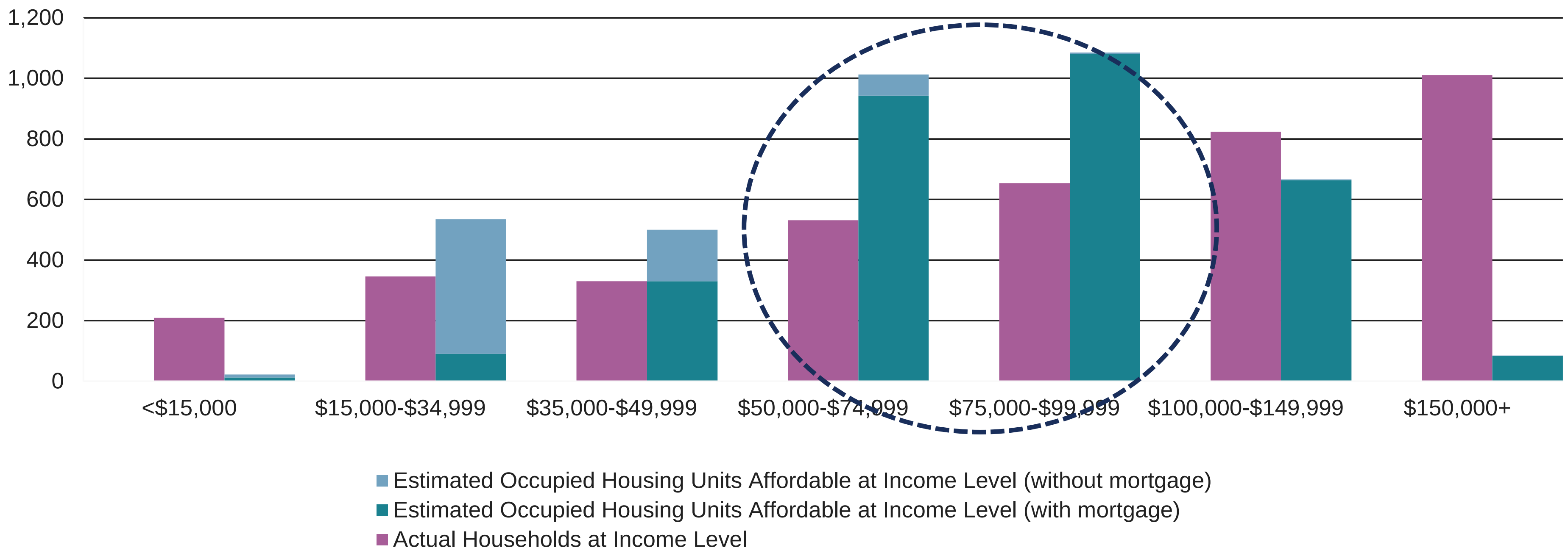
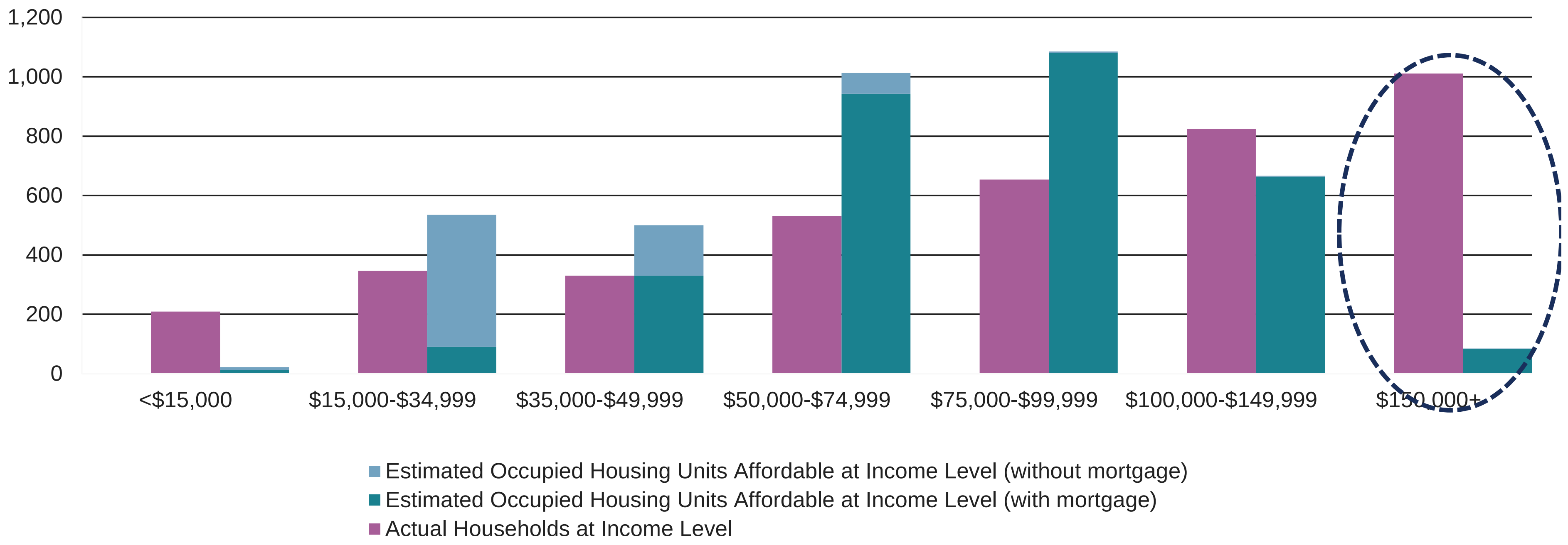


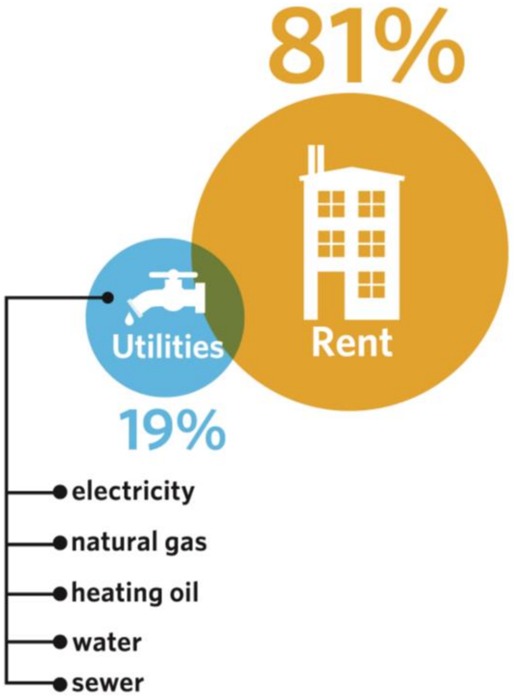
OWNER HOUSEHOLD INCOME COMPARED TO AFFORDABLE OCCUPIED UNITS AT INCOME LEVEL: Antioch

Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2012-16



What is included in gross rent?

Average monthly costs for renters in Chicago Metroplitan area, 2009



Source: Chicago Metropolitan Agency for Planning analysis of the 2009 American Housing Survey (AHS).

The 2009 AHS data includes Cook, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will Counties in the metropolitan area.

Renters living in unaffordable housing in Antioch:

46% in 2009
37% in 2016

Renters living in severly unaffordable housing in Antioch:

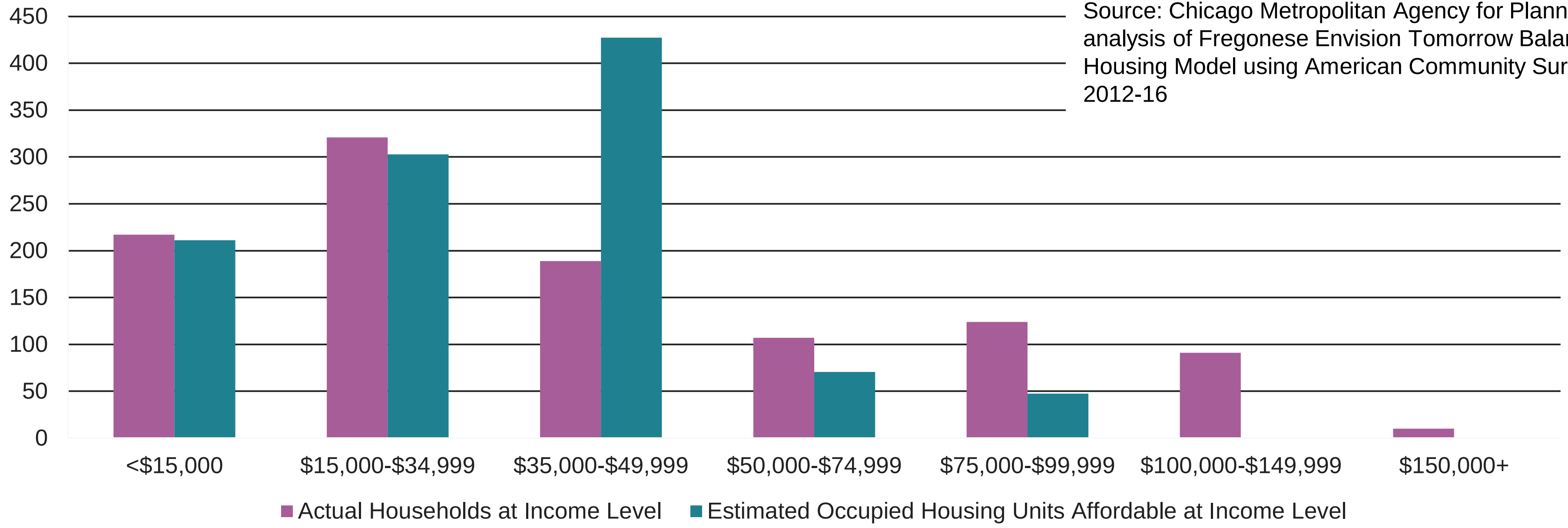
30% in 2009
23% in 2016

Fewer renters are living in unaffordable housing now than in the recession.

Source: American Community Survey, 2005-2009 and 2012-2016

RENTAL HOUSEHOLD INCOME COMPARED TO AFFORDABLE OCCUPIED UNITS AT INCOME LEVEL: Antioch

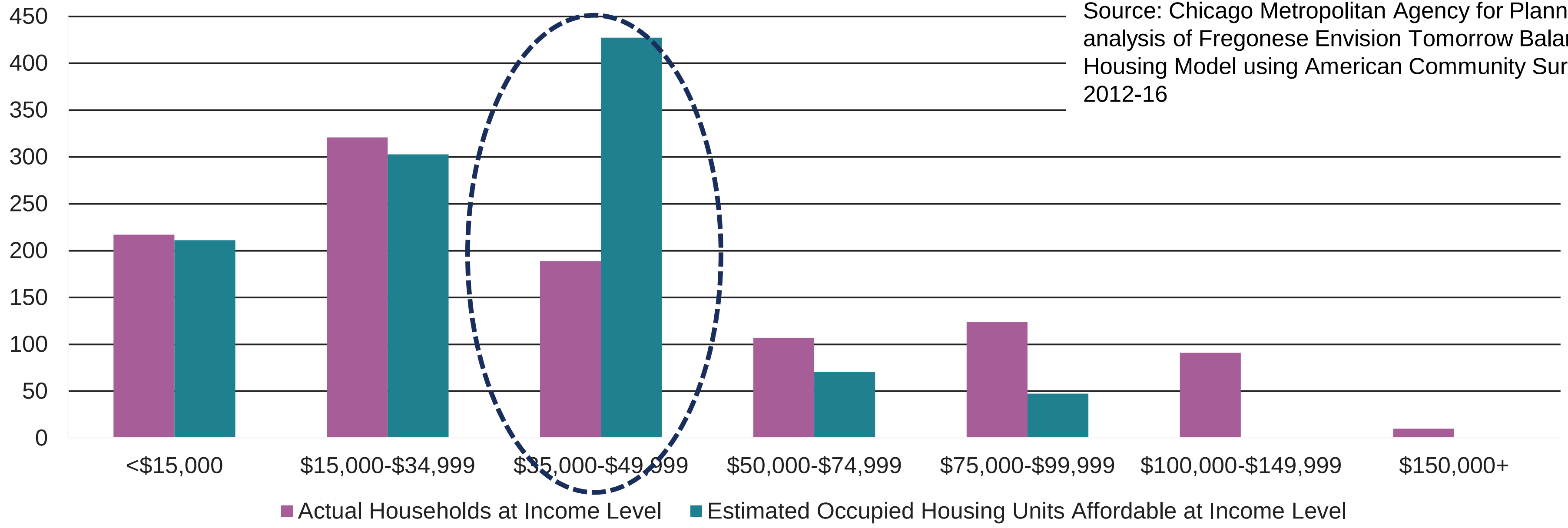
Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2012-16



RENTAL HOUSEHOLD INCOME COMPARED TO AFFORDABLE OCCUPIED UNITS AT INCOME LEVEL: Antioch

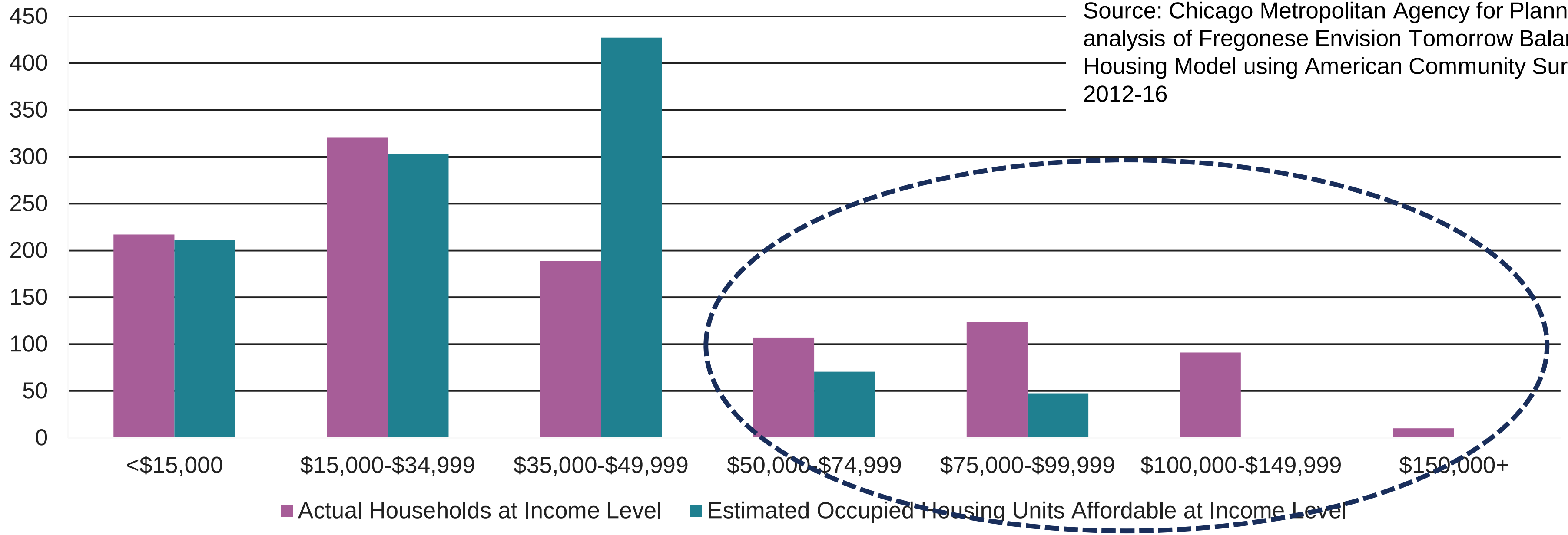
Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2012-16

RENTAL HOUSEHOLD INCOME COMPARED TO AFFORDABLE OCCUPIED UNITS AT INCOME LEVEL: Antioch



Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2012-16

RENTAL HOUSEHOLD INCOME COMPARED TO AFFORDABLE OCCUPIED UNITS AT INCOME LEVEL: Antioch

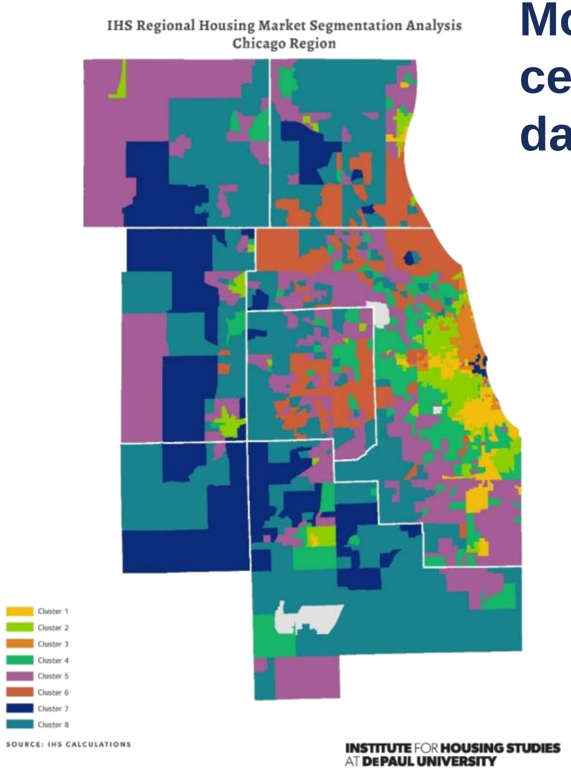


Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2012-16

PART 4:
Submarket Analysis

HOUSING SUBMARKET CLUSTER ANALYSIS:

Institute for Housing Studies

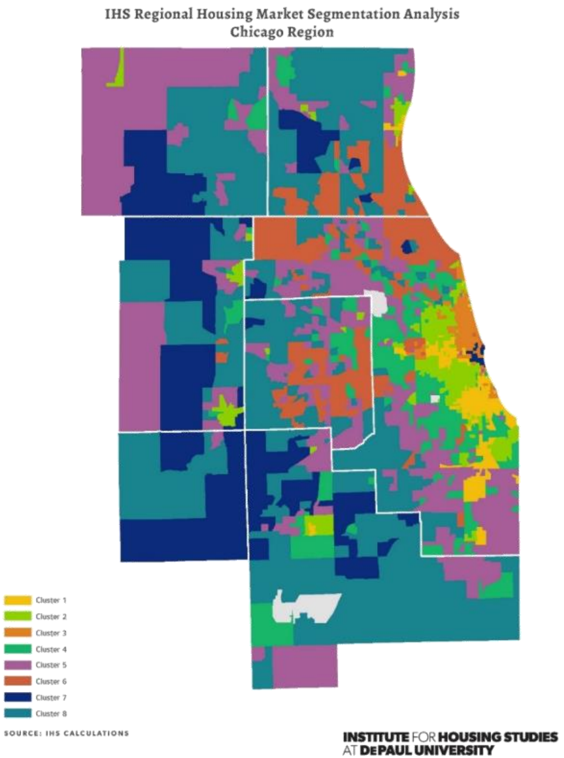


Model includes census tract-level data on:

- HOUSING AFFORDABILITY
- MARKET CONDITIONS
- HOUSING STOCK
- DEMOGRAPHIC CHARACTERISTICS

HOUSING SUBMARKET CLUSTER ANALYSIS:

Institute for Housing Studies



Clustering model classifies census tracts based on:

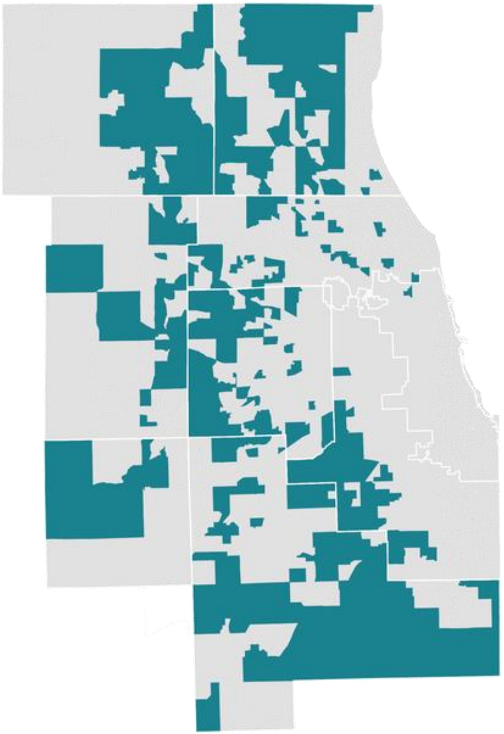
Similarities – How closely related tract characteristics are across a range of variables

Differences – How distinct or separated tracts are from others across a range of variables

100% **of Antioch falls in**

CLUSTER 8

HOUSING SUBMARKET CLUSTER ANALYSIS:
Cluster 8



AFFORDABILITY
Low levels of cost-burdened households.

Home prices and rents are high, but so too are incomes.

Transportation costs are very high.

STOCK
Lower-density suburban, with housing stock largely built 1980+.

Largely owner-occupied housing.

MARKET
Not heavily impacted by foreclosures.

Moderate levels of cash sales for suburbs.

Low vacancy and moderate levels of mortgage investment.

DEMOGRAPHICS
Moderate population growth.

Higher/ middle-income households.

Many 2-4 person households, but fewer children and more people 60+.

PART 5:
Next Steps

NEXT STEPS

1

Identify 5-10 key stakeholders our team should talk with to learn about local housing market concerns.

2

Our team will assemble 3-4 outside experts to serve on a panel discussion on housing issues with your village leadership. Target timeframe: late December/early January

3

As a result of these meetings, we will draft an action plan outlining key recommendations and strategies to address housing market issues and future planning. This document will be presented to your village board.

TO: VILLAGE OF STEGER

FROM: *HOMES* PROJECT TEAM

SUBJECT: RECOMMENDATIONS SUMMARY

DATE: SEPTEMBER 22, 2017

Homes for a Changing Region provides technical assistance to help municipal leaders address pressing housing issues. Assistance is provided by the Metropolitan Mayors Caucus (MMC) and the Chicago Metropolitan Agency for Planning (CMAP), with staff support from the Metropolitan Planning Council (MPC). The *Homes* team is piloting a new approach to technical assistance that condenses the timeline of the traditional *Homes* process without sacrificing the level of analysis necessary to addressing important housing challenges in participating communities. Steger is one of three communities that participated in the pilot in 2017.

The project team held a kick-off meeting in June with Steger staff and elected officials to learn more about the Village's local housing market conditions, challenges and goals. A panel of outside housing experts attended a second meeting in August with Village staff and elected officials to weigh in on strategies to address local housing issues. Panelists included: Nicki Pecori Fioretti and Brendan Kiley from the Illinois Housing and Development Authority; James Ratner from IFF; Russ Rydin from the South Suburban Land Bank and Development Authority; Mayor Linda Lucassen and Alice Templin from the Village of Round Lake Park; and Taft West from the Chicago Community Loan Fund.

This recommendations memo aggregates all of the knowledge and feedback collected from these meetings, and outlines targeted strategies Steger can implement to address housing challenges. The recommendations focus on three different issue areas: rental housing regulation and landlord engagement; housing rehabilitation; and downtown economic development.

Rental housing regulation and landlord engagement

While Steger is unable to license landlords as a means to monitor the local rental market due to its non-home rule status, there are still a variety of effective strategies the Village can implement to better support the quality and longevity of their rental housing stock.

A rental housing inspection program is one tool municipalities use to hold property owners accountable to specific maintenance standards in the local building code. A fee may be charged to cover the municipality's expenses administering the program. Both the inspections and fee must be reasonable and rationally-based on a legitimate government interest (i.e., public health and safety). To protect tenant rights, the inspection schedule must be constrained by neutral, reasonable legislative and administrative standards (i.e., passage of time, nature of the building, etc.). These programs ensure that landlords remain in compliance with the municipal code, protecting tenants and surrounding communities from the harms associated with neglect and disinvestment.

Inspection programs can be designed in myriad ways, depending on factors such as staff capacity, the number of rental properties, and the age and condition of a municipality's housing stock. An inspection schedule can help structure a program to align with a municipality's capacity level and the property maintenance code that they have adopted. Municipalities may elect to conduct inspections annually, when there is a change of occupancy, when a property is transferred, or for cause, in the case that a building has been the subject of one or more complaints or violations.

Municipalities, regardless of home rule status, have the authority to establish rental registration programs. Registration is often used as a tool to gather information from property owners, including the name, address, and telephone number of the owner, operator, and property manager. This can benefit municipalities that want to keep an up-to-date database of rental properties to improve relations with property owners and track landlord behavior. Registration programs are commonly run in tandem with rental inspection programs. Since both programs operate on a continuous basis, staff time and other municipal resources are steadily needed to adequately support these programs.

Under the leadership of Mayor Linda Lucassen, the Village of Round Lake Park adopted a rental residential property registration and inspection ordinance in 2014. Mayor Lucassen and Alice Templin from Round Lake Park were in attendance at the second Steger meeting to discuss the merits of adopting a rental registration and inspection ordinance as a non-home rule community. Under their ordinance, all rental units are required to register and submit basic contact information to the Village's Building and Zoning Department. All rental properties are inspected annually. The annual registration fee is $100 per dwelling unit, which includes one inspection. Any subsequent re-inspections that are required to correction violations are $65. Landlords are also encouraged to attend a training on crime free housing, which is offered in neighboring communities free of charge. As an incentive, landlords who complete the training are eligible to receive an exemption from the annual fee and inspection for one year, assuming that the landlord also has two prior years of continued approval by the building commissioner. Thereafter, certified landlords would need to pay the registration fee and have their property inspected every other year as long as they are able to keep them in compliance.

Given that a significant portion of the local housing stock in Steger is rental, the Village will need to carefully consider the staffing that is needed to implement a registration and inspection program. The Village should consult with other non-home rule municipalities that have instituted such programs to understand how administrative costs are covered. MMC is a resource for linking Steger with these types of communities. Steger may also want to consider alternative staffing structures, such as hiring a company to conduct inspections or sharing code enforcement staff with a neighboring community. In addition, if a program is instituted, the Village will need to consider strategies to identify rental properties and ensure compliance. Finally, to ensure that the program complies with current constitutional standards, legal counsel should review the program periodically and modify the standards accordingly.

Communities that are unable to institute rental licensing programs because of non-home rule status need to find different ways of engaging with landlords. Fortunately, there are many strategies municipal staff can use to build relationships with landlords and improve rental housing outcomes in their communities. Hosting rental property workshops that discuss property management issues and resources landlords can access related to energy efficiency, affordability, and improvements to property operations have been an effective tool to engage landlords in communities. Similar to the example found above of Round Lake Park building in program incentives, Steger can offer abatement for landlords that may have previously incurred fines and choose to attend an approved training. Workshops focusing on issues that do not adhere to municipal boundaries are excellent opportunities for collaboration. Coordinating property management trainings with other communities and organizations invites in expertise and staff capacity that your community may not have, and addresses housing challenges with the shared goal of long-term sustainability of rental property.

Though providing crime free housing training for landlords has become a popular approach to improving rental housing conditions, it is only one of the many issue areas that trainings can focus on. The Community Investment Corporation (CIC) is a leader in property management trainings and has partnered with communities across the region to provide education and resources on topics ranging from tenant selection to preventative maintenance to fair housing and ethics in the industry. Steger should assess what type of education would be most effective for landlords given the Village's current challenges in regulating rental housing.

The right combination of policy changes and landlord education and engagement can build a healthier, more stable rental housing stock. Even as a non-home rule community, there are many tools the Village can use within the range of options available to regulate rental housing and productively engage landlords.

Next Steps:

- Explore rental registration and inspection framework that is cost neutral and incentivizes good landlords who properly manage and maintain their properties.
- Partner with neighboring municipalities that offer trainings and educational opportunities to landlords. Collaborate with CIC and other community partners to organize a landlord "fair" that focuses on landlord education and resources that can help landlords more effectively manage and maintain their properties.

Housing Rehabilitation

The housing market in Steger continues to recover from the housing crisis in 2008. Home prices are generally on the rise, but there are still homes selling out of foreclosure at very low prices. Deferred property maintenance and building code violations are also chief concerns, often because homeowners do not have the resources to pay for housing rehab. There are a number of innovative rehabilitation programs and strategies that are being implemented across the region. The Village's primary goal should be to continue cultivating relationships with community and institutional partners.

One such partner is the Illinois Housing and Development Authority (IHDA). Nicki Pecori Fioretti and Brendan Kiley, both from IHDA's community affairs department, were in attendance at the August meeting to discuss resources they have available for community revitalization and foreclosure prevention efforts. Steger previously submitted an application for Blight Reduction Program (BRP) funds, but the application was not funded. Nicki discussed different components to successful applications, and described the framework that IHDA uses to review applications for the programs they offer. One point that Nicki stressed was the importance of using the application to tell a compelling story. The only means for IHDA to evaluate a candidate is through their application. Therefore, the application is the sole vehicle for an applicant to share their story and explain why they are a viable candidate to receive funding.

There were a number of other suggestions Nicki shared with the group in regards to building a successful application. IHDA places a premium on collaboration and communities that are able to leverage resources. The Village was encouraged to highlight past collaborative efforts with the Cook County Sheriff's Office as well as with neighboring municipalities on cooperative controlled burn exercises to train firefighters. Steger should also continue to highlight its collaborative work with the South Suburban Land Bank and Development Authority (SSLBDA). SSLBDA was the not-for-profit partner on Steger's BRP application, and the Village should continue to work with SSLBDA to leverage actions it cannot or is more difficult to do on its own, such as clearing back taxes and holding properties until ready for redevelopment. SSLBDA was also a recipient of $75,000 in IHDA's round 2 Abandoned Property Program (APP). Russ Rydin, the executive director of SSLBDA, was in attendance at the August meeting and said that he would be interested in holding discussions with Village leadership to look into whether any Steger properties would be a good fit for the APP funds.

Steger is a good candidate to receive APP and BRP funds. APP funds are generated through fees banks pay for foreclosure filings. APP funds are currently slated to be collected until 2020. IHDA is expecting a round 3 application to be release before the end of the year. Given its location in both Cook and Will Counties, Steger is at a competitive advantage because of how APP funds are distributed: 25 percent to the City of Chicago, 30 percent to rest of Cook County, 30 percent to collar counties, and 15 percent to the balance of the state. Besides APP and BRP funds there are other programs IHDA offers that the Village and residents of Steger can benefit from, including the Home Accessibility Program (HAP) and the I-REFI Program. For programs that do not have competitive applications, the Village should market and lend credibility to these programs, serving as a connector between its residents and IHDA. The Village should post information about these programs on the Village website and in its newsletter, as well as publicize the programs in community spaces such as libraries and community centers. Below is a short description of programs that IHDA offers that could be beneficial to the Village and its residents:

- Abandoned Property Program
    - APP is a competitive state-funded program open to any Illinois municipality or county that provides funds for securing, maintaining, demolishing, or rehabilitating abandoned homes. Eligible properties include 1-6 unit residential properties. Information is forthcoming regarding round 3 applications.

- Blight Reduction Program

  - BRP is a competitive program funded through the U.S. Treasury Hardest Hit Fund. Applicants must be Illinois units of local government, and need to partner with a not-for-profit developer or agency. Funds may be used for acquisition, demolition, greening, maintenance, and administration of 1-4 unit residential properties.

- Home Accessibility Program
  - HAP is funded by the Illinois Affordable Housing Trust Fund and provides funding to units of local government and not-for-profit organizations for home accessibility grants. Qualifying households are eligible to receive up to $25,000 in the form of forgivable loans for home modifications that prevent premature or unnecessary institutionalization of seniors and people with disabilities.

- I-REFI
  - Homeowners who are current on their mortgages but owe more than their home is worth may qualify for up to $50,000 in federal assistance to reduce the balance owed on their mortgage and refinance into a new affordable loan based on current market value of their home. Homeowners can apply directly through an approved I-REFI lender.

- 1stHomeIllinois and @HomeIllinois
  - These loan programs provide down payment and closing cost assistance for qualifying borrowers who would otherwise qualify for a mortgage. 1stHomeIllinois offers up to $7,500 cash assistance for down payment and closing costs, and @HomeIllinois provides buyers with up to $5,000 in down payment or closing cost assistance.

- Financial Literacy and Pre-Purchase Counseling
  - Through its network of housing counseling agencies, IHDA connects households looking for pre-purchase counseling and financial literacy training to reputable counselors around the state. Households can access services free of charge to learn more about the home buying process and selecting the right mortgage product.

Next Steps:
- Set up meeting with IHDA representatives to further discuss components of a successful application for competitive grant programs.
- Connect with SSLBDA to discuss possible collaborative efforts pertaining to APP funds.
- Use existing marketing and outreach channels to inform residents of homeowner resources through IHDA.
- Connect with HUD-certified housing counseling agencies serving Steger to make sure residents have appropriate financial counseling for making use of IHDA resources.

Downtown Economic Development

The revitalization of Steger's downtown district is an economic development priority for the Village. Village leadership is trying to attract more commercial development and create a defined area that is more pedestrian friendly. The Village is moving into the planning process with momentum. Steger's existing TIF District and enterprise zone, as well as recently procured CDBG funds, give the community some options for revitalization efforts. Steger has looked to the downtowns of other neighboring communities and learned that small placemaking interventions in the form of landscaping and other streetscaping investments can go a long way in enhancing the character and livability of a community. An increase in interest and activity in an area illustrated through a placemaking project can have a catalytic effect, opening the door to further public or private sector investment. Local governments across the Chicago region have played a central role in developing and implementing placemaking projects, and Steger should make incorporate these investments into any larger economic development efforts.

Large upcoming investments near two commercial corridors—Steger Road and Union Avenue and Chicago Road and Steger Road)—should help the Village to center some of its future placemaking efforts. The biggest concern for Steger, however, is the future of the Kmart site. James Ratner from IFF joined the August meeting to provide some ideas on alternative uses, which included mixed-use office and retail, indoor agriculture facilities, and healthcare offices. When thinking about reuse, Steger should think about the current demographics of the Village and what the site will be able to support.

Next Steps:

- Use existing economic development tools such as TIF District and enterprise zone to make meaningful placemaking interventions in Steger's downtown district.
- Evaluate Village demographics to determine future development potential of main commercial corridors and Kmart site.
- Explore applying to the Urban Land Institute's Technical Assistance Panel to address land use issues related to the Kmart site.

Key Contacts

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847.546.2790

Taft West, Vice President of Technical Assistance and Sustainability, Chicago Community Loan Fund
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312-252-0444

Metropolitan Mayors Caucus Technical Assistance Process

- Step 1: *Housing Needs Assessment*
  - Data Analysis
  - Meetings with Elected Officials, Staff and Stakeholders
  - *Product:* Housing Needs Assessment defining 3-5 Key Needs
- Step 2: *Expert Panel*
  - 3-5 Experts from Metropolitan Planning Council, MMC, IHDA, Naperville and other Municipalities Staff
- Step 3: *Housing Action Plan*
  - Recommendations/Available IHDA Funding/Best Practices
  - Implementation and Future Initiatives

Housing Market

- How does the current housing supply compare to the projected demand for housing now and in the future?
- What are the trends in housing types, cost and location of new housing in Naperville?
- What communities will Naperville competition from surrounding communities affect Naperville's future population and housing supply?

Affordability

- How does housing affordability affect owners and renters at each income level?
- What are the characteristics of households at each affordability level?
- How will Naperville preserve existing housing currently classified as affordable to households at 60% of AMI?
- What are the best strategies and practices for Naperville to increase affordable units?

Future Housing Needs

- How will Naperville serve the housing needs of growing populations of seniors and people with special needs?
- Will Naperville have sufficient affordable housing to attract young households of the future?

Housing Needs Assessment/Affordability Plan Data

<u>Existing Conditions/Future Projections 2019 - 2040</u>

1. Population and Household Trends and Projections
   a. Age/Tenure by Age
   b. Race/Ethnicity/Tenure by Race/Ethnicity
   c. Household Size
   d. Special Needs Populations
2. Education
3. Income
   a. Household Characteristics by Income
   b. Household Characteristics by Neighborhood/Location
4. Employment
5. Tenure
6. Income-Restricted Housing

<u>Needs Assessment/Affordability</u>

1. Affordability Analysis – Current and Future Affordability of Housing
   a. Cost Burden by Income
   b. Affordable Housing Gap
   c. Affordability by Neighborhood/Geographic Area
   a. Housing Problems by Income
   b. Housing Problems by Age
   c. Housing Problems by Household Type
   d. Housing Problems by Special Needs
   e. Projection of Housing Needs

<u>Housing Market Characteristics</u>

1. Housing Demand
   a. New Units – Projected Growth in Households and Housing Units by Housing Type
   b. Owner
   c. Renter
   d. Absorption Rates
2. Housing Supply
   a. Housing Units by Structure Type
   b. Housing Units by Age
   c. Housing Condition by Owner and Renter
   d. Cost of Housing
3. Housing Needs versus Housing Market Gaps

Affordable Housing Planning and Appeal Act:

2018 Non-Exempt Local Government Handbook

Published in accordance with 310 ILCS 67 by:
Illinois Housing Development Authority
Strategic Planning and Reporting Department
Office of Housing Coordination Services
December 28, 2018

Table of Contents

Executive Summary

The Illinois General Assembly passed the Affordable Housing Planning and Appeal Act (AHPAA) (310 ILCS 67) in 2003 to address the lack of moderately-priced housing in many Illinois communities. Growth in home values continues to outpace growth in household incomes throughout the Chicago-region and many households who are vital to local economies and who provide critical community services are unable to afford to live in or around the places they work.

The law established a process for identifying communities with the most acute shortage of local housing stock available at an amount that would be affordable to:

- Homebuyers at 80% of the regional median household income.
- Renters at 60% of the regional median household income.

For larger, urbanized areas, the Area Median Income (AMI) used is for the entire Metropolitan Statistical Area (MSA), while county AMI figures are used for those counties not located within an MSA.

The law identifies these communities, known as Non-Exempt Local Governments (NELG), with two primary criteria:

- Non-Exempt Local Governments must be incorporated municipal governments (e.g., county, town, village, city, etc.) with a population of at least 1,000 people.
- Non-Exempt Local Governments must have a portion of the local year-round housing stock considered affordable that is below 10%, as determined by data from the U.S. Census Bureau and other relevant sources (details on pages 7 - 9).

The law requires Non-Exempt Local Governments:

- To adopt and submit an Affordable Housing Plan (details on page 13) to the Illinois Housing Development Authority (IHDA). Communities that already submitted a plan to IHDA because they were previously identified as Non-Exempt Local Governments are allowed to update their plans, adopt the updated version and submit them again to IHDA.

This handbook was written to accompany the 2018 List of AHPAA Non-Exempt Local Governments. It primarily serves as a reference tool.

The process used to identify the Non-Exempt Local Governments is laid out in the AHPAA statute (details on page 6) and the Illinois Housing Development Authority (IHDA) is responsible for generating this list. IHDA published the first list in 2004, but due to U.S. Census Bureau decennial data availability, a new list was not possible until 2013. IHDA now publishes a new list approximately every five years using the most recent and readily available census data. This is due to more frequent census data availability through the American Community Survey (ACS). While IHDA produces a statewide list of all municipalities, exempt and non-exempt, this handbook only refers to those who are identified as being non-exempt under the AHPAA statute.

The State Housing Appeals Board (SHAB) was established by AHPAA to hear appeals from affordable housing developers who feel that they have been treated unfairly by Non-Exempt Local Governments during the local development approval process. Four of the seven members must be local officials or administrators and three must be from non-exempt AHPAA communities. The SHAB was fully appointed in 2012 and established a set of administrative rules through the Illinois General Assembly's Joint Committee on Administrative Rules in 2013 (published in the Illinois Register V. 37 Issue 15, April 12, 2013). At the time of this manual's publication, no appeals had been filed for SHAB review. To consider an appeal, the Non-Exempt Local Government must have denied approval of a project with an affordable housing component, or granted an approval with conditions that make the proposed project financially infeasible.

Affordable Housing Planning and Appeal Act: Exemption Determination Process

The language within the Illinois Affordable Housing Planning and Appeal Act outlines a process for determining which local governments the law applies. According to the statute (as amended by P.A. 98-0287), this process must be completed by the Illinois Housing Development Authority at least once every five years (recent changes to the statute allow for this more frequent publication of the list with improved availability of appropriate U.S. Census Bureau data). While AHPAA makes certain aspects of the exemption determination process explicit and clear, other implicit steps must be taken to complete the determination. This report intends to make all steps taken by IHDA fully explicit and clear.

The exemption process steps mandated by AHPAA are identified in the following section of this report. Within the law there are two sections that guide the determination of community exemption status.

Statutory Guidance

Section 15 (310 ILCS 67/15) of the law provides definitions, some of which directly affect the determination process. The relevant definitions are highlighted below:

> "Affordable housing" means housing that has a value or cost or rental amount that is within the means of a household that may occupy moderate-income or low-income housing. In the case of owner-occupied dwelling units, housing that is affordable means housing in which mortgage, amortization, taxes, insurance, and condominium or association fees, if any, constitute no more than 30% of the gross annual household income for a household of the size that may occupy the unit. In the case of dwelling units for rent, housing that is affordable means housing for which the rent and utilities constitute no more than 30% of the gross annual household income for a household of the size that may occupy the unit.
>
> "Exempt local government" means any local government in which at least 10% of its total year-round housing units are affordable, as determined by the Illinois Housing Development Authority pursuant to Section 20 of this Act; or any municipality under 1,000 population.
>
> "Local government" means a county or municipality.

Section 20 (310 ILCS 67/20) of the law describes fundamental steps that must be included in the exemption determination process. This section is quoted in its entirety below:

> Sec. 20. Determination of exempt local governments.
>
> (a) Beginning October 1, 2004, the Illinois Housing Development Authority shall determine which local governments are exempt and not exempt from the operation of this Act based on an identification of the total number of year-round housing units in the most recent data from the U.S. Census Bureau for each local government within the state and by an inventory of

owner-occupied and rental affordable housing units, as defined in this Act, for each local government from the U.S. Census Bureau and other relevant sources. (This inventory is based on census household survey data.)

(b) The Illinois Housing Development Authority shall make this determination by:

(i) totaling the number of owner-occupied housing units in each local government that are affordable to households with a gross household income that is less than 80% of the median household income within the county or primary metropolitan statistical area;

(ii) totaling the number of rental units in each local government that are affordable to households with a gross household income that is less than 60% of the median household income within the county or primary metropolitan statistical area;

(iii) adding the number of owner-occupied and rental units for each local government from items (i) and (ii); and

(iv) dividing the sum of (iii) above by the total number of year-round housing units in the local government as contained in the latest U.S. Census Bureau, and multiplying the result by 100 to determine the percentage of affordable housing units within the jurisdiction of the local government.

(c) Beginning on August 9, 2013 the Illinois Housing Development Authority is to publish a list of exempt and non-exempt local governments and the data that it used to calculate its determination once every 5 years. The data shall be shown for each local government in the state and for the state as a whole. Upon publishing a list of exempt and non-exempt local governments, the Illinois Housing Development Authority shall notify a local government that it is not exempt from the operation of this Act and provide to it the data used to calculate its determination.

(d) Communities which develop affordable housing plans and meet one of the three statutory goals (see page 13) are then exempt from the provisions of the law, including possible appeals and submitted to the State Housing Appeal Board.

Data Sources

The sections of AHPAA quoted above provide a framework for completing the exemption determination process; however, Section 20a raises an important issue for beginning the exemption determination process: establishing a single source of data as “the most recent data from the U.S. Census Bureau.”

Nearly all of the data points required for the determination process are now available in the American Community Survey (ACS) 5-Year Estimates and are published annually on a two-year delay. As of December 2018, the most recent ACS 5-year data set available was the 2016 5-year Estimate, which was selected as the primary data source for completing the most local exemption determination process.

Data provided by the U.S. Census Bureau was analyzed to assign a primary county or MSA to every local government in the state (numerous local governments have jurisdictions that cross county boundaries). Land coverage within the jurisdiction of all local governments was calculated by county and was assigned a majority county or MSA to determine the median household income.

Mortgage contract terms for the calculation of affordable owner-occupied units are not explicitly defined in the statute, so industry standards and academic literature were relied on. The fixed-rate, 30-year mortgage with a downpayment of 10% of the purchase price was chosen because research has shown that those are the optimal terms for both low-income homebuyers and mortgage lenders with regards to the probability of negative home equity and default rates.[1] An average interest rate for the past five years (2013 - 2017) was calculated using the Annual Conventional Mortgages published by the Federal Home Loan Mortgage Corporation (Freddie Mac).[2] This interest rate, 3.98%, was assumed for the calculation of affordable owner-occupied units. Reliable data for homeowner's insurance and homeowners association fees was not available on a community-level scale and, therefore, was not included in the determination process (Note: any such data used in the determination process would only have increased the number of Non-Exempt Local Governments.)

Selecting U.S. Census Bureau Data

The exemption determination process outlined in Section 20b of the statute does not explicitly identify all of the data points needed to complete the process as directed. This section connects key terms used in the statute with data points available within the 2016 ACS 5 Year Estimates.

- <u>Local Government</u>: Section 15 of AHPAA defines local government as a county or municipality and automatically exempts any municipality with a population under 1,000. The Census Bureau's definition of 'place' includes any incorporated local government, but does not include counties or townships. In the exemption determination process IHDA included all 'places' and 'counties' within Illinois. Places with population under 1,000 and Census Designated Places (which are not incorporated as municipalities) were removed from the analysis. Parties interested in

[1] John Y. Campbell and João F. Cocco. "A Model of Mortgage Default," National Bureau of Economic Research Working Paper 17516, October 2011. Patrie Hendershott, Robert Hendershott, and James Shilling. "The Mortgage Finance Bubble: Causes and Corrections," Journal of Housing Research, 2010. Tomasz Piskorski and Alexei Tchistyi. "Stochastic House Appreciation and Optimal Mortgage Lending," Review of Financial Studies, 2011.

[2] http://www.freddiemac.com/pmms/pmms30.html

the affordability of unincorporated areas may contact IHDA for more information. Concerning AHPAA data, county data only covers unincorporated areas.

- Area Median Income (AMI): In accordance with Section 20b(i) and 20b(ii) of the statute, the median household income (MHI) was collected from each county and Metropolitan Statistical Area (MSA) in the state (when appropriate the MHI for MSA Metropolitan Divisions was used) and assigned to all local governments within that geography. For further information see the FAQs section on page 18.

- Total Year-Round Housing Units: Seasonal and recreational housing units are classified as a type of vacant housing in American Community Survey (ACS) data. To avoid any concerns of inflating the true number of year-round housing units in a given community (and thereby deflating its share of affordable housing stock), only occupied housing units were included during the exemption determination process. Total year-round units were calculated by adding “owner-occupied units” and “occupied units paying rent”.

- Owner-Occupied Housing Units: “Value” of home estimates were utilized to determine how many of the owner-occupied housing units in a given local government are ‘affordable’ to potential homebuyers at 80% of the AMI. Only units that are currently occupied by homeowners are included in these estimates.

- Total Median Real Estate Taxes Paid: Estimates from ACS data for every local government were also utilized to determine the number of affordable owner-occupied housing units. Vacant for-sale units are not included in the determination process because the U.S. Census Bureau does not collect information on their value (note: homeowner utility costs are not collected as part of the American Community Survey, nor does the AHPAA statute include it in its formula for affordable homeownership).

- Rental Units: “Gross Rent” estimates were utilized to determine how many of the occupied rental units in a given community would be affordable to a potential renter households at 60% of the AMI. Only units occupied by renters are included in these estimates. Units occupied by renters not paying rent are not counted as affordable rental units because the Census Bureau does not collect information on the terms of occupancy.

Determining Share of Affordable Units

Below, please find two examples demonstrating the steps IHDA undertakes when determining the share of affordable housing units per the AHPAA statute.

City of Evanston, Cook County
Population: 75,472
Area Median Income: $63,327 (Chicago MSA)

First, the affordable monthly rent was determined for a household at 60% of the AMI.

$63,327 (AMI) x 60% x 30% (portion of income affordable for housing) / 12 = $949.91 a month

Now the number of affordable rental units in Evanston can be counted.

"Gross Rent" – Total Occupied Units Paying Rent: 12,637
"Gross Rent" – Less than $500: 376
"Gross Rent" – $500 to $999: 2,781
"Gross Rent" – $1,000 to $1,499: 5,241
"Gross Rent" – $1,500 to $1,999: 2,339
"Gross Rent" – $2,000 to $2,499: 1,179
"Gross Rent" – $2,500 to $2,999: 425
"Gross Rent" – $3,000 or more: 296

The affordable monthly rental amount in Evanston, $949.91, falls within the $500 to $999 "Gross Rent" interval. The total number of units in lower intervals is 376. Since $949.91 represents 89.98% of the $500 to $999 interval, an estimated 2,502.37 units of the 2,781 units within that interval have a "Gross Rent" below $9949.91. Adding the two figures reaches a total of **2,878.37 affordable rental units** in Evanston.

Next, the affordable home value was determined for a household at 80% of the AMI. The first was determining an affordable monthly payment for this hypothetical household.

$63,327 (AMI) x 80% x 30% (portion of income affordable for housing) / 12 = $1,266.54 a month

The median real estate taxes paid in Evanston were $7,085, or $590.42 a month. This amount was subtracted from $1,266.54 to reach the final affordable monthly payment of $676.12. Using the present value calculation typical for determining an affordable sales price in mortgage lending and assuming a 3.98% interest rate, a 30-year loan term and a 10% down payment, an affordable home value in Evanston was determined to be $156,161

Now the number of affordable owner-occupied units in Evanston can be counted.

"Value" - Total Owner-Occupied units: 15,976
"Value" - Less than $50,000: 281
"Value" - $50,000 to $99,999: 497
"Value" - $100,000 to $149,999: 1103
"Value" - $150,000 to $199,999: 1898
"Value" - $200,000 to $299,999: 2883
"Value" - $300,000 to $499,999: 4012
"Value" - $500,000 to $999,999: 4429
"Value" - $1,000,000 or more: 873

The affordable home value in Evanston, $156,161, falls within the $150,000 to $199,000 "Value" interval. The total number of units in lower intervals is 1,881. Since $156,161 represents 12% of the $150,000 to $199,000 interval, an estimated 233.8 units within the interval have a “value” below $156,161. Adding the two figures reaches a total of **2114.86** in Evanston.

The sum of affordable housing units in Evanston equaled **4,993**. At this point the affordable housing share of total units in Evanston was calculated.

4,993 (affordable housing units) / 28,613 (year-round housing units) = **17.5%**

<u>Village of Frankfort, Will County</u>
Population: 18,415
Area Median Income: $63,327 (Chicago MSA)

First, the affordable monthly rent was determined for a household at 60% of the AMI.

$63,327 (AMI) x 60% x 30% (portion of income affordable for housing) / 12 = $949.91 a month

Now the number of affordable rental units in Frankfort can be counted.

“Gross Rent” – Total Occupied Units Paying Rent: 265
“Gross Rent” – Less than $500: 0
“Gross Rent” – $500 to $999: 78
“Gross Rent” – $1,000 to $1,499: 32
“Gross Rent” – $1,500 to $1,999: 45
“Gross Rent” – $2,000 to $2,499: 51
“Gross Rent” – $2,500 to $2,999: 17
“Gross Rent” – $3,000 or more: 42

The affordable monthly rental amount in Frankfort, $949.91, falls within the $500 to $999 “Gross Rent” interval. The total number of units in lower intervals is 0. Since $949.91 represents 89.9% of the $500 to $999 interval, an estimated 70.19 units of the 78 units within that interval have a “Gross Rent” below $949.91. The result is a total of **70.19 affordable rental units** in Frankfort.

Next, the affordable home value was determined for a household at 80% of the AMI. The first was determining an affordable monthly payment for this hypothetical household.

$63,327 (AMI) x 80% x 30% (portion of income affordable for housing) / 12 = $1,266.54 a month

The median real estate taxes paid in Frankfort were $9,212, or $767.67 a month. This amount was subtracted from $1,266.54 to reach the final affordable monthly payment of $498.87. Using the present value calculation typical for determining an affordable sales price in mortgage lending and assuming a 3.98% interest rate, a 30-year loan term and a 10% down payment, an affordable home value in Frankfort was determined to be $115,222

Now the number of affordable owner-occupied units in Frankfort can be counted.

“Value” - Total Owner-Occupied units: 5,732
“Value” - Less than $50,000: 38
“Value” - $50,000 to $99,999: 46
“Value” - $100,000 to $149,999: 79
“Value” - $150,000 to $199,999: 299
“Value” - $200,000 to $299,999: 1,458
“Value” - $300,000 to $499,999: 3,182
“Value” - $500,000 to $999,999: 604
“Value” - $1,000,000 or more: 26

The affordable home value in Frankfort, $115,222, falls within the $100,000 to $149,000 “Value” interval. The total number of units in lower intervals is 74. Since $115,222 represents 30% of the $100,000 to $149,000 interval, an estimated 24.05 units within the interval have a “value” below $115,222. Adding the two figures reaches a total of **108.05 affordable owner-occupied units** in Frankfort.

The sum of affordable housing units in Frankfort equaled **178**. At this point the affordable housing share of total units in Frankfort was calculated.

178 (affordable housing units) / 5,997 (year-round housing units) = **3.0%**

AHPAA Requirements Timeline

Once a municipality is determined to be and is notified that it is non-exempt from the AHPAA, it must develop, adopt and submit to IHDA an affordable housing plan within 18 months. IHDA will host an informational meeting for non-exempt municipalities shortly after announcing the list and is available on an ongoing basis to provided related technical assistance.

AHPAA Affordable Housing Plan Timeline	
Non-Exempt Community Notification	**12/28/2018**
Affordable Housing Plan Submission	On a rolling basis between **12/28/2018** and **6/28/2020** (*must be submitted within 60 days of local approval*)
Final Submission Deadline: AHPAA Housing Plan	**6/28/2020** (*18 months from NELG Status notification – see above*)

Affordable Housing Plans

From the date on the letter/email notifying a Non-Exempt Local Government of its status under AHPAA, the municipality or county has 18 months from the date the Non-Exempt Local Government list was published to develop, approve and submit an Affordable Housing Plan to IHDA, consisting of (at a minimum) the following components:

- Statement of the total number of affordable housing units that are necessary to exempt the local government from the operation of the Act, as defined in Section 15 and Section 20, and based on the numbers included in AHPAA Local Government Exemption Report published by IHDA.

- Identification of lands within the jurisdiction that are most appropriate for the construction of affordable housing and of existing structures most appropriate for conversion to, or rehabilitation for, affordable housing, including a consideration of lands and structures of developers who have expressed a commitment to provide affordable housing and lands and structures that are publicly or semi-publicly owned.

- Incentives that the local government may provide for the purpose of attracting affordable housing to their jurisdiction.

- Selection of one of the following three goals for increasing local affordable housing stock:

    - Requiring a minimum of 15% of all new development or redevelopment within the local government that would be defined as affordable housing in this Act;

- Requiring a minimum of a 3% percentage point increase in the overall percentage of affordable housing within its jurisdiction, as defined in Section 20 of this Act; or

- Requiring a minimum of 10% of affordable housing within its jurisdiction.

According to the law, Non-Exempt Local Governments must submit their Affordable Housing Plan to IHDA within 60 days of the initial local approval of the plan or approval of revisions to a previously approved affordable housing plan which was submitted to IHDA under the AHPAA.

<u>State Housing Appeals Board</u>

AHPAA also assigns IHDA the responsibility of staffing the State Housing Appeals Board. The State Housing Appeals Board may hear appeals once the following conditions are met:

- A developer, believing there is a market for such housing, must obtain site control in a Non-Exempt Local Government and voluntarily come forward with a proposal that includes at least 20% of the dwelling units being subject to covenants or restrictions that require that the dwelling units be sold or rented at prices that preserve them as affordable housing for a period of at least 15 years, in the case of for-sale housing, and at least 30 years, in the case of rental housing.

- The developer’s proposal must be denied, or approved with conditions that rendered the project infeasible by the local government’s governing board.

- The developer must file an appeal with the State Housing Appeals Board within 45 days of the local government decision that he or she wishes to appeal. Initial pleadings filed by the developer must include the following:

    - A clear and concise statement of the prior proceedings (related to the proposed development) before all Approving Authorities, including the date of notice of the decision that the Affordable Housing Developer is appealing;

    - A clear and concise statement of the Affordable Housing Developer's objections to the Approving Authority's decision, indicating why the Affordable Housing Developer believes the application to develop Affordable Housing was unfairly denied, which may include an appeal of IHDA's determination of the exempt status of the Local Government as set forth in Section 395.401, or what conditions, if any, were imposed that the Affordable Housing Developer believes were unreasonable;

    - A clear and concise statement setting forth the relief sought;

    - The complete name and address of the Affordable Housing Developer for the purpose of service of papers in connection with the appeal;

- The name and address of the attorney or attorneys representing the Affordable Housing Developer, if any; and

- A complete copy of the application for the Affordable Housing Development, as it was submitted to the Approving Authority, including sufficient information to determine whether the proposal that is the subject of the appeal is Affordable Housing.

During the appeals process, the developer must convince the State Housing Appeals Board that:

- The proposed Affordable Housing Development complies with all Non-Appealable Local Government Requirements.[3] The Affordable Housing Developer must prove these elements with respect to only those aspects of the project that are in dispute; or

- Non-Appealable Local Government Requirements have been applied differently to proposals that do not include Affordable Housing; or

- The Approving Authority has a pattern of denying applications to develop Affordable Housing; or

- The Approving Authority changed the zoning of an area regarding a specific Affordable Housing Development that, but for the change in zoning, is otherwise able to proceed, or has a pattern of changing zoning of an area in regards to Affordable Housing Developments that, but for the change in zoning, are otherwise able to proceed; or

- The Approving Authority unreasonably or intentionally delayed its decision regarding a specific Affordable Housing Development that, but for the lack of timely decision by the Approving Authority, is otherwise able to proceed, or has a pattern of unreasonably or intentionally delaying its decisions on applications for Affordable Housing Developments that, but for the lack of timely decisions of the Approving Authority, are otherwise able to proceed; or

- IHDA's determination that the Local Government is exempt from the Act is incorrect based on the counting protocols set forth in Section 20 of the Act and any written guidance published by IHDA; or

- Any other unreasonable denial of the application for the Affordable Housing Development.

[3] "Non-Appealable Local Government Requirements": All essential requirements that protect the public health and safety, including any local building, electrical, fire or plumbing code requirements or those requirements that are critical to the protection or preservation of the environment. Zoning, density and bulk restrictions may count as Non-Appealable Local Government Requirements if the Board finds that they qualify under the Act's definition of Non-Appealable Local Government Requirements.

The local government, or approving authority, has equal opportunity to present evidence and defend itself against claims made by the appealing developer.

Appendices

Appendix A: Frequently Asked Questions

Can a Non-Exempt Local Government appeal their exemption status?

The State Housing Appeals Board has the authority to review the legitimacy of exemption status but only in the case of a developer's appeal related to that community. If a Non-Exempt Local Government wishes to submit information that may affect their exemption status in the eyes of the State Housing Appeals Board, then they may submit those materials to IHDA for the State Housing Appeals Board as records to be reviewed at the time of an appeal.

Why are Metropolitan Statistical Area figures for median household income used for some places and county figures for other places?

The AHPAA statute specifies affordability calculations be based on the median household income of Metropolitan Statistical Area (MSA) data *where available* and county data where MSA data is *not available*. The U.S. Office of Management and Budget regularly publishes guidance on the definitions of MSAs and that information is adopted by the U.S. Census Bureau and various federal funding sources. AHPAA was written to accommodate the MSA data to ensure that areas of population concentration with a high degree of economic and social integration are treated as a whole. Counties using county data are generally rural in nature.

Does the count of affordable units in a local government reflect the number of households currently paying more than 30% of income?

No. The analysis compares the cost of buying or renting a home in a given community to the area's (MSA or county) median household income and is based on census household survey responses.

What is the State Housing Appeals Board?

The State Housing Appeals Board (SHAB) consists of seven members:

1) A zoning board of appeals member from a Non-Exempt community;
2) A planning board member from a Non-Exempt community;
3) A mayor or municipal council/board member from a Non-Exempt community;
4) A county board member;
5) An affordable housing developer;
6) A housing advocate; and
7) A retired circuit or appellate judge (who must serve as board chairperson).

IHDA's Chairman serves as an ex-officio member.

How does a developer file an appeal with the State Housing Appeals Board?

A developer wishing to file an appeal should send a complete package with all materials identified in the AHPAA to the Office of Housing Coordination Services in the Strategic Planning and Reporting Department at IHDA, addressed as follows:

ATTN: Strategic Planning and Reporting Department, IHDA (16)/(OHCS)
RE: State Housing Appeals Board
111 E. Wacker Drive, Ste. 1000
Chicago, IL 60611

Does affordable housing have a negative impact on property values?
In recent years, researchers have produced numerous studies with rigorous analytic methodologies to better understand the impact that affordable housing developments have on surrounding property values, local community safety and services. A review of the literature on the subject conducted in 2016 indicated that most studies do not find a negative impact related to affordable housing developments.[4] The literature review also showed that affordable housing sited in economically strong communities and dispersed across metropolitan regions are the most successful and have the least negative impacts. Another study focused on affordable housing developments in suburban New Jersey, which has a State policy similar to the Affordable Housing Planning and Appeal Act, found that affordable housing development was not associated with increased crime, decreased property values or increased taxes.[5]

Are municipalities required to own the affordable housing developed within their borders?
No. A non-exempt municipality is not expected to own or manage affordable housing in order to comply with the AHPAA statute. However, the planning requirements of the AHPAA suggest that municipalities can and are encouraged to help facilitate affordable housing development by providing local incentives, some of which may involve municipally created non-profit ownership or management of a property (e.g., a Community Land Trust under an inclusionary housing program or a Community Housing Development Organization under a HOME program). Financial public support of an affordable housing development may be more appropriate in the form of a property donation or waiver of local development building and permit fees. (In addition, non-profits and affiliates of Public Housing Authorities have also developed and managed affordable housing properties in Illinois.)

To comply with the AHPAA statute, is a particular type of affordable housing necessary?
No. The type of affordable housing provided within a community is strictly a local decision. Neither IHDA nor the AHPAA statute require or prefer a particular type of affordable housing to comply. Municipalities may decide to encourage affordable rental housing, affordable homeownership programs or alternative types of housing tenure. In some cases, changes to local zoning and building codes may attract developers able to build housing without any subsidies or restrictions and market them to residents at an affordable price (according to AHPAA).

Are municipalities required to change zoning ordinances to comply with the AHPAA?
No. The AHPAA statute does not intend to dictate or override local zoning ordinances and building codes. Compliance with the statute does not necessarily require a change in either zoning or building codes (nor density, design or unit type requirements). Some communities may utilize related incentive programs, such as the establishment of an inclusionary zoning

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[4] Young, Cheryl. "There *Doesn't* Go the Neighborhood: Low-Income Housing Has No Impact on Nearby Home Values" in Trulia Research/ Affordability web report - *https://www.trulia.com/research/low-income-housing*
[5] Len Albright, Elizabeth S. Derickson and Douglas S. Massey. "Do Affordable Housing Projects Harm Suburban Communities? Crime, Property Values, and Property Taxes in Mt. Laurel, New Jersey" in *City & Community* (2013; 12: 2).

ordinance or other development incentives, and may choose to modify local zoning ordinances to accommodate for affordable housing developments.

Are municipalities required to be involved with private real estate transactions?
No. Compliance with the statute does not require municipal participation in private transactions. Unless a municipality chooses to become involved indirectly with private real estate transactions by establishing a Community Land Trust (though Community Land Trusts are generally recommended to be established as a separate legal entity), there are no statutory requirements that necessitate municipal participation in real estate transactions beyond the approval of an affordable housing plan. Municipalities and counties are encouraged to participate in such projects financially, when feasible, via local CDBG and/or HOME Program funding and other local options, e.g., TIF Districts, waiver of development fees, etc. Also approval and support of projects with affordable housing components such as LIHTC projects is encouraged.

To comply with the AHPAA statute are municipalities required to develop property designated as parkland or open space?
No. The purpose of the AHPAA is to strongly encourage local planning strategies that foster the development of affordable housing. The law is not intended to dictate type or location of affordable housing to be developed.

How are communities with little available land ("built out") going to comply with the law?
The AHPAA does not force communities to categorically accept new developments that include affordable housing. In fact, this law may have minimal practical impact on communities that are already "built out". Communities with little available land could choose the option of 15% of all new development and redevelopment as a set-aside for affordable housing. The law simply provides that as a community continues to grow or redevelop, it should work to include some moderately priced housing, making it possible for those who work in and serve the community to afford to live there too. Rehabilitation of existing housing and maintaining affordability is another option.

Will development of affordable housing in a municipality give it future "exempt" status?
This is a tricky question. First, the AHPAA law's formula uses Census survey data to determine home values (and rent amounts), so it's only as reliable as the local household responses regarding accuracy. Secondly, when updated, that same Census data also enumerates total changes in year-round housing stock, including all developments of non-affordable housing units.

Are municipalities with home rule authority exempt from AHPAA?
This matter was never directly addressed in the AHPAA statute and no home rule impact note was requested during the legislative process. In addition, no Illinois Attorney General's opinion has been sought or rendered on the matter. As such, IHDA encourages all NELG communities to make good faith efforts to comply with the AHPAA minimum requirements.

Appendix B: Financial Assistance Available to Non-Exempt Local Governments

Municipalities seeking to encourage or proactively increase the number of local affordable housing units have a number of tools at their disposal. In addition, they should be made aware of several financial resources that can aid in the creation of affordable housing.

Listed below are local tools that communities may utilize to promote affordability:

- Zoning
- Reduction in Development Fees / Fee Waivers (building permit fees; planning fees; capital facilities fees; inspection fees; "tap-on" fees)
- Expedited Permitting for Affordable Housing
- Covenants
- Land Leases
- Community Land Trusts
- Deed Restrictions (on affordability)
- Use Restrictions
- Resale Restrictions
- Inclusionary Zoning (mandatory; voluntary; negotiated / ad hoc)
- Use of Public Funding (IHDA funds; federal funding; tax credits; assistance with local subsidies, such as CDBG or HOME)
- Planned Unit Development (PUD) ordinances

Discussed below are federal, state and local resources that may be accessed for assistance by non-profit developers, for-profit developers and local governments for affordable housing:

Community Development Block Grants (CDBG) – CDBG funds are federal grants available to municipalities and counties through the US Department of Housing and Urban Development (HUD) that can be used to fund many different programs that provide assistance to a wide variety of grantees. Certain housing activities constitute eligible uses, such as housing rehabilitation, land acquisition and homebuyer assistance. Funds must be used to primarily assist low- to moderate-income households as defined as 50% of AMI. For more information, see Appendix D:
https://www.hud.gov/program_offices/comm_planning/communitydevelopment/programs

HOME Participating Jurisdictions and Consortium Funding – Also funded through HUD, federal HOME funds are available via a formula grant to state and local government participating jurisdictions (PJs). HOME funds can be used for rental housing production and rehabilitation loans and grants, first-time homebuyer assistance and rehabilitation assistance for homeowners. An annual portion of HOME funds (15%) is required to be set-aside for eligible Community Housing Development Organizations (CHDOs). All housing developed with HOME funds must serve income eligible households (80% AMI homeowners and 60% renter AMI limits for determining income eligibility.)

IHDA is the designated State agency to oversee HOME funds within the State of Illinois. IHDA can allocate HOME funds throughout the state, but generally gives preference to areas that do not have their own local HOME funds as a Participating Jurisdiction or Consortium. Information on IHDA's HOME funds can be found at www.ihda.org.

Please Note: HUD provides CDBG and HOME grant funds on a state, municipal or county basis. See Appendix D for a list of the local and county administrators within the Chicago Metropolitan area.

Bond Financing – Tax-exempt, private activity bonds are a financing tool that can be applied to both single-family and multi-family housing programs. Tax-exempt bonds can be issued locally or by IHDA and may be utilized in combination with qualifying Low-Income Housing Tax Credit projects, as well as with HUDs Risk Sharing Insurance program (which is administered by IHDA).

IHDA is a designated public agency that is authorized to issue bonds to finance affordable housing within the State of Illinois for home mortgages. Such financing is generally limited by IRS Tax Code to first-time homebuyers (except targeted areas).

For more information on homebuyer programs at IHDA, please see www.ihda.org.

Tax Increment Financing (TIF) Districts – TIF districts can be established by municipalities for areas designated as conservation or blighted areas. Under the State's TIF law, when a municipality creates a TIF district, the amount of tax revenue the area currently generates is set as a baseline, which will serve as the amount that the local governmental taxing bodies will receive from that area for the life of the TIF, which is 23 years. As vacant and dilapidated properties are revitalized through development with TIF assistance, the value and tax revenue from those properties increases. The "increment" above the baseline is then captured and used solely for improvements and redevelopment activities in that TIF district.

There are currently many TIF districts within the State of Illinois. The TIFs that were established in the Chicago-metro area by municipalities (Chicago excluded) and designated as primarily for housing are:

Housing TIFs in the Chicago-Metro Area
Permitting Housing Activities

City	County	District
MELROSE PARK	COOK	TIF 2
PALOS HEIGHTS	COOK	GATEWAY TIF
SUMMIT	COOK	TIF 1
STEGER	WILL	TIF II
STEGER	WILL	SOUTH CHICAGO ROAD TIF (TIF 4)
BOLINGBROOK	WILL/DuPAGE	BEACONRIDGE SUBDIVISION

Illinois Housing Development Authority (IHDA) – IHDA is the State's designated housing finance agency. Through IHDA financing, both communities and developers can access many sources of funding and tax credits from both State and Federal sources. IHDA's website (www.ihda.org) is an excellent source of information, describing the purpose and application process for all the authority's funding sources.

- The Authority offers a large array of funding that can help communities in their quest to develop more affordable housing. Some of which are: Low-Income Housing Tax Credits (LIHTC) – The federal LIHTC program is a competitive program for non-profit and for-profit entities to assist in developing affordable rental housing, offering a highly competitive 9% tax credit and a competitive 4% tax credit for 10 years to approved projects. Sale or syndication of these credits usually generates large amounts of equity that is put back into the development to keep rents affordable. Please note the current (2018- 2019) annual LIHTC Qualified Allocation Plan included point scoring incentives for targeted distribution of the subsidy. Two points are awarded to projects located in AHPAA Non-Exempt Local Governments (under 10% affordable housing share). Low-income under LIHTC is defined as 60% or less of household AMI.

- Illinois Affordable Housing Tax Credits (IAHTC) (aka: State Donations Tax Credit) – Works with donations to a project and is granted on a one-time basis to a project that receives eligible donations. This is an excellent source of gap financing for rental, homeowner and employer assisted housing projects being developed or operated by a non-profit organization. Eligible units are between 50% -120% AMI levels, depending on the type of project/program.

- Illinois Affordable Housing Trust Fund – Funded through a real estate transfer fee, t this State funding source assists in the provision of affordable, decent, safe and sanitary housing for low- and very low–income households for rental, homeownership and homebuyer units. Eligible proposals include: acquisition and rehabilitation of existing housing, new construction, adaptive reuse of non-residential buildings, and housing for special needs populations. The Trust Fund generally makes loans available at below market rates. Eligible households are between 50%-80% AMI.

- HOME – As discussed above, State HOME funds are administered by IHDA.

- National Housing Trust Fund – This is a state-administered HUD-funded program, operated and targeted by IHDA to extremely low-income (30% AMI or below) renter households.

- Multi Family Financing – IHDA offers a variety of other financing options specific to multi-family housing developments. The options currently available through IHDA include: Conduit Loan program, FFB Risk Share Program, Credit Advantage Mortgage Program, Affordable Advantage Mortgage Program, One Stop Pus Program and others.

- Single-Family Financing - IHDA finances mortgages through participating banks that are below the market rate, making it easier for low- and moderate-income families to qualify and afford a home (see Bond Financing). IHDA can also provide financial assistance to help with down payments and closing costs. Partnering with local non-profit organizations and municipalities, IHDA can also finance local homebuyer assistance programs as well as home repair programs with forgivable loans for low-income homeowners who need to bring their homes up to code.

Employer Assisted Housing (EAH) – There are also programs (both national and statewide) that encourages employers to invest in housing for their employees. An EAH program typically includes counseling about home buying and financing, direct financial assistance with closing costs and payments, rental housing assistance and/or a real estate investment.

Class 9 Property Tax Incentive – Encourages new development, rehabilitation and long-term preservation of multi-family rental housing, affordable to low- and moderate-income households across Cook County by providing significant tax abatement to qualified properties. Call 312/603-7850 or visit www.cookcountyassessor.com/forms-incentives.aspx

Federal Home Loan Bank (FHLB) – The Affordable Housing Program (AHP) offered by the Federal Home Loan Bank (Chicago FHLB) is a subsidy fund designed to assist in the development of affordable housing for low and moderate-income households. The Chicago FHLB contributes 10% of its previous year's net income to the AHP each year. The allocation is split between the Chicago FHLB's competitive application program and the non-competitive homeownership set-aside program called Down Payment Plus. The AHP provides grants and subsidized loans to member financial institutions working with affordable housing providers to finance rental and ownership housing for low and moderate-income households. For more information, please visit www.fhlbc.com or call 312/565-5700.

Community Investment Corporation (CIC) – CIC is a not-for-profit neighborhood revitalization lender that provides financing to buy and rehab multifamily apartment buildings with five units or more in the six-county metropolitan Chicago area. Please visit www.cicchicago.com or call 312/258-0070.

IFF – A leading nonprofit community development financial institutions (CDFI), IFF strengthens non-profits and their communities through lending and real estate consulting. IFF is able to help nonprofits finance, plan and build facilities that are critical to their mission and success. IFF serves nonprofits in Illinois and other Midwestern states, with a focus on those that serve low and moderate income communities and special needs populations. For more information, please visit www.iff.org, or call 312/629-0060.

Office of Housing Coordination Services (OHCS) – Part of IHDA's SPAR Department, OHCS operates a housing information clearinghouse for affordable housing in the State of Illinois. With this clearinghouse, OHCS tracks housing finance options provided by IHDA and other State programs, federal programs as well as private resources. For more information, please visit www.ihda.org, or contact the Office of Housing Coordination Services at (312) 836-5364.

Additional information on other IHDA programs, including those in foreclosure prevention, blight reduction, community revitalization and homeownership assistance can also be found in the Annual Comprehensive Housing Plan, which is listed on the IHDA website.

Appendix C: Technical Assistance Available to Non-Exempt Local Governments

A number of organizations have resources to assist local governments interested in developing affordable housing programs, incentives and/or plans for their community.

Chicago Metropolitan Agency for Planning (CMAP) – CMAP is the federally mandated Metropolitan Planning Organization (MPO) for the Northeast Illinois region, including Cook, DuPage, Kane, Kendall, Lake, McHenry and Will Counties. CMAP is charged with implementing the region's long-range, comprehensive plan called GO TO 2040. One of the plan's major recommendations is to achieve greater livability through land use and housing. To implement the plan, CMAP provides staff assistance to communities through the agency's Local Technical Assistance program, which seeks project proposals from communities late in the spring each year. CMAP has worked with MMC and MPC to provide housing policy plans across the region through the Homes for a Changing Region project. Currently, the community selection process is underway, with a total of 10 communities eligible to receive planning assistance to promote affordability and address challenges to creating balanced housing options. For more information, visit: www.cmap.illinois.gov.

Metropolitan Mayors Caucus (MMC) – The Caucus provides a forum through which the chief elected officials of the region cooperatively develop consensus on common public policy issues and multi-jurisdictional challenges. With a foundation of collaboration and consensus-based decision-making, it serves a number of functions for its partner organizations and local governments. With its partners, the Caucus has developed a number of housing related resources for its membership including: Homes for a Changing Region, a housing policy planning exercise that helps municipalities address barriers to affordability and plan for a balanced housing market. For more information please visit www.mayorscaucus.org or call 312/201-4507.

Metropolitan Planning Council (MPC) – For nearly eight decades, MPC has developed and implemented innovative, pragmatic solutions to planning and development challenges in Chicagoland. Through research, advocacy and demonstration projects, MPC is a trusted partner to governments, businesses and communities as each confronts the region's pressing needs so that everyone who lives and works here can thrive. Since its foundation in 1934, MPC has been committed to integrating quality homes affordable to families at a range of incomes,including very low-income households,into healthy communities with transportation options, job opportunities and quality schools. As mentioned above, MPC is also a partner in the Homes for A Changing Region Program. For more information please visit http://www.metroplanning.org/ or call 312/922-5616.

Business and Professional People for the Public Interest (BPI) – BPI is a public interest law and policy center that works throughout the Chicago region. BPI's housing program works to preserve and expand the supply of housing affordable to working people, seniors and young families, especially in areas of opportunity, and seeks to stabilize and strengthen neighborhoods that already have large supplies of affordable housing. BPI frequently works in collaboration with local governments and other local partners. BPI has helped local leaders to assess local housing needs and trends, conducted research on best practices from around the country, and helped to develop and improve local policies and programs. For example, BPI has assisted local governments in developing policies and programs that facilitate the creation of affordable housing, including incentives that allow developers to cover the cost of high-quality affordable housing at no cost to the local government. BPI has also worked with local governments to develop programs that preserve existing affordable units. For more information, please visit http://www.bpichicago.org/ or call 312/641-5570.

Appendix D: CDBG and HOME Administrators Directory

Communities that do not receive direct allocations of CDBG or HOME funds from HUD may be located in a county that does receive such funds. The county level administrators are capable of partnering with communities seeking resources for affordable housing initiatives or residential developments. Below is a list of Chicago Metropolitan Area cities and county administrators of CDBG and HOME funds in the Chicago metropolitan area.

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City of Naperville
City Manager's Office
400 S. Eagle Street
Naperville, IL 60540
630 / 420-6044

Cook County
Department of Planning and Development
69 W. Washington, Suite 2900
Chicago, IL 60602
312 / 603-1000

DuPage County
Department of Client Services
421 North County Farm Road
Wheaton, IL 60187
630 / 407-6500

Kane County
Office of Community Reinvestment
719 Batavia Avenue
Geneva, IL 60134
630 / 208-5351

Lake County
Department of Community Development
500 W. Winchester Rd., Unit 101
Libertyville, IL 60048
847 / 377-2475

McHenry County
Department of Planning and Development, Division of Community Development
2200 N. Seminary Avenue
Woodstock, IL 60098
815 / 334-4560

Will County
Land Use Department, Community Development Division
58 E. Clinton St
Joliet, IL 60433
815 / 774-7890

Appendix E: 310 ILCS 67 (AHPAA Statute As Amended)

(310 ILCS 67/1)
Sec. 1. Short title. This Act may be cited as the Affordable Housing Planning and Appeal Act.
(Source: P.A. 93-595, eff. 1-1-04.)

(310 ILCS 67/5)
Sec. 5. Findings. The legislature finds and declares that:
(1) there exists a shortage of affordable, accessible, safe, and sanitary housing in the State;
(2) it is imperative that action be taken to assure the availability of workforce and retirement housing; and
(3) local governments in the State that do not have sufficient affordable housing are encouraged to assist in providing affordable housing opportunities to assure the health, safety, and welfare of all citizens of the State.
(Source: P.A. 93-595, eff. 1-1-04.)

(310 ILCS 67/10)
Sec. 10. Purpose. The purpose of this Act is to encourage counties and municipalities to incorporate affordable housing within their housing stock sufficient to meet the needs of their county or community. Further, affordable housing developers who believe that they have been unfairly treated due to the fact that the development contains affordable housing may seek relief from local ordinances and regulations that may inhibit the construction of affordable housing needed to serve low-income and moderate-income households in this State.
(Source: P.A. 93-595, eff. 1-1-04.)

(310 ILCS 67/15)
Sec. 15. Definitions. As used in this Act:
"Affordable housing" means housing that has a value or cost or rental amount that is within the means of a household that may occupy moderate-income or low-income housing. In the case of owner-occupied dwelling units, housing that is affordable means housing in which mortgage, amortization, taxes, insurance, and condominium or association fees, if any, constitute no more than 30% of the gross annual household income for a household of the size that may occupy the unit. In the case of dwelling units for rent, housing that is affordable means housing for which the rent and utilities constitute no more than 30% of the gross annual household income for a household of the size that may occupy the unit.
"Affordable housing developer" means a nonprofit entity, limited equity cooperative or public agency, or private individual, firm, corporation, or other entity seeking to build an affordable housing development.
"Affordable housing development" means (i) any housing that is subsidized by the federal or State government or (ii) any housing in which at least 20% of the dwelling units are subject to covenants or restrictions that require that the dwelling units be sold or rented at

prices that preserve them as affordable housing for a period of at least 15 years, in the case of owner-occupied housing, and at least 30 years, in the case of rental housing.

"Approving authority" means the governing body of the county or municipality.

"Area median household income" means the median household income adjusted for family size for applicable income limit areas as determined annually by the federal Department of Housing and Urban Development under Section 8 of the United States Housing Act of 1937.

"Community land trust" means a private, not-for-profit corporation organized exclusively for charitable, cultural, and other purposes and created to acquire and own land for the benefit of the local government, including the creation and preservation of affordable housing.

"Development" means any building, construction, renovation, or excavation or any material change in any structure or land, or change in the use of such structure or land, that results in a net increase in the number of dwelling units in a structure or on a parcel of land by more than one dwelling unit.

"Exempt local government" means any local government in which at least 10% of its total year-round housing units are affordable, as determined by the Illinois Housing Development Authority pursuant to Section 20 of this Act; or any municipality under 1,000 population.

"Household" means the person or persons occupying a dwelling unit.

"Housing trust fund" means a separate fund, either within a local government or between local governments pursuant to intergovernmental agreement, established solely for the purposes authorized in subsection (d) of Section 25, including, without limitation, the holding and disbursing of financial resources to address the affordable housing needs of individuals or households that may occupy low-income or moderate-income housing.

"Local government" means a county or municipality.

"Low-income housing" means housing that is affordable, according to the federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved, or marketed for occupancy by households with a gross household income that does not exceed 50% of the area median household income.

"Moderate-income housing" means housing that is affordable, according to the federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved, or marketed for occupancy by households with a gross household income that is greater than 50% but does not exceed 80% of the area median household income.

"Non-appealable local government requirements" means all essential requirements that protect the public health and safety, including any local building, electrical, fire, or plumbing code requirements or those requirements that are critical to the protection or preservation of the environment.

(Source: P.A. 98-287, eff. 8-9-13.)

(310 ILCS 67/20)

Sec. 20. Determination of exempt local governments.

(a) Beginning October 1, 2004, the Illinois Housing Development Authority shall determine which local governments are exempt and not exempt from the operation of this Act based on an identification of the total number of year-round housing units in the most recent data from the U.S. Census Bureau for each local government within the State and by an inventory of owner-occupied and rental affordable housing units, as defined in this Act, for each local government from the U.S. Census Bureau and other relevant sources.

(b) The Illinois Housing Development Authority shall make this determination by:

(i) totaling the number of owner-occupied housing

units in each local government that are affordable to households with a gross household income that is less than 80% of the median household income within the county or primary metropolitan statistical area;

(ii) totaling the number of rental units in each

local government that are affordable to households with a gross household income that is less than 60% of the median household income within the county or primary metropolitan statistical area;

(iii) adding the number of owner-occupied and rental

units for each local government from items (i) and (ii); and

(iv) dividing the sum of (iii) above by the total

number of year-round housing units in the local government as contained in the latest U.S. Census Bureau and multiplying the result by 100 to determine the percentage of affordable housing units within the jurisdiction of the local government.

(c) Beginning on the effective date of this amendatory Act of the 98th General Assembly, the Illinois Housing Development Authority shall publish a list of exempt and non-exempt local governments and the data that it used to calculate its determination at least once every 5 years. The data shall be shown for each local government in the State and for the State as a whole. Upon publishing a list of exempt and non-exempt local governments, the Illinois Housing Development Authority shall notify a local government that it is not exempt from the operation of this Act and provide to it the data used to calculate its determination.

(d) A local government or developer of affordable housing may appeal the determination of the Illinois Housing Development Authority as to whether the local government is exempt or non-exempt under this Act in connection with an appeal under Section 30 of this Act.

(Source: P.A. 98-287, eff. 8-9-13.)

(310 ILCS 67/25)

Sec. 25. Affordable housing plan.

(a) Prior to April 1, 2005, all non-exempt local governments must approve an affordable housing plan. Any local government that is determined by the Illinois Housing Development Authority under Section 20 to be non-exempt for the first time based on the recalculation of U.S. Census Bureau data after 2010 shall have 18 months from the date of notification of its non-exempt status to approve an affordable housing plan under this Act.

(b) For the purposes of this Act, the affordable housing plan shall consist of at least the following:

(i) a statement of the total number of affordable

housing units that are necessary to exempt the local government from the operation of this Act as defined in Section 15 and Section 20;

(ii) an identification of lands within the

jurisdiction that are most appropriate for the construction of affordable housing and of existing structures most appropriate for conversion to, or rehabilitation for, affordable housing, including a consideration of lands and structures of developers who have expressed a commitment to provide affordable housing and lands and structures that are publicly or semi-publicly owned;

(iii) incentives that local governments may provide

for the purpose of attracting affordable housing to their jurisdiction; and

(iv) a goal of a minimum of 15% of all new

development or redevelopment within the local government that would be defined as affordable housing in this Act; or a minimum of a 3 percentage point increase in the overall percentage of affordable housing within its jurisdiction, as described in subsection (b) of Section 20 of this Act; or a minimum of a total of 10% affordable housing within its jurisdiction as described in subsection (b) of Section 20 of this Act. These goals may be met, in whole or in part, through the creation of affordable housing units under intergovernmental agreements as described in subsection (e) of this Section.

(c) Within 60 days after the adoption of an affordable housing plan or revisions to its affordable housing plan, the local government must submit a copy of that plan to the Illinois Housing Development Authority.

(d) In order to promote the goals of this Act and to maximize the creation, establishment, or preservation of affordable housing throughout the State of Illinois, a local government, whether exempt or non-exempt under this Act, may adopt the following measures to address the need for affordable housing:

(1) Local governments may individually or jointly

create or participate in a housing trust fund or otherwise provide funding or support for the purpose of supporting affordable housing, including, without limitation, to support the following affordable housing activities:

(A) Housing production, including, without

limitation, new construction, rehabilitation, and adaptive re-use.

(B) Acquisition, including, without limitation,

land, single-family homes, multi-unit buildings, and other existing structures that may be used in whole or in part for residential use.

(C) Rental payment assistance.

(D) Home-ownership purchase assistance.

(E) Preservation of existing affordable housing.

(F) Weatherization.

(G) Emergency repairs.

(H) Housing related support services, including

homeownership education and financial counseling.

(I) Grants or loans to not-for-profit

organizations engaged in addressing the affordable housing needs of low-income and moderate-income households.

Local governments may authorize housing trust funds to accept and utilize funds, property, and other resources from all proper and lawful public and private sources so long as those funds are used solely for addressing the affordable housing needs of individuals or households that may occupy low-income or moderate-income housing.

(2) A local government may create a community land

trust, which may: acquire developed or undeveloped interests in real property and hold them for affordable housing purposes; convey such interests under long-term leases, including ground leases; convey such interests for affordable housing purposes; and retain an option to reacquire any such real property interests at a price determined by a formula ensuring that such interests may be utilized for affordable housing purposes.

(3) A local government may use its zoning powers to

require the creation and preservation of affordable housing as authorized under Section 5-12001 of the Counties Code and Section 11-13-1 of the Illinois Municipal Code.

(4) A local government may accept donations of money

or land for the purpose of addressing the affordable housing needs of individuals or households that may occupy low-income or moderate-income housing. These donations may include, without limitation, donations of money or land from persons in lieu of building affordable housing.

(e) In order to encourage regional cooperation and the maximum creation of affordable housing in areas lacking such housing in the State of Illinois, any non-exempt local government may enter into intergovernmental agreements under subsection (e) of Section 25 with local governments within 10 miles of its corporate boundaries in order to create affordable housing units to meet the goals of this Act. A non-exempt local government may not enter into an intergovernmental agreement, however, with any local government that contains more than 25% affordable housing as determined under Section 20 of this Act. All intergovernmental agreements entered into to create affordable housing units to meet the goals of this Act must also specify the basis for determining how many of the affordable housing units created will be credited to each local government participating in the agreement for purposes of complying with this Act. In specifying how many affordable housing units will be credited to each local government, the same affordable housing unit may not be counted by more than one local government.
(Source: P.A. 98-287, eff. 8-9-13.)

(310 ILCS 67/30)
Sec. 30. Appeal to State Housing Appeals Board.
(a) (Blank).
(b) Beginning January 1, 2009, an affordable housing developer whose application is either denied or approved with conditions that in his or her judgment render the provision of affordable housing infeasible may, within 45 days after the decision, appeal to the State Housing Appeals Board challenging that decision unless the municipality or county that rendered the decision is exempt under Section 15 of this Act. The developer must submit information regarding why the developer believes he or she was unfairly denied or unreasonable conditions were placed upon the tentative approval of the development. In the

case of local governments that are determined by the Illinois Housing Development Authority under Section 20 to be non-exempt for the first time based on the recalculation of U.S. Census Bureau data after the effective date of this amendatory Act of the 98th General Assembly, no developer may appeal to the State Housing Appeals Board until 60 months after a local government has been notified of its non-exempt status.

(c) Beginning on the effective date of this amendatory Act of the 98th General Assembly, the Board shall, whenever possible, render a decision on the appeal within 120 days after the appeal is filed. The Board may extend the time by which it will render a decision where circumstances outside the Board's control make it infeasible for the Board to render a decision within 120 days. In any proceeding before the Board, the affordable housing developer bears the burden of demonstrating that the proposed affordable housing development (i) has been unfairly denied or (ii) has had unreasonable conditions placed upon it by the decision of the local government.

(d) The Board shall dismiss any appeal if:

(i) the local government has adopted an affordable housing plan as defined in Section 25 of this Act and submitted that plan to the Illinois Housing Development Authority within the time frame required by this Act; and

(ii) the local government has implemented its affordable housing plan and has met its goal as established in its affordable housing plan as defined in Section 25 of this Act.

(e) The Board shall dismiss any appeal if the reason for denying the application or placing conditions upon the approval is a non-appealable local government requirement under Section 15 of this Act.

(f) The Board may affirm, reverse, or modify the conditions of, or add conditions to, a decision made by the approving authority. The decision of the Board constitutes an order directed to the approving authority and is binding on the local government.

(g) The appellate court has the exclusive jurisdiction to review decisions of the Board. Any appeal to the Appellate Court of a final ruling by the State Housing Appeals Board may be heard only in the Appellate Court for the District in which the local government involved in the appeal is located. The appellate court shall apply the "clearly erroneous" standard when reviewing such appeals. An appeal of a final ruling of the Board shall be filed within 35 days after the Board's decision and in all respects shall be in accordance with Section 3-113 of the Code of Civil Procedure.

(Source: P.A. 98-287, eff. 8-9-13.)

(310 ILCS 67/40)

Sec. 40. Nonresidential development as part of an affordable housing development.

(a) An affordable housing developer who applies to develop property that contains nonresidential uses in a nonresidential zoning district must designate either at least 50% of the area or at least 50% of the square footage of the development for residential use. Unless adjacent to a residential development, the nonresidential zoning district shall not include property zoned industrial. The applicant bears the burden of proof of demonstrating that the purposes of a nonresidential zoning district will not be impaired by the construction of housing in the zoning district and that the public health and safety of the residents of the affordable housing will not be adversely affected by nonresidential uses either in existence or permitted in that zoning district. The development should be completed simultaneously to the extent possible and shall be unified in design.

(b) For purposes of subsection (a), the square footage of the residential portion of the development shall be measured by the interior floor area of dwelling units, excluding that portion that is unheated. Square footage of the nonresidential portion shall be calculated according to the gross leasable area.
(Source: P.A. 93-595, eff. 1-1-04.)

(310 ILCS 67/50)

Sec. 50. Housing Appeals Board.

(a) Prior to January 1, 2008, a Housing Appeals Board shall be created consisting of 7 members appointed by the Governor as follows:

(1) a retired circuit judge or retired appellate judge, who shall act as chairperson;

(2) a zoning board of appeals member;

(3) a planning board member;

(4) a mayor or municipal council or board member;

(5) a county board member;

(6) an affordable housing developer; and

(7) an affordable housing advocate.

In addition, the Chairman of the Illinois Housing Development Authority, ex officio, shall serve as a non-voting member. No more than 4 of the appointed members may be from the same political party. Appointments under items (2), (3), and (4) shall be from local governments that are not exempt under this Act.

(b) Initial terms of 4 members designated by the Governor shall be for 2 years. Initial terms of 3 members designated by the Governor shall be for one year. Thereafter, members shall be appointed for terms of 2 years. After a member's term expires, the member shall continue to serve until a successor is appointed. There shall be no limit to the number of terms an appointee may serve. A member shall receive no compensation for his or her services, but shall be reimbursed by the State for all reasonable expenses actually and necessarily incurred in the performance of his or her official duties. The board shall hear all petitions for review filed under this Act and shall conduct all hearings in accordance with the rules and regulations established by the chairperson. The Illinois Housing Development Authority shall provide space and clerical and other assistance that the Board may require.

(c) (Blank).
(Source: P.A. 98-287, eff. 8-9-13.)

(310 ILCS 67/60)

Sec. 60. Rulemaking authority. The Illinois Housing Development Authority shall adopt other rules and regulations as needed to carry out the Board's responsibilities under this Act and to provide direction to local governments and affordable housing developers.
(Source: P.A. 94-303, eff. 7-21-05.)

Appendix F: 2018 List of AHPAA Non-Exempt Local Governments (Ordinal)

2018 Report of Non Exempt Local Governments
Ordinal (determination based on 2016 American Community Survey 5-year Estimates)

#	Place	County	Population	Year Round Units	Total Affordable Units	Affordable Housing Share
1	Campton Hills	KANE	11,500	3,504	27	0.8%
2	South Barrington	COOK	4,766	1,483	12	0.8%
3	Long Grove	LAKE	8,065	2,366	27	1.1%
4	Barrington Hills	COOK	3,574	1,384	18	1.3%
5	Inverness	COOK	7,844	2,714	36	1.3%
6	Western Springs	COOK	13,133	4,346	64	1.5%
7	Deer Park	LAKE	3,409	1,121	22	1.9%
8	Kenilworth	COOK	2,613	792	18	2.2%
9	Glencoe	COOK	8,870	3,081	78	2.5%
10	Oak Brook	DUPAGE	7,988	2,986	77	2.6%
11	Timberlane	BOONE	1,023	311	8	2.7%
12	Winnetka	COOK	12,437	4,014	110	2.7%
13	Frankfort	WILL	18,415	5,997	178	3.0%
14	North Barrington	LAKE	2,972	1,046	31	3.0%
15	Northfield	COOK	5,374	2,126	67	3.2%
16	Lakewood	MCHENRY	4,111	1,320	42	3.2%
17	Burr Ridge	DUPAGE	10,736	4,338	144	3.3%
18	Hinsdale	DUPAGE	17,438	5,533	184	3.3%
19	Hawthorn Woods	LAKE	7,590	2,394	81	3.4%
20	Green Oaks	LAKE	3,832	1,140	40	3.5%
21	Prairie Grove	MCHENRY	1,704	598	22	3.8%
22	Lake Bluff	LAKE	5,758	1,992	76	3.8%
23	Lincolnshire	LAKE	7,291	2,941	130	4.4%
24	Wilmette	COOK	27,367	9,551	431	4.5%
25	Bull Valley	MCHENRY	1,213	429	20	4.6%
26	Wayne	DUPAGE	2,513	929	44	4.8%
27	Lake Forest	LAKE	18,881	6,557	348	5.3%
28	Lincolnwood	COOK	12,637	4,118	227	5.5%
29	Lily Lake	KANE	1,253	385	21	5.6%
30	Riverwoods	LAKE	3,759	1,248	71	5.7%
31	Northbrook	COOK	33,538	12,647	722	5.7%
32	Homer Glen	WILL	24,385	8,337	492	5.9%
33	Kildeer	LAKE	3,976	1,308	84	6.4%
34	Plainfield	WILL	41,881	12,332	793	6.4%
35	Gilberts	KANE	7,479	2,187	156	7.1%
36	Glenview	COOK	46,559	16,782	1,223	7.3%
37	Deerfield	LAKE	18,686	6,648	486	7.3%
38	Naperville	DUPAGE	145,789	50,410	3,778	7.5%
39	Tower Lakes	LAKE	1,149	387	30	7.7%
40	Geneva	KANE	21,732	7,798	600	7.7%
41	Sleepy Hollow	KANE	3,338	1,192	92	7.7%
42	Park Ridge	COOK	37,567	13,834	1,112	8.0%
43	Elmhurst	DUPAGE	45,742	15,535	1,278	8.2%
44	La Grange	COOK	15,688	5,277	448	8.5%
45	River Forest	COOK	11,217	3,788	340	9.0%
46	Highland Park	LAKE	29,780	11,361	1,056	9.3%

2018 List of AHPAA Non-Exempt Local Governments (Nominal)

2018 Report of Non Exempt Local Governments
Nominal (determination based on 2016 American Community Survey 5-year Estimates)

#	Place	County	Population	Year Round Units	Total Affordable Units	Affordable Housing Share
1	Barrington Hills	COOK	3,574	1,384	18	1.3%
2	Bull Valley	MCHENRY	1,213	429	20	4.6%
3	Burr Ridge	DUPAGE	10,736	4,338	144	3.3%
4	Campton Hills	KANE	11,500	3,504	27	0.8%
5	Deer Park	LAKE	3,409	1,121	22	1.9%
6	Deerfield	LAKE	18,686	6,648	486	7.3%
7	Elmhurst	DUPAGE	45,742	15,535	1,278	8.2%
8	Frankfort	WILL	18,415	5,997	178	3.0%
9	Geneva	KANE	21,732	7,798	600	7.7%
10	Gilberts	KANE	7,479	2,187	156	7.1%
11	Glencoe	COOK	8,870	3,081	78	2.5%
12	Glenview	COOK	46,559	16,782	1,223	7.3%
13	Green Oaks	LAKE	3,832	1,140	40	3.5%
14	Hawthorn Woods	LAKE	7,590	2,394	81	3.4%
15	Highland Park	LAKE	29,780	11,361	1,056	9.3%
16	Hinsdale	DUPAGE	17,438	5,533	184	3.3%
17	Homer Glen	WILL	24,385	8,337	492	5.9%
18	Inverness	COOK	7,844	2,714	36	1.3%
19	Kenilworth	COOK	2,613	792	18	2.2%
20	Kildeer	LAKE	3,976	1,308	84	6.4%
21	La Grange	COOK	15,688	5,277	448	8.5%
22	Lake Bluff	LAKE	5,758	1,992	76	3.8%
23	Lake Forest	LAKE	18,881	6,557	348	5.3%
24	Lakewood	MCHENRY	4,111	1,320	42	3.2%
25	Lily Lake	KANE	1,253	385	21	5.6%
26	Lincolnshire	LAKE	7,291	2,941	130	4.4%
27	Lincolnwood	COOK	12,637	4,118	227	5.5%
28	Long Grove	LAKE	8,065	2,366	27	1.1%
29	Naperville	DUPAGE	145,789	50,410	3,778	7.5%
30	North Barrington	LAKE	2,972	1,046	31	3.0%
31	Northbrook	COOK	33,538	12,647	722	5.7%
32	Northfield	COOK	5,374	2,126	67	3.2%
33	Oak Brook	DUPAGE	7,988	2,986	77	2.6%
34	Park Ridge	COOK	37,567	13,834	1,112	8.0%
35	Plainfield	WILL	41,881	12,332	793	6.4%
36	Prairie Grove	MCHENRY	1,704	598	22	3.8%
37	River Forest	COOK	11,217	3,788	340	9.0%
38	Riverwoods	LAKE	3,759	1,248	71	5.7%
39	Sleepy Hollow	KANE	3,338	1,192	92	7.7%
40	South Barrington	COOK	4,766	1,483	12	0.8%
41	Timberlane	BOONE	1,023	311	8	2.7%
42	Tower Lakes	LAKE	1,149	387	30	7.7%
43	Wayne	DUPAGE	2,513	929	44	4.8%
44	Western Springs	COOK	13,133	4,346	64	1.5%
45	Wilmette	COOK	27,367	9,551	431	4.5%
46	Winnetka	COOK	12,437	4,014	110	2.7%

DRAFT

DuPage Homeless Alliance's Suggestion for Integrating Planning for Affordable Housing and Fair Housing Into Naperville's Comprehensive Planning and Implementing Processes in Accordance with the Analysis of Impediments Study

Background:

At the December 4 meeting of the Naperville City Council, during discussion of Agenda Item K. 1 regarding the 5th Avenue Development, it was decided that a late January workshop (since postponed) for City Council would be desirable to discuss several major issues impacting the decision to go forward with Phase II of the development. Those issues included the potential relocation of the DuPage Children's Museum, the actual severity of, and desired cure for, commuter parking space shortages, the sell versus lease decision, and the inclusion of attainable housing in the planned development. The Housing Advisory Commission was asked to provide input ahead of such workshop, using it's planned January meeting, and a special session if necessary, to formulate such input.

Facts:

1. The most recent "Analysis of Impediments to Fair Housing Choice" (AI) study accepted by City Council in 2017 noted that the city had not met its goals for increasing affordable housing established in the *prior* AI issued almost a decade earlier, and re-established goals for increasing the affordable housing stock in Naperville, with an emphasis of affordable housing in proximity to public transportation;
2. The Illinois Housing Development Authority (IHDA) considers rental units affordable if a given family size making 60% of the Area Median Household Income (AMHI) for such family size would have to spend no more than 30% of such household income on such rent;
3. The City has received, and continues to receive, considerable amounts of federal Community Development Block Grants (CDBGs) which connect, in significant part, to its efforts to further fair and affordable housing, such efforts being annually certified by the City, and periodically self-evaluated by the filing of AIs;
4. The most recent AI noted in its Key Conclusions that the City lacks an affordable housing policy to facilitate the creation of new affordable housing units as part of all new residential development;
5. The Housing Advisory Commission was tasked by the City Council in May of 2017 with implementing the action steps of the most recent AI, and has been working on some of the short-term goals (such as educating council, commission and staff about fair housing) while doing some initial planning around some of the longer-term goals, including the above-referenced integration of planning for affordable and fair housing into the comprehensive planning process;
6. The less than two months over a holiday period between the December 4 City Council meeting and the proposed workshop in late January is not sufficient time for the Housing Advisory Commission to develop, vet, and finalize the integration strategy described in the most recent AI, as such formulation will entail significant communication with other commissions like Planning and Zoning, as well as City Staff;
7. The integration when finalized will be expected to address several of the pertinent statistics and shortcomings cited in the AI, which have been chronicled in the attached **Addendum**; and,
8. When finalized such an integration of the planning for affordable housing and fair housing into comprehensive planningwould apply to significant developments such as that which is before City Council now.

Until the planning for affordable and fair housing can be integrated into the comprehensive planning process, the DuPage Homeless Alliance recommends that the HAC be consulted on any significant housing developments being considered for Naperville.

Addendum

Compilation of Sections of the 2017 Naperville Analysis of Impediments Study (AI) With Statistics or Discussion of Need for More Affordable Housing

PAGE 22 – "Key Conclusions:"

- Non-White households tend to have larger families and be renters, but the supply of rental units with three or more bedrooms is very limited
- Residents of Naperville tend to have much higher incomes than most Americans; however, there are significant income and poverty rate disparities for members of the protected classes
- Renters are more likely to be cost-burdened than homeowners

PAGE 41 – Under "Housing Costs" Discussion:

- Homeowners tend to have higher household incomes than renters: the median renter income in Naperville was $59,255 compared to $127,468 for owners. The maximum monthly gross rent a household would be able to afford at the median renter income was $1,481, which was slightly above the City's actual median gross rent of $1,290. This indicates that the median renter income is enough to afford the median gross rent in Naperville. However, the 5,248 renter households In Naperville earning less than $50,000 (59.9% of all renter households) are priced out of units renting for the $1,290 median rent
- Cost burdened renters are clustered in the neighborhoods north of Downtown, especially near the intersection of U.S. 34/Ogden Avenue and North Washington Street. While median gross rents are lower in these areas, incomes are lower and there are higher rates of renter occupancy
- Most of the units in Naperville that rented for $1,000 or less—the rent category stakeholders used to define as "affordable" —are located in the neighborhoods near Downtown and in the northwest section of the City. As detailed later in this report, while the units near Downtown have good access to opportunities such as jobs and health services, the units in the northwest are located in racially concentrated areas of poverty, and tend to have lower access to opportunities. Additionally, although these areas are some of the most affordable areas in the City, they have higher rates of renter cost burden. This is likely due to the low median household incomes in these tracts

PAGES 52-53 – Under "Racially or Ethnically Concentrated Areas of Poverty"

- Not reproduced here in its entirety, but a good discussion of 16 areas of the city ("Focus Areas") where there are above average poverty rates and minority concentration

PAGE 69-70 – Under "Disproportionate Housing Needs"

- A lack of quality affordable housing can lead to overcrowding in units and occupying substandard housing, which are indicative of constrained housing choice. These variables signify

acute and unanswered housing needs within a community, and high rates of these are indicative of housing problems

- Households with any of the following characteristics are classified as having a housing problem:
    - Lacking complete kitchen or plumbing facilities
    - More than one person per room
    - Cost burden: monthly housing costs, including utilities, exceeds 30% of monthly income
- Households with one of the following characteristics are said to have a severe housing problem:
    - Lacking complete kitchen or plumbing
    - More than 1.5 persons per room
    - Severe cost burden: monthly housing costs, including utilities, exceeds 50% of monthly income
- The majority of housing problems in Naperville relate to cost burden: less than 1% of City residents lack complete kitchen facilities or plumbing facilities, and approximately 1% have more than one occupant per room. Black households, Hispanic households, nonfamily households, and elderly families experience housing problems at disproportionately high rates – meaning they experience housing problems at a rate at least five percentage points higher than the average of 29.2%.
- 12.0% of all households in Naperville experience severe cost burden. Black households, Hispanic households and non-family households all experience severe cost burden at disproportionately high rates. Of these groups, Black households experience the greatest rate of severe cost burden, at 21.3%

PAGE 71 Under "Publicly Supported Housing", Key Conclusions:

1. The City lacks an affordable housing policy to facilitate the creation of new affordable housing units as part of all new residential development
2. The City's comprehensive plan falls short in addressing affordable housing for non-elderly, nondisabled residents

Attachment L

A COMMUNITY GUIDE TO CREATING AFFORDABLE HOUSING












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2005

For more information about the tools described in the *Guide*, contact:

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Equal Justice Under Law

BPI

BUSINESS AND PROFESSIONAL PEOPLE FOR THE PUBLIC INTEREST

A COMMUNITY GUIDE TO CREATING AFFORDABLE HOUSING

A Community Guide to Creating Affordable Housing

This book is a project of the Regional Affordable Housing Initiative of Business and Professional People for the Public Interest (BPI).

BPI is a Chicago-based law and policy center dedicated to equal justice and enhancing the quality and equity of life for all people in the Chicago region. Today, BPI is at the forefront of a number of the most important issues facing the region, including efforts to transform segregated public housing, improve public education, and expand affordable housing. BPI's staff of lawyers and policy specialists uses a variety of approaches, including litigation, policy research and advocacy, community organizing, and collaboration with civic, business, and community organizations.

The *Guide* was authored by Cara Hendrickson, Skadden Fellow and Staff Attorney, and supervised by Nick Brunick, Director of the Regional Affordable Housing Initiative.

THE AFFORDABLE HOUSING DESCRIBED BELOW IS PICTURED ON THE FRONT COVER:

Top row, left to right

Chapel Hill, North Carolina. At Larkspur, 86 single-family homes will be constructed, 13 of which will be reserved as affordable in a community land trust.

Chicago, Illinois. Owners of The Rosemont rent over 25% of the building's apartments to tenants with extremely low incomes under the city's rental subsidy program.

Weston, Massachusetts. Dickson Meadows is a mixed-income homeownership development in which six of the 18 single-family homes are deed restricted as affordable.

Second row, left to right

Boulder, Colorado. All of the 14 single-family homes in the Poplar development are affordable through a partnership between the Boulder Housing Authority and a local not-for-profit.

Andover, Massachusetts. At Brookside Estates, 42 of the 168 units are affordable to families earning at or below 50% of the area median income.

Chicago, Illinois. At The Phoenix at Uptown Square, tax increment financing helped produce eight affordable condominiums in the mixed retail-residential redevelopment of a historic structure.

Third row, left to right

Fairfax County, Virginia. Created through the county's inclusionary zoning program, the McLean Crest development consists of 90 high-end town homes, of which 7 are affordable. Affordable two-bedroom town homes sell for $118,000, while the market rate homes sell for $650,000.

Lincoln, Massachusetts. Forty percent of the homes in the Battle Road Farm subdivision are reserved as affordable under the state's flexible zoning statute.

Longmont, Colorado. Longmont's inclusionary zoning ordinance produced two affordable single-family homes and 12 affordable condos in the Meadowview West development built by McStain Homes.

Fourth row, left to right

Montgomery County, Maryland. In the Potomac Glen development, 80 of the subdivision's 660 homes were priced affordably under the county's mandatory inclusionary zoning ordinance.

Westwood, Massachusetts. At Chase Estates, 25 single-family homes were priced affordably when the city negotiated with the developer seeking to construct a 100-home subdivision.

Highland Park, Illinois. Temple Avenue Town Homes are six affordably priced town homes that were created in part through funds generated by the city's demolition tax.

A COMMUNITY GUIDE TO CREATING AFFORDABLE HOUSING

INTRODUCTION

A shortage of affordable housing exists in regions all over the country. One third of the country, approximately 95 million people, could not afford quality housing in 2001.[1] In over 70% of the metropolitan areas of the country, the minimum wage is less than half of what is needed to afford the fair market rent of an average two-bedroom apartment.[2] But the problem is not limited to the very low income or renters; homeowners and households with moderate incomes also face significant challenges finding affordable housing in many areas.

This shortage of housing affordable to moderate-income households not only harms families in search of affordable housing, but also diminishes the quality of life of an entire metropolitan region. When an area does not have an adequate and well-distributed supply of affordable housing, especially in areas of high job growth, the entire region suffers. Businesses have a harder time attracting and keeping employees when they cannot find affordable housing near their jobs. In the Chicago region alone, this geographic mismatch between job opportunities and affordable housing costs businesses $200-$300 million in direct costs each year.[3] A lack of moderately priced housing near jobs also causes increased air pollution and traffic congestion. In fact, it is estimated that these problems cost the nation over $63 billion a year in wasted fuel, delayed shipments, and lost work time.[4]

Despite the high costs of the affordable housing shortage, many people believe that it is impossible to create attractive, moderately priced housing in affluent areas near jobs and opportunity. Fortunately, there are many examples of how prosperous communities have created appealing, affordable housing, in several cases without the use of public dollars. Creating this housing has often involved drawing on the private and non-profit sectors as well as using local, state, and federal resources. With creative thinking and the use of a number of policy tools, municipalities have been able to structure fiscally sound developments that meet their community's unique needs.

This book highlights a number of affordable housing tools that communities may utilize to create moderately priced housing. It provides examples to municipalities and members of the public, private, and non-profit sectors showing that affordable housing can be a reality in communities with high land costs, high housing prices, and little available land. These case studies demonstrate that:

- Affordable housing can be built *in character* with the rest of the community.
- Affordable housing can be constructed with *little public subsidy.*
- Affordable housing will work in *affluent areas*.
- Affordable housing does not have to be constructed in *high-rise or dense developments.*
- Affordable housing can reach a *mix of household incomes.*
- Affordable housing can be built *without a decline in real estate values.*

The examples provided in this book are from communities around the country. Each case study highlights a different affordable housing tool or funding mechanism and illustrates its use through the description of a particular development. In this way, the case studies provide a nuts-and-bolts guide to implementing strategies that produce attractive, moderately priced housing embraced by both its occupants and the community.

[1] National Low Income Housing Coalition, *America's Neighbors: The Affordable Housing Crisis and the People it Affects*, 2004, at 1. Housing problems included high cost burden, overcrowding, poor housing quality, and homelessness. According to the U.S. Department of Housing and Urban Development, housing is considered "affordable" when it costs no more than 30% of a household's monthly income.

[2] National Low Income Housing Coalition, *Out of Reach 2004*, 2004, at 3.

[3] Boston Consulting Group, *Chicago Metropolis 2020: Final Steering Committee Readout*, 2002.

[4] Texas Transportation Institute, *2004 Urban Mobility Study*, 2004, at 3. These expenses cost the Chicago region over $4 billion each year. *Id.* at 14.

I. INCLUSIONARY HOUSING TOOLS

Overview

A municipality can use its zoning code in a variety of ways to ensure that moderately priced housing is constructed within the community. It may amend its zoning code to officially require that a certain percentage of units be priced affordably in all new developments – called a mandatory inclusionary zoning ordinance. A similar but more flexible approach may be used by adopting an informal policy or preference for developments that include such housing. In many instances, a community will use the presence of an informal policy or a voluntary program to aggressively negotiate with developers for the creation of some affordable homes or apartments within market-rate developments. Or, a municipality may simply offer flexibility in existing zoning provisions such as density limits, set-back requirements, or use designations that would remove barriers to creating affordable housing. Hundreds of communities across the country now use some form of inclusionary zoning at the local level in order to address affordable housing needs.[1]

Communities that establish more formal inclusionary housing policies will enjoy more consistent and predictable affordable housing development. Nevertheless, communities may also consider more flexible approaches to address an urgent need for affordable housing.

The case studies in this section illustrate different kinds of municipal approaches, both voluntary and mandatory, that involve the use of zoning powers to ensure the development of affordable housing:

- **Mandatory Inclusionary Zoning**
  The Moderately Priced Dwelling Unit Program in Montgomery County, Maryland, requires that between 12.5% and 15% of the housing units in new developments with more than 35 units be priced affordably. The Potomac Glen case study demonstrates that, with municipal pressure, developers can create moderately priced, attractive homes at no public cost. Even communities that do not adopt mandatory inclusionary zoning ordinances will see this as an effective example of the ability to use private market activity and the zoning code to create affordable housing.

- **Voluntary Inclusionary Zoning**
  The Magnolia Gardens development clearly shows how, with encouragement from local officials, developers can create attractive, moderately priced housing without the use of public dollars. In this example of the Chicago Partnership for Affordable Neighborhoods program, the attractive market of a gentrifying neighborhood, coupled with the political will of the local alderman, ensured that the developer would sell 10% of the homes at an affordable price while still earning a reasonable return. This informal program depends on the commitment and will of local officials to negotiate the inclusion of affordably priced units in new developments, and provides purchase price assistance, zoning relief, or other assistance in many cases.

- **Flexible Zoning Standards**
  These Massachusetts case studies demonstrate how a committed community can negotiate with a developer to construct affordable housing, again without the use of public dollars. In the Chase Estates development, the community of Westwood even negotiated for additional fees from the developer in order to create the city's first Housing Trust Fund. Even without benefit of the 40B law that exists in Massachusetts, local communities can negotiate the terms of a new development with potential developers as illustrated in these examples.

[1] Business and Professional People for the Public Interest, *Inclusionary Housing: A Policy that Works for the City that Works*, 2003, at 9.

MANDATORY INCLUSIONARY ZONING

Moderately Priced Dwelling Unit Program

Potomac Glen

The Development:
Potomac Glen • Montgomery County, Maryland

Potomac Glen is a 240-acre development in Montgomery County, Maryland, that priced 80 of its 660 homeownership units as affordable, in accordance with the county's mandatory inclusionary zoning ordinance. When the development was completed in 1996, market-rate homes at Potomac Glen sold for up to $330,000, and the affordable units sold for about $90,000. The project was financed using entirely private equity; no public dollars were used.

The Tool: Mandatory Inclusionary Zoning

Inclusionary zoning ordinances require new residential developments over a certain size to price a particular percentage of their units affordably. In exchange, municipalities may give developers certain benefits such as a density bonus, where the developer is permitted to construct the affordable units and additional market-rate units beyond that allowed under the current zoning ordinance. Other incentives may include expedited permit processes, relaxed design standards, red uced parking requirements, and waivers of certain municipal fees, all designed to decrease the developer's cost of construction. Developers may also seek other funding sources, including tax-exempt bonds, federal funds such as HOME or CDBG, or state and local subsidies, depending on the development's composition. Because almost all new developments are subject to the terms of an inclusionary zoning ordinance, the responsibility is shared by all and affordable housing units are integrated throughout a community, rather than concentrated in a few areas.

Some communities have adopted voluntary or ad hoc inclusionary zoning policies, but mandatory programs offer the most predictability and have resulted in the largest production of affordable units.[1] Mandatory inclusionary zoning ordinances have been passed by localities across the country, including Madison, Wisconsin; San Diego, California; Newton, Massachusetts; Denver, Colorado; Santa Fe, New Mexico; Davidson, North Carolina; and many others.

MPDU

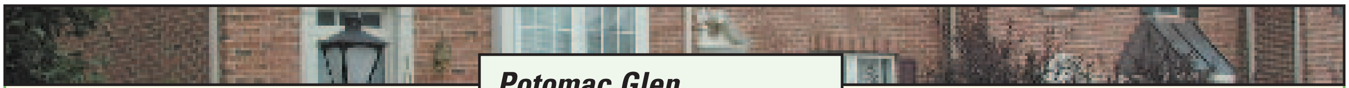
- Requires 12.5%-15% of new units to be priced affordably
- Affordable units targeted to 65% of AMI
- Over 11,500 affordable units created since 1974
- Density bonus provided if more than 12.5% of units are affordable

Montgomery County's Moderately Priced Dwelling Unit (MPDU) Program

Montgomery County passed its inclusionary zoning statute, the Moderately Priced Dwelling Unit (MPDU) program, in 1974. Since then, the program has become a model for the nation, producing over 11,500 affordable housing units, including detached and semi-detached homes, townhouses, condominiums, and high-rise apartments.[2] For-sale homeownership units make up 72% of these affordable units, and the remainder is rental. Today, about 250 units are produced each year through the program.

Under the MPDU program, every new subdivision or development with 35 or more units must price between 12.5 and 15% of its units affordably. The affordable units are targeted to households making 65% or less of area mean income (AMI), with priority given to people who live or work within the county. The Housing Opportunities Commission, Montgomery County's public housing authority, also has a right to purchase up to one-third of the affordable units in any development for use by lower-income households (typically, those earning less than 50% of AMI). This provision allows the county to serve the full range of working households in need of moderately priced housing in the county, not just those at the 65% of AMI level.

Montgomery County has set maximum rents for its MPDU units as affordable to households earning up to



65% of AMI. For homeownership units, this cap includes the cost of closing and brokerage fees, and for rental units, it includes parking costs and utilities. The Moderately Priced Housing Office, a division of the county Department of Housing and Community Affairs, oversees the program and determines the eligibility of participants, administering a lottery system for selecting participants and enforcing ordinance requirements.

Potomac Glen

- Completed in1996
- 660 total units; 80 priced affordably
- Affordable units targeted to 65% of AMI
- No public subsidy provided

Developers are required to provide a minimum of 12.5% of the total number of units in the subdivision as moderately priced dwelling units. As a result, many developers seek a density bonus for their development. If, through the development review process, they receive a density bonus of more than 15%, the MPDU requirement increases incrementally (up to a maximum 22% density bonus).[3]

The MPDU program encourages developers to integrate affordable units into the neighborhood. In order to make a development's affordable units more compatible with its market-rate units, the MPDU program gives developers a 10% compatibility allowance, which means developers can include amenities such as brick fronts and bay windows and charge up to 10% more on affordable units than they otherwise could in order to fund the additions. These improvements are intended to make the affordable units visually compatible with market-rate units.

Occasionally, a developer may successfully argue that a development is an "exceptional case," that the package of residential services proposed for the development would make the affordable units unaffordable and that developing affordable units off-site would produce greater public value and significantly more affordable units.[4] In such exceptional cases, the developer must ensure that significantly more affordable units than the current development can support will be produced elsewhere, through one of three alternatives: building affordable units in the same or in an adjoining planning area; conveying land in the same or an adjoining planning area that is suitable to contain the units; or contributing enough funding to the Housing Initiative Fund to produce the units.[5] Such an exception has been granted infrequently since it was created in 1989.

MPDU units must remain affordable for 10 years if they are homeownership units, and rental units must remain affordable for 20 years. During the restricted affordability periods, resale price is capped at the original sales price plus inflation and the fair market value of any approved capital improvements made to the unit. The current length of the affordability period is the result of an extension in 1981. Even with this 10/20 year control period, however, Montgomery County has lost affordable units at an alarming rate: of the over 11,500 units created, 3,800 had been lost by 1999. This illustrates why many communities have adopted long-term deed restrictions that extend from 30 years to perpetuity in some cases.

Including Affordable Units in Potomac Glen

Ryan Homes, Inc., developed Potomac Glen in accordance with Montgomery County's MPDU program in the early 1990s.[6] Of the 660 total units, 80 were priced affordably Because it created only the mandated 12.5% affordable units, the development received no density bonus. The developer did receive, however, a 10% compatibility allowance, which allowed it to increase the price of the affordable units by 10% to include extra amenities that made the affordable units appear similar to the market-rate units.

Construction of the units was completed in 1996. The development's townhomes range from two to four bedrooms and have 2-1/2 baths, basements, and garages. Market-rate units in the development sold for about $330,000 for the single-family homes and for over $280,000 for the townhomes. The affordable units sold for approximately $90,000.

Today, Ryan Homes is building a second MPDU development in Montgomery County. Clarksburg Ridge will include 20 MPDU units and no more than 160 market-rate homes. Single-family homes at Clarksburg Ridge are expected to begin at $500,000, while the affordable townhomes will sell for between $140,000-$150,000. The development will be entirely privately financed, although Ryan Homes will not be required

to pay the development impact fee or system development charges for the affordable units that would otherwise apply. The development is expected to be completed in 2005.

Conclusion

By requiring every development over a certain size to include affordable units, inclusionary zoning can create affordable housing without the use of public tax dollars. Inclusionary zoning shares the burden of producing affordable housing between developers and the community and integrates affordable housing throughout an entire area. The municipality can determine the threshold level of affordability it desires to target, as well as any incentives or waivers it will provide to offset the requirement of providing affordable housing. Inclusionary zoning stands as a proven tool for affluent communities working to ensure that a range of housing options are available for working families and seniors.

[1] Nicholas J. Brunick, *The Inclusionary Housing Debate: The Effectiveness of Mandatory Programs Over Voluntary Programs*, ZONING PRACTICE, Sept. 2004, at 2.

[2] Montgomery County, Maryland Department of Housing and Community Affairs, *MPDU – Program Summary and Background*, http://www.montgomerycountymd.gov.

[3] Interview with Patrick Maier, Innovative Housing Institute, October 2004. For every one percent bonus in density, the MPDU requirement increases a tenth of a percentage point. Patrick Maier is the source for a significant amount of the information about the MPDU program.

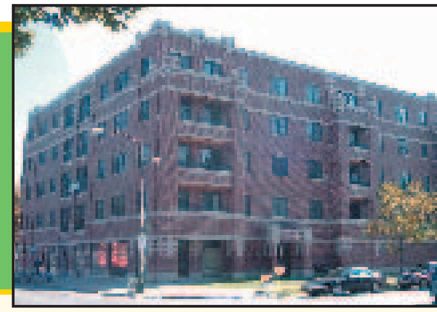
[4] One example where the exception might apply is a luxury high-rise condominium where the condominium fees are extremely high and the services provided cannot be eliminated or modified for a MPDU resident.

[5] MONTGOMERY COUNTY, MD., CODE §25A-5(e).

[6] Interview with Eric Larsen, Montgomery County Department of Housing and Community Affairs, August 2004. Eric Larsen is the source for a significant portion of the Potomac Glen material.

VOLUNTARY INCLUSIONARY ZONING

Chicago Partnership for Affordable Neighborhoods



Magnolia Gardens

The Development:
Magnolia Gardens • Chicago, Illinois

Magnolia Gardens is a 40-unit condominium development constructed in Chicago's Uptown neighborhood. Four of the units were sold for about $140,000, affordable to families at 80% of area median income (AMI), while the market-rate units sold for about $300,000. Ten percent of the units in the development were reserved as affordable under Chicago's voluntary inclusionary zoning program, Chicago Partnership for Affordable Neighborhoods (CPAN).

The Tool: Voluntary Inclusionary Zoning

Inclusionary zoning programs can take the form of mandatory requirements found in the local zoning code or voluntary programs that provide incentives for developers to include affordable housing in new developments. Municipalities may also negotiate with developers on individual projects through an ad hoc policy to encourage moderately priced development. Although the trend nationwide has been toward the uniformity that mandatory inclusionary housing provides, voluntary policies can offer a constructive tool for creating affordable housing.

CPAN

- Encourages 10% of new development to be priced affordably
- Local aldermen negotiate with developers and provide incentives such as expedited permitting, reduced fees or grants, infrastructure support, or density bonuses
- Units remain affordable for 30 years through a junior mortgage assigned to the city
- Since 2002, 35 participating developments and over 200 affordable units created

Chicago Partnership for Affordable Neighborhoods Program

The CPAN program was created in 2002 as a partnership tool between developers and the city of Chicago to create affordable homeownership units in market-rate developments, especially in appreciating neighborhoods. The city uses two main tools to accomplish affordability: a write-down in development costs to the developer and the provision of purchase price assistance to homebuyers. Although each project is negotiated individually, the goal of the program is to make at least 10% of the units in each development affordable. The commitment of the local alderman[1] to participate in the CPAN program is a major factor in determining whether it is used in new developments. The alderman may actively engage developers in negotiations around new developments and may use zoning and other city incentives to create opportunities for affordable housing.

Since 2002, 35 developments have participated in the CPAN program, and over 200 affordable units have been created or are in the process of being built. About half of the units created through CPAN have been purchased by families making less than 80% of AMI,[2] and half have been sold to those earning between 80% and 100% of AMI.[3]

The affordability of the units is preserved, even if they are sold, by the imposition of a junior mortgage. As part of the CPAN program, a thirty-year second mortgage is assigned to the developer in the amount of the market price less the affordable price. The developer, in turn, assigns the second mortgage to the Chicago Low Income Housing Trust Fund, which holds the mortgage for the 30-year affordability period. If the CPAN owner sells the unit within the affordability period to a non-affordable buyer, he or she must repay the full amount of the second mortgage, plus 3% interest. In this way, the junior mortgage provides a disincentive for a CPAN owner to sell the unit at full market price, since the windfall from the market-rate price of the sale (measured by the amount of the junior mortgage) would be surrendered to the Trust Fund.

The CPAN program has been designed to permit flexible development incentives so that municipal officials can make arrangements with developers that best

Magnolia Gardens

- 36 market-rate units sold for about $300,000 each
- 4 affordable units sold for about $140,000 each
- Affordable units served families at 80% of AMI
- Total cost of development, about $10 million, financed entirely through private equity and construction loans

serve each project. As an incentive to participate in the program, the city may assist the developer in a range of ways. For example, the city provides assistance in expediting the permit application process. Financial assistance may be available in the form of reduced application fees or construction grants. In some developments, the city has provided infrastructure support to the new development in the form of new sidewalks or landscaping. Other projects have included density bonuses that allow more units to be constructed than would otherwise be permitted.

As part of the CPAN program, potential buyers are approved by the city's Department of Housing to ensure they are income-qualified (with incomes at or below 100% of AMI), that they are either first-time homebuyers or have not owned a home in the past three years, and that they qualify for a mortgage. In addition, all interested buyers must participate in a homeownership training program, usually sponsored by a local community organization. The Department of Housing maintains an ongoing list of interested homebuyers with over 1,000 families.

To make the homes affordable to families with lower incomes, the city offers purchase price assistance to buyers who demonstrate a gap between the amount of the first mortgage they can secure and the affordable sales price. Assistance is in the form of a deferred loan at 0% interest, and is available to families making less than 80% of AMI ($57,500 in 2004 for a family of four). Federal HOME funds are used by the city to subsidize the mortgage. In this way, CPAN provides incentives for developers to create housing affordable to families at 80%-100% of AMI, and then provides HOME funds to write down the cost further for families earning less than 80% of AMI.

Who Benefits?

The four CPAN homes were purchased by a:

- public school teacher
- U.S. government employee
- staffer of a philanthropy
- college financial aid officer

Magnolia Gardens: CPAN Encourages Affordable Unit Creation

The affordable units constructed at Magnolia Gardens through CPAN were the result of negotiations between the developer and the local alderman. In 2002, Northbridge Partners acquired a vacant parcel of land in Chicago's Uptown neighborhood.[4] Although the CPAN program is not mandatory, some city council members, including Uptown's Alderman Shiller, made participation in the program a requirement for residential construction in their jurisdiction. When the alderman explained to Northbridge that development in the area must include at least 10% affordable units, it agreed to include affordable housing in the development.

After discussing the development with the alderman, Northbridge approached community groups interested in the redevelopment of the parcel. Not only did the community support inclusion of affordable units, many area residents expressly conditioned their approval of the new development on its moderately priced housing component.

Magnolia Gardens was completed in 2004. The affordable units sold for $140,000, making them affordable to a family earning 80% of AMI. The market-rate units sold for between $280,000 and $300,000. The total cost of the project was about $10 million, and it was financed entirely through private equity, including construction loans.

Demand for the affordable units was high. Hundreds of Chicago residents put their names in a lottery drawing for the units. The four families selected include a public school teacher, a federal government employee, a staffer at a local philanthropic organization, and an employee in a university financial aid office. Two of the homeowners also received purchase price assistance.

In addition to earning the goodwill of city officials and contributing to the community, the developer received a $10,000 reduction in its permit fee per affordable unit, for a total savings of $40,000.

"I strongly support the CPAN program," said Kent Knebelkamp, President of Northbridge Partners. "When developers are aware of the program requirements, they can still make an adequate profit on their development, and it provides housing for people who want to live in the community but otherwise could not afford to, like teachers and firefighters." In fact, Northbridge is currently planning a second CPAN development in the city's trendy Ravenswood neighborhood. The development, to be called Ravenswood Square, will include nearly 20% affordable units. Northbridge plans to request a modification of the zoning of the parcel to allow for a modest increase in density on the site, a process it anticipates will be made easier due to its participation in the CPAN program.

Conclusion

Chicago's CPAN program encourages local city council members to negotiate with developers in their district to obtain inclusion of affordably priced units in new developments. The program's flexibility allows each deal to be structured in a way that best fits each project. It illustrates how public officials can negotiate with private developers to encourage and secure the construction of moderately priced homes in affluent and appreciating neighborhoods.

[1] Members of Chicago's city council are referred to as aldermen.

[2] "Area median income" is determined based on income levels in the primary metropolitan statistical area (PMSA). The Chicago PMSA includes Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will counties. HUD USER, http://www.huduser.org.

[3] Interview with Brian O'Donnell, City of Chicago, Department of Housing, August 2004. Brian O'Donnell and Bonita Scarlett-Logan, also of the Department of Housing, are the sources for a significant portion of the CPAN material.

[4] Interview with Kent Knebelkamp, Northbridge Partners, September 2004. Kent Knebelkamp is the source for a significant portion of the Magnolia Gardens information.

FLEXIBLE ZONING STANDARDS

Massachusetts's 40B Program

Top photo: Chase Estates; lower photo: Avalon at Newton Highlands, photo courtesy of Bill Horsman Photography

The Developments:

Chase Estates • Westwood, Massachusetts

Avalon at Newton Highlands • Newton, Massachusetts

Avalon at Newton Highlands, a luxury rental community located in Newton, Massachusetts, rents 74 affordable apartments at prices nearly one-third the market-rate level. As the first rental development in Newton in nearly 20 years, construction of the apartments was strongly supported by the community. The development took advantage of the state comprehensive permit process, which allowed local negotiations over the proposal to proceed effectively and efficiently.

The Tool: Massachusetts's 40B Program Encourages Flexibility in Zoning

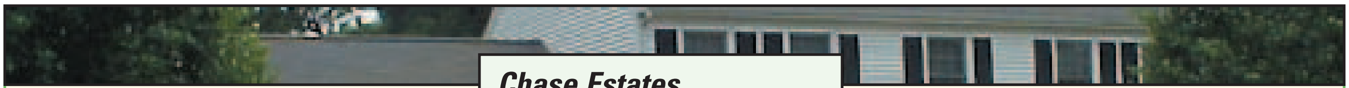
Chapter 40B is a Massachusetts zoning statute enacted in 1969 to address the statewide shortage of affordable housing. Its goal is to encourage production of affordable housing by reducing the unnecessary barriers created by local approval processes, local zoning, and other regulatory restrictions. The program encourages the production of affordable units at little or no public cost because in most 40B developments, the sale of the market-rate units subsidizes the reduced prices of the affordable units.[1]

The statute establishes two tools to create affordable housing. First, developers of affordable housing may apply for a comprehensive permit from the local Zoning Board of Appeals rather than having to seek separate approvals from various municipal bodies. To qualify for Chapter 40B, a state or federal housing program, such as MassHousing, MassDevelopment, the Department of Housing and Community Development, or the U.S. Department of Housing and Urban Development, must review the development proposal and confirm that it meets the affordability requirements.[2] At least 25% of the housing in the development must be affordable to households that earn no more than 80% of area median income (AMI),[3] and affordability restrictions must be maintained for at least 15 years.[4] Towns are allowed to establish a preference for local residents for up to 70% of the units. Private developers must agree to restrict their profit on the development.[6]

Once a project is eligible, the developer submits an application for a comprehensive permit to the local Zoning Board of Appeals. The Board may grant all local approvals necessary for the project after consulting with other relevant agencies, resulting in a more streamlined review process. The Zoning Board of Appeals is also authorized to apply flexible zoning standards. For example, local zoning codes may limit development to one house per acre. Under Chapter 40B, the local Zoning Board of Appeals can approve higher-density development projects (e.g., one house per 1/4 acre), making it financially feasible to develop affordable housing.

FLEXIBLE ZONING STANDARDS

- Allow communities to negotiate with developers for affordably priced units
- Massachusetts's 40B law provides comprehensive permit process and state Housing Appeals Committee to reduce regulatory barriers
- In most developments, sale of market-rate units subsidizes lower price of affordable housing
- Flexibility may be exercised in zoning changes or variations or through the Planned Unit Development process



Chase Estates

- 100 single-family homes
- 25 homes sold at about $100,000 each; affordable to families at 80% of AMI
- Market-rate homes sold for over $300,000 each in 2000 and are reselling for up to $800,000
- Construction entirely privately financed

Town of Westwood

- Median home price: $404,702
- Median income: $98,680

Chapter 40B also created a state Housing Appeals Committee that can review and overrule an adverse decision by a local Zoning Board of Appeals that affects a development with at least 25% affordable housing where less than 10% of the housing stock in that community is affordable. Once 10% of a community's housing stock is affordable, rejections of additional developments cannot be appealed.

From 1970 to 1999, local Zoning Boards of Appeals granted 17% of the Comprehensive Permits applied for and granted an additional 54% with conditions attached. During this period, the Housing Appeals Committee upheld the local Zoning Board decision in 18 cases, overruled the local decision and ordered the granting of a Comprehensive Permit in 94 cases, and approved a compromise reached by the developer and the Zoning Board in 83 cases. Additional appeals filed were either withdrawn, dismissed, or had some other resolution.[7]

Chapter 40B has been responsible for the production of affordable housing developments that otherwise may not have been built under traditional zoning approaches. The combination of flexible rules and a right of appeal to the Housing Appeals Committee has meant that the majority of Chapter 40B proposals are negotiated at the local level and approved with conditions set by the local Board of Appeals.[8] Zoning boards and other town officials often work with developers to modify the project. Furthermore, the zoning board may include conditions and requirements on any aspect of the project such as height, density, site plan, utility improvements, or long-term affordability, provided these conditions do not make the development economically unfeasible. Issues such as density, buffer zones, and infrastructure improvements are typical items for negotiation.

Since the statute was passed, over 35,000 units of housing in more than 500 developments have been created in over 200 Massachusetts municipalities.[9] Chapter 40B has encouraged local communities to negotiate aggressively with developers for the inclusion of moderately priced housing in new developments. Developments built through Chapter 40B include church-sponsored housing for the elderly, single-family subdivisions that include affordable homes for town residents, multifamily rental developments, and mixed-income condominium developments.

Chase Estates: Flexible Zoning Standards Create Affordable and Market-Rate Homes

Westwood is an affluent Massachusetts town in which single-family homes sell for up to $1.5 million. The median income in Westwood is $98,680, and the median home price is $404,702.[10] Delphic Associates, the developer of Chase Estates, initially approached the town of Westwood with a plan for a 335-unit condominium development.[11] Although the condominium composition of the proposal met opposition, the town recognized the opportunity to shape a development that might meet its need for affordable housing. Negotiations between Westwood and the developer ensued.

Delphic compromised on the scale and density of the development, promising to build an entirely single-family home subdivision.[12] Additionally, it agreed to sell 25% of the new homes at prices affordable to families at 80% of AMI. In exchange for the affordable units, the town agreed to allow the developer to build at a higher density; instead of one home per acre, four homes per acre were approved. The frontage and set back requirements were also modified accordingly. As a result, where only 25 homes on one-acre lots could have been constructed under existing zoning regulations, the city negotiated the construction of 100 homes on quarter-acre lots, 25 of which would be affordable. Construction of the development began in 1995 and was completed in 2000.

Prices for the affordable homes were fixed at 80% of AMI; three-bedroom houses sold for $95,000 and four bedrooms sold for about $100,000. The presence of affordable homes in the community has not discouraged rising home values; market-rate homes in the development that originally sold for between $300,000 and $350,000 are now selling for up to $800,000.

All of the affordable homes are deed restricted to

Newton Highlands

- 294-unit luxury rental development
- 74 apartments deed restricted to remain affordable in perpetuity to families at or below 80% of AMI
- Market-rate rents from $2,400/month, and affordable rents from $670-$1,100/month
- Strong rental market supported construction with no public subsidy

remain affordable for 40 years. If an affordable unit is resold during that period, the unit must first be offered to the state of Massachusetts, the town of Westwood, or the Westwood Housing Authority, which will resell it to a qualified homebuyer.[13] If the state or Westwood does not purchase the property or the bank forecloses on the property and it is sold to an unqualified buyer, the seller will be able to keep only a portion of the selling price. The amount that the seller is entitled to keep is determined by a formula that allows a seller to retain a portion of the selling price equal to the original affordable price divided by the original market-rate value, multiplied by the current market value of the home.[14]

The total cost of constructing Chase Estates was approximately $22 million. No public subsidy was provided; the construction was completed using entirely private financing. The state provided approximately $250,000 in funding for infrastructure improvements, including sewer, sidewalks, and street lights. (Funding for the infrastructure improvements came from federal CDBG and Community Development Action grants.)

The town of Westwood received over 1,300 applications for the 25 affordable homes for sale at Chase Estates. Seventy percent of the units were filled with residents who received a "local preference": they were either born in Westwood, had immediate family who lived in the town, or worked there. Since the homes were completed, none of the affordable units have been resold.

Chase Estates is noteworthy for the proactive role taken by the town of Westwood in managing the negotiations with the developer to create affordable homes. For example, when the developer requested a modification in the comprehensive permit to change the home style from ranch to colonial, the town seized another negotiating opportunity. Because the modification created a larger profit for the developer, the town responded to the request by negotiating an additional $6,000 payment to the town for the sale of each market-rate home to be used for the creation of affordable housing.

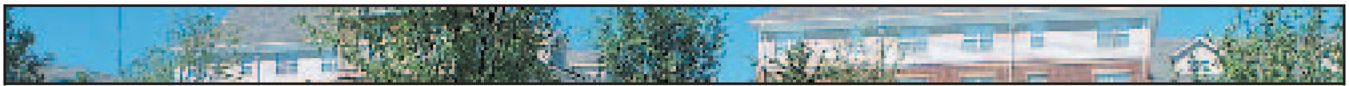
This additional payment generated $450,000 that Westwood used to create a Housing Trust Fund. The accumulation of these funds has allowed the town to acquire nine rental units in four duplexes and one affordable home built in another 40B development. These units are primarily rented to Housing Choice Voucher holders by the Westwood Housing Authority. Thus, by skillfully negotiating with the developer, the town gained not only the 25 affordable single-family homes, but also an additional nine rental units of affordable housing, all at no cost to the municipality.

Newton Highlands: Efficiency of the Comprehensive Permit Process Helps Create Affordable Housing in a Luxury Development

Avalon at Newton Highlands is a 294-unit luxury rental community that contains 74 affordable apartments. It is located in Newton, Massachusetts, along a major town corridor in the Boston suburb. The site of the development was formerly the subject of a proposal for a large retail store. That proposal generated significant community opposition due to the high amount of vehicular traffic the store would generate, and the proposal was rejected.

Instead of building a large retail store, the community focused on building more affordable housing. Newton had a number of young professionals, retirees, and empty-nesters who wanted to remain in the community. AvalonBay, a large residential developer, proposed a rental development for the site called Avalon at Newton Highlands that would include 25% of the units as affordable apartments.[15] The community was supportive of the proposal, in particular because it included much-needed affordable housing for the area.

Because less than 10% of Newton's housing stock was affordable, the developer was able to take advantage of an expedited comprehensive permit process for its project. First, the AvalonBay proposal was determined to comply with 40B standards by MassHousing, and it received its letter of financing.[16] Next, the developer presented the project to the local Zoning Board of Appeals, which held a public approval process. After requesting slight modifica-



tions in the kinds of services that would be offered on site,[17] the Zoning Board of Appeals granted AvalonBay a comprehensive permit that allowed the construction of the development to begin.

AvalonBay's comprehensive permit included exemptions from the underlying zoning characteristics of the land. It received an exemption to develop multi-family housing on land zoned for industrial/ mixed use and also exemptions for signage, height, set backs, and parking. Normally, the land would have had to be re-zoned at the city council level. Instead, under the comprehensive permit process, the application for Newton Highlands was submitted to the Zoning Board of Appeals in April 2001, and it was approved eight months later in January 2002. Construction began in June 2002 and concluded in December 2003.

In response to community requests that the affordable apartments at Newton Highlands serve a diverse population, half of the affordable units are reserved for families making less than 80% of AMI; 15% of the units are reserved for families making less than 65% of AMI; and 35% of the units are reserved for families making less than 50% of AMI. Rents for the affordable one-bedroom units range from $670-$1,100, compared to market-rate units starting at $2,100. Two-bedroom units rent for $800-$1,300 for affordable families, while market-rate units start at $2,400. Similarly, three-bedroom units for affordable renters range from $920-$1,500, and they start at $3,100 for market-rate renters. The affordable apartments are deed restricted to remain affordable in perpetuity.

The developer received over 2,000 applications for the 74 affordable apartments, and it chose to exercise a local preference for those who reside or work in Newton. Of the 2,000 applications for the affordable units, over 350 came from applicants with connections to the city of Newton. The development has been so successful that it maintains a wait list for its apartments, and it was one of the developer's strongest lease-ups in many years.

All of the apartments at Newton Highlands are comfortably appointed and include amenities such as nine-foot ceilings, granite counter tops, private balconies, and washers and dryers. The clubhouse and leasing office includes a billiard room, community kitchen, lounge, fitness room, and concierge-staffed lobby. The eight-acre community also includes five special-feature courtyards: an outdoor pool, an esplanade, a putting green, a children's playground, and a reading garden.

The total cost of the project was approximately $58 million, privately financed by the developer.[18] As part of the development, AvalonBay agreed to improve some of the infrastructure supporting the development, including sidewalks and street lights. The strong market for the market-rate rental units allowed the developer to support the construction of the affordable units. This kind of development is nothing new to AvalonBay, which has successfully completed 10 mixed-income communities with a total of 1,978 units and has 525 affordable units in service or currently under construction in the Boston metro area alone.

Conclusion

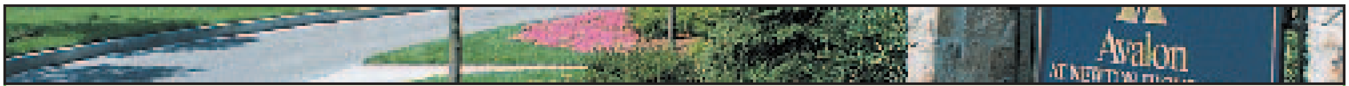
Under pre-existing zoning regulations, only 25 single-family homes would have been constructed in the Chase Estates development. Instead, because of the town's proactive negotiations for affordable housing, the community received 100 single-family homes, with 25% of them affordable to families at 80% of AMI. Moreover, the market-rate homes nearby doubled in value in four years.

The ability of AvalonBay to seek a comprehensive permit allowed it to complete its much anticipated rental development more efficiently, while generating valuable community input in the process. With flexibility in the local approval process, the developer was able to capitalize on a strong rental demand to create 74 affordable units at no public cost. Even without a comprehensive permit process, municipalities can engage in similar planning by providing flexibility in their zoning regulations, through granting zoning changes or variations to allow developers to include affordable homes while still earning a reasonable return, or through negotiating with developers for the creation of affordable units during the Planned Unit Development process.[19]

1 Citizens' Housing and Planning Association, *Fact Sheet*, http://www.chapa.org/40b_fact.html.

2 In addition to meeting affordability requirements, a potential Chapter 40B developer must have legal control over the proposed development site and must be eligible, as a non-profit or limited dividend organization, to receive funding from a state or federal housing program.

3 Alternatively, the development can provide 20% of the units to households earning below 50% of AMI. Massachusetts Department of Housing and Community Development, *Fact Sheet on Chapter 40B*,



http://www.mass.gov/dhcd.

[4] "Area median income" is determined based on income levels in the primary metropolitan statistical area (PMSA). The Boston PMSA includes parts of Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk, and Worcester counties. HUD USER, http://www.huduser.org.

[5] Developers establish "limited dividend" organizations that restrict aggregate profit to less than 20% of the total development costs. Massachusetts Department of Housing and Community Development, *Fact Sheet on Chapter 40B*, http://www.mass.gov/dhcd.

[6] The local Zoning Board of Appeals is empowered by Massachusetts law to approve zoning changes, variances, and concessions that would otherwise have to be approved by a 2/3rd vote at the annual "town meeting," during which all residents of a town meet and vote on public issues. Given the onus of the town meeting process, in many situations town officials and the developer find that it is in their interest to use the Zoning Board of Appeals process.

[7] Citizens' Housing and Planning Association, *The Record on 40B: The Effectiveness of the Massachusetts Affordable Housing Zoning Law*, 2003, at 40-41.

[8] Massachusetts Department of Housing and Community Development, *Fact Sheet on Chapter 40B*, http://www.mass.gov/dhcd.

[9] *Id*.

[10] 2000 U.S. Census Data, adjusted for inflation to 2004 dollars.

[11] Citizens' Housing and Planning Association, *The Homes of 40B: Case Studies of Affordable Housing Using the Comprehensive Permit*, 2001, at 10-11.

[12] Interview with Michael Jaillet, Town of Westwood, July 2004. A significant portion of the information about Chase Estates was provided by Michael Jaillet.

[13] The Westwood Housing Authority may rent the unit to a qualified family.

[14] The resale formula has changed for more recent developments. Rather than reflecting the rate of change in the appraised housing value, the selling price may only increase at the rate of inflation. This new resale formula keeps the price of the resold unit affordable to families earning 80% of AMI.

[15] Interview with Liz Smith, AvalonBay, August 2004. Liz Smith provided a significant amount of information about the Newton Highlands development.

[16] The letter of financing denotes approval under 40B standards and does not imply the receipt of public funds for the development.

[17] AvalonBay originally proposed an on-site day care center as part of the Newton Highlands development. After the community expressed its opinion that the center was not the best fit for the development, the day care center was removed from the plans.

[18] Following construction, AvalonBay took out a term-limited permanent loan with MassHousing in order to comply with the requirements of Chapter 40B.

[19] The Planned Unit Development process allows a community to authorize plans for the mixed-use development of a large parcel in order to flexibly meet the community's needs.

II. COMMUNITY-BASED TOOLS FOR CREATING AFFORDABLE HOUSING

Overview

In addition to flexibility in zoning regulations, communities may implement a variety of tools to encourage the development of affordable housing. These tools can involve offering financial incentives, working creatively with developers, drawing upon private, public, and non-profit resources, and providing flexible, targeted assistance that produces immediate results. Municipalities can choose from a variety of community-based programs, including property tax incentives, community land trusts, creative public-private partnerships, models like the Regional Housing Initiative program, and rent subsidies.

The case studies in this section demonstrate that municipalities can implement creative and flexible programs to encourage and maintain the development of affordable housing within their borders:

- **Property Tax Incentives**
  Special property tax assessment levels and property tax abatements are tools that municipalities may use to provide incentives to developers to create or preserve affordable housing. This case study shows how a Cook County, Illinois, property tax incentive program, called the Class 9 program, provides over 650 properties with reduced tax liability when at least 35% of their apartments are rented at affordable levels. Cagan Management, the owner of 1116 Washington Boulevard, receives approximately $40,000 in property tax savings annually through the program, and without the incentive, it would not have been able to maintain affordably priced apartments for the community.

- **Community Land Trusts**
  Community land trusts (CLTs) provide an important vehicle for municipalities to ensure that affordable housing remains a community resource for the long term. CLTs maintain units as affordable by separating ownership of the land and the homes built upon it. The two developments profiled in these case studies demonstrate how, especially with municipal cooperation, CLTs can ensure the lasting creation of mixed-income communities. At the Buena Vista development in Boulder, Colorado, 49 homes were priced at levels affordable to families earning 80% of area median income (AMI), and nearly all of the purchasers were already living or working in the community. Through the encouragement of local officials, the Larkspur subdivision in Chapel Hill, North Carolina, will create 13 single-family homes that will remain affordable in perpetuity through a CLT.

- **Creative Public-Private Partnerships**
  The innovation and commitment of the public and private sectors working together can result in the creation of affordable units. Sunset Woods, a 100% affordable senior development with a mix of condominiums and apartments in Highland Park, Illinois, is a case study of how an affluent, built-out community with high land costs and housing values in suburban Chicago produced affordable housing through creative planning.

- **Regional Housing Initiative**
  The Regional Housing Initiative (RHI) in northeastern Illinois is a prototype for assembling existing public funds in a creative manner to create affordable rental units in a variety of settings. RHI enables developers to use Housing Choice Vouchers as operating subsidies to make a portion of their apartments available to low-income families. The program emphasizes the formation of mixed-income communities, especially near areas with job opportunities.

- **Rent Subsidies**
  Rent subsidy programs help make existing rental housing affordable, allowing a community to quickly implement an affordable housing strategy with immediate results and at a limited public cost. Chicago's Rental Subsidy Program, at a cost of about $7 million a year, provides a subsidy to owners who provide housing to approximately 2,000 extremely low-income households each year. This case study profiles The Rosemont, a newly renovated development that reserves approximately one-quarter of its apartments for residents earning less than 30% of AMI.

PROPERTY TAX INCENTIVES

Cook County Class 9 Incentive

1116 Washington Boulevard

The Development:
1116 Washington Boulevard • Cook County, Illinois

The 40-unit apartment building located at 1116 Washington Boulevard in the upscale Chicago suburb of Oak Park reserves at least 35% of its apartments for renters with incomes under 80% of area median income (AMI). As a result, the owner receives property tax savings that amount to nearly $40,000 a year through the Cook County Class 9 Incentive program.

Property Tax Incentives and Abatements in General

Special property tax assessment rates and property tax abatements are incentives that are designed to stimulate particular kinds of rehabilitation and development, especially in areas where there is a great need for economic revitalization. They also may be used to encourage the creation, renovation, and preservation of affordable housing, and the preservation and rehabilitation of landmark buildings.

CLASS 9

- Forty percent reduction in property tax assessment rate
- Rents for at least 35% of units may not exceed 80% of AMI
- To qualify, must be new development or extensive renovation
- More than 650 properties participate, representing 20,000 total units of housing

Both counties and municipalities can use property tax incentives and abatements to encourage the creation and preservation of affordable housing. Illinois counties with populations over 200,000 (including all those in the six-county Chicago metropolitan area) may enact a classified property tax system that would allow for the creation of property tax incentive programs. Even municipalities located in counties without classified assessment systems can create tax abatement or refund programs that function similarly to tax incentives by reducing the property tax liability of an owner of affordable rental property.

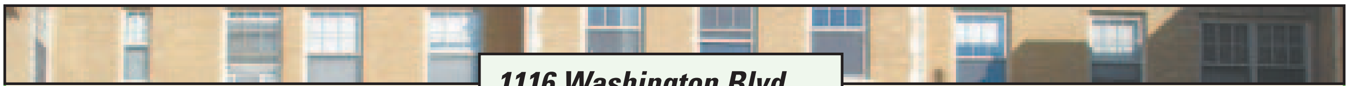
Municipalities may implement tax abatement programs to encourage affordable housing development either by providing a rebate to affordable housing owners, or by abating the tax liability at the time of collection under the state property tax code. Under the first model, a municipality may simply establish its own eligibility criteria and, after collecting the full amount of property taxes, rebate a portion to affordable housing properties according to the municipality's guidelines.

The second method allows taxes to be abated at the time of collection by the county clerk, as long as these abatements fall within specific property tax abatements available under the Illinois property tax code. Abatements done through this process are available for affordable senior housing,[1] those who make donations to programs designated by the municipality,[2] or other listed categories.[3]

The Tool: Cook County Class 9 Incentive

Cook County first initiated the Class 9 property tax incentive for affordable housing in 1988. The goal of Class 9 is to encourage new development, rehab, and long-term preservation of multifamily rental housing that is affordable to low- and moderate-income households across Cook County. Originally, Class 9 tax incentives were limited to properties in certain designated census tracts.[4] In 2001, the geographic limitation of the program was lifted and made available to property owners across the county.

In order to be eligible for participation in the program, a property must be a multifamily rental building with seven or more dwelling units. The program applies to new development and extensive renovation projects that include at least three primary building systems. Rents for at least 35% of the building's tenants may not exceed 80% of AMI. Of course, buildings must also be in compliance with all local building, safety, and fire codes. Developers who wish to participate must submit an application to the Office of the Cook Coun-



ty Assessor prior to beginning construction or rehabilitation.

The Class 9 program provides significant property tax savings for qualifying properties. Eligible owners receive a nearly 40% reduction in their assessment rate, from a 26% assessment rate to 16%. Both the land and the building are assessed at this reduced rate. Properties are eligible for the reduced rate for ten years, with the possibility to extend their Class 9 status for additional ten-year terms. If the property is sold or transferred during the ten-year Class 9 designation period, the new purchaser must continue to comply with all Class 9 requirements.

1116 Washington Blvd.

- Apartment building located in the upscale Chicago suburb of Oak Park
- At least 35% of rental units are reserved for renters at or below 80% of AMI
- Building is assessed at significantly lower tax rate, resulting in savings of $40,000 per year

The assessor's office compiles a rent schedule for participating property owners that is based on rents affordable to families making no more than 80% of AMI. Class 9 rents are gross rents and include the rental cost of the unit plus an allowance for any tenant-paid utilities, services, and appliances. To remain in the program, an owner must submit an annual affidavit certifying that the rent levels and household incomes meet Class 9 eligibility standards.

The Class 9 program is extremely popular, and the assessor's office has received over 1,500 applications from developers seeking to receive the reduced rate. Currently, more than 650 properties participate in the program, representing over 20,000 units of housing, at least 35% of which are affordable. The program has been so successful that the assessor's office plans to broaden the eligibility requirements so more properties will be able to take advantage of the incentive.[5]

Class 9 Allows Procurement of Affordable Units at 1116 Washington Boulevard

The 40-unit apartment building at 1116 Washington Boulevard in the upscale Chicago suburb of Oak Park is one of over 650 properties that receives property tax incentives through Cook County's Class 9 program. Cagan Management purchased the property with the Class 9 program in mind in 2002. Although it wished to purchase and renovate rental property, Cagan faced a real estate market in which multifamily building prices were being bid up by a wave of condominium conversions. The only way Cagan could afford to buy the building and maintain it as a rental property was to participate in the Class 9 program.[6]

In order to qualify for the program, Cagan significantly rehabilitated the Washington Boulevard property. It performed structural repairs and ground renovations, including roofing, tuck pointing, replacing the windows and boilers, and masonry repair. In fact, the property received a historic preservation award from the city of Oak Park. The renovation was also supported by a $10,000 Security Improvement Grant from Oak Park that allowed the developer to put in new exterior doors, hard-wire the smoke detectors, and provide emergency lighting.

Cagan now saves between $35,000 and $40,000 annually in its property tax bill due to its classification as a Class 9 property. Washington Boulevard rents are set affordably at $625-$795 for one-bedroom apartments. Cagan Management also owns several other buildings that participate in the Class 9 program across the city of Chicago and its suburbs, including the gentrifying neighborhoods of Hyde Park and Lakeview and the thriving suburb of Evanston.

Conclusion

Property tax incentives for affordable housing encourage construction and preservation of rental housing in a community, ensuring that a portion of the housing remains available at affordable levels. In Cook County, the Class 9 program is a proven tool readily available for use by communities and developers alike. Even if property tax incentives are not in place, counties and municipalities may design incentives that leverage property tax resources to provide similar incentives for affordable housing development. Property tax abatements are a simple and efficient way for local governments to encourage the creation of affordable housing, even without significant modifications to their tax assessment system.

[1] 35 ILCS 200/18-165(a)(5). The property must serve seniors over 55 in housing provided under any state or federal program that serves individuals whose income does not exceed 80% of AMI.

[2] 35 ILCS 200/18-165(b). Abatements are provided for taxpayers that donate at least $10,000 to a "qualified program" within a target area. Because the property tax code allows a municipality to designate almost any program as a "qualified program," a municipality could encourage private corpora-

tions and individuals to contribute to an affordable housing program by granting a property tax abatement in exchange for donations to the program.

3 35 ILCS 200/18-165.

4 Interview with Maria Caby, Office of the Cook County, Illinois Assessor, July 2004.

5 Currently, only developments that undergo extensive renovation of at least three building systems qualify for Class 9 benefits. The Cook County Assessor's Office plans to broaden the eligibility standards to require renovation of only two building systems and to allow for a broader number of qualifying building systems. Community Investment Corporation, *CIC Developments*, Fall 2004, at 1-2.

6 Interview with Michael Daniels, Cagan Management, July 2004. Michael Daniels provided a significant amount of the information about 1116 Washington Boulevard.

COMMUNITY LAND TRUSTS

Orange Community Housing and Land Trust and Thistle Community Land Trust

Top photo: Larkspur; lower photo: Buena Vista; photo courtesy of Thistle Community land Trust

The Developments:

Larkspur • Chapel Hill, North Carolina

Buena Vista • Boulder, Colorado

The Larkspur subdivision is located in Chapel Hill, North Carolina, where high housing costs and a scarcity of undeveloped land have spurred an interest in preserving affordability. The subdivision contains 86 single-family homes, 13 of which are permanently affordable through participation in a community land trust. The market-rate homes at Larkspur have sold for up to $600,000, while the affordable units have been priced from $100,000 to $130,000.

Buena Vista is a 57-home development, in which 49 of the units are permanently affordable to families at 80% of area median income (AMI). Located in North Boulder, Colorado, the development was constructed as part of a community land trust. The land trust, a local non-profit, retains ownership of all land in the development, ensuring the long-term affordability of the homes.

COMMUNITY LAND TRUSTS

- Separate ownership of land and home, leasing the land to the homebuyer and selling the home at an affordable price
- Prices remain affordable through resale formulas contained in the ground lease
- Most CLT homes in OCHLT and Thistle are reserved for families earning up to 80% of AMI
- Municipalities have played an increasing role in support of CLTs

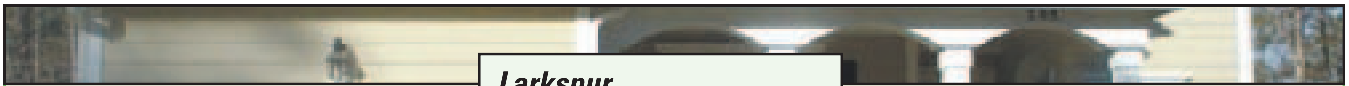
The Tool: Community Land Trusts Partner with Supportive Municipalities

Community land trusts (CLTs) are created to acquire and hold land for a community's benefit. They typically maintain the long-term affordability of housing by separating the ownership of the land from ownership of the home that is built on it. Homebuyers purchase homes at affordable prices and enter into long-term leases of the land with the CLT, which retains ultimate ownership of the land.[1] Approximately 120 community land trusts already exist or are under development across the country.[2]

Community land trusts are remarkable for their protection of the long-term affordability of housing and their responsiveness to local needs. Typically, CLTs are administered by private, non-profit corporations that can operate in a variety of settings and circumstances. For example, CLTs may develop new housing themselves through a community development corporation or may simply hold the land beneath housing produced by other developers.

CLTs ensure that a public investment in affordable housing will last a lifetime, instead of a few years. For example, a public subsidy to create an affordable homeownership unit can disappear when the initial homeowner resells the home. With a CLT, that subsidy ensures an active asset for the community forever.

In order to guarantee that CLT homes are sold at affordable levels, community land trusts design resale formulas contained in the ground lease. The resale formulas set maximum prices to ensure the homes remain at an affordable level for the next buyer. The majority of CLTs use what are called "appraisal-based" formulas. These formulas set the maximum price as the sum of what the seller originally paid plus a specified percentage of any increase in the market value. The CLT typically retains an option to repurchase any residential structures located upon its land if the owners choose to sell.



Community land trusts often work very closely with municipal governments in order to respond to local needs. Recently, municipalities from around the country have expressed intense interest in CLTs.[3] An increasing number of municipal officials recognize that CLTs can play an important role as stewards of community resources and can benefit both present and future community residents.[4]

Many municipalities have left the initiative and the leadership of the CLT to local non-profits, but a growing number of municipalities have played a leading role in introducing the idea of a land trust to a community and in facilitating its creation.[5] For instance, the Highland Park Illinois Community Land Trust, a private non-profit corporation, was created in 2003 after a city-initiated planning process recommended establishing a land trust. Even when governments have taken a leading role in creating a land trust, they have worked closely with non-profit partners and community residents to organize the CLT.

Orange Community Housing and Land Trust

Orange Community Housing and Land Trust is a private non-profit corporation that develops affordable housing and manages a community land trust. The organization was established in 1990 as Orange Community Housing Corporation, with a mission to provide affordable rental and for-sale housing. In 2000, the organization added a land trust component and became the Orange Community Housing and Land Trust (OCHLT).[6] The OCHLT currently manages 85 permanently affordable homes in Orange County, which includes the North Carolina towns of Chapel Hill, Carrboro, and Hillsborough.

The town of Chapel Hill was instrumental in the creation of OCHLT. In the past decade, Chapel Hill has become increasingly concerned with its growing real estate prices and dwindling supply of open land. Beginning in the mid-1990s, Chapel Hill instituted an informal policy that requires developers with residential zoning requests to price at least 15% of the units in new developments affordably.[7] Although the 15% requirement is technically an informal policy, in practice, developers construe the inclusionary zoning expectation as mandatory because residential development proposals are difficult, more expensive, and less likely to win approval without an affordable housing component. By the late 1990s, the city recognized that many of the affordable units created in the area were expiring and being sold at market rates. To address this challenge, the town formed a citizen task force, which specifically examined the community land trust tool. The OCHLT land trust was formed as a result.

To qualify to buy a home in the OCHLT, a homebuyer must live or work in Orange County, be a first time homebuyer (or not have owned a home in the past three years or be a divorced, displaced single parent), live in the home, and meet the income limitations. Sale of most of the CLT homes is limited to families at or below 80% of AMI, although some are also available to families up to 100% of AMI. Many residents in OCHLT homes are employees at the local state university, and other homebuyers are school teachers, social workers, housekeepers, and medical technicians.

The city of Chapel Hill continues to provide considerable support to the OCHLT. It refers all developers that are creating affordable units according to the town's policy to the land trust so the housing created will remain permanently affordable. Chapel Hill, as well as Orange County and the neighboring towns of Carrboro and Hillsborough, also provide significant operating support to the CLT. The town of Chapel Hill and Orange County each provide about $100,000 annually to support OCHLT's operations. Although 70% of its budget comes from local communities, OCHLT also

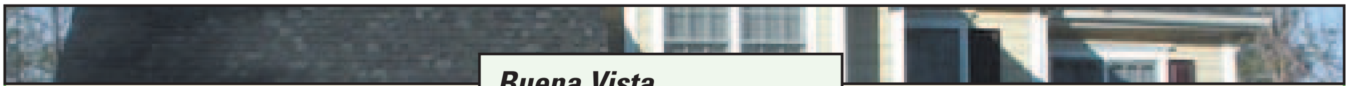
Larkspur

- 86 total homes, 13 permanently affordable through the community land trust
- Market-rate homes sell for up to $600,000; affordable homes from $100,000 to $130,000
- Affordable units created by town council's informal policy requiring 15% of new units be affordable
- All single-family homes with garages and porches

Who Benefits?

The four families who have moved into Larkspur homes so far include:

- An employee of the local university
- A dental hygienist
- A nurse at the local hospital
- An employee of the local medical center



raises about $100,000 in operating costs privately each year.

The Orange County communities also stay involved in the land trust through their appointees to the CLT's board of directors. Each town and the county has an appointee to the board, taking an active role in the ongoing direction of the CLT.

Buena Vista

- 57 homes, with 49 made permanently affordable through a community land trust
- Mixture of single-family homes, condominiums, and townhomes
- City authorized higher density and other zoning changes to accommodate development
- Market-rate homes started at about $290,000, while affordable condominiums started at $80,000

Larkspur Development: Single-Family Homes Reserved as Affordable in Community Land Trust

In 2002, the Zinn Design Build firm approached the town council of Chapel Hill seeking to build an 86-home development.[8] The town council, enforcing its informal written policy, requested that 15% of the units in the new development be sold at affordable levels. At the time, a city ordinance also required that 25% of all units constructed in a new development contain less than 1,300 square feet.[9] Zinn offered to price 15% of its units affordably if the council would waive the maximum square footage limitation.

The town council also required that the affordable units constructed at Larkspur become part of the OCHLT land trust. In addition to requiring the inclusion of affordable units and their reservation in a land trust, the town council also provided a modification of the zoning requirements to allow the Larkspur homes to be constructed closer to one another in order to preserve wetland areas on the site. The council also ensured that the affordably priced units would be disbursed throughout the subdivision.

Construction of the homes at Larkspur began in late 2002 and is expected to be complete in 2006. Following negotiations with the town council, Zinn agreed to sell seven of the 13 affordable units for $100,000 and the remaining six for $130,000. The market-rate units in the Larkspur subdivision initially sold for approximately $400,000, but units sold more recently have been priced near $600,000. All of the affordable homes at Larkspur have garages, three bedrooms, and front porches.

The development is being entirely financed using construction loans and private equity; no public funds have been used to subsidize the development.

The four CLT units completed in 2004 all were purchased by families from Orange County, including an employee at the University of North Carolina, a dental hygienist, a nurse at Duke Hospital, and an employee of the local medical center.

Demand for land trust units in Orange County is high. All of the CLT units at Larkspur have been pre-sold, and OCHLT maintains a wait list of about 40 additional families for the 13 homes at Larkspur.

Thistle Community Land Trust

Thistle Community Land Trust is one of the largest land trusts in the country and serves the high-priced Boulder area. The city of Boulder has a median household income of nearly $74,000 and a median home price of $500,000.[10] Thistle manages 76 permanently affordable homes across the Boulder area, and it plans to build 500 CLT homes in the next five years. The community land trust is an outgrowth of the pre-existing Thistle Community Housing Community Development Corporation.

Following the CLT model, Thistle offers land trust homes at below-market prices by acquiring and building affordable homes and limiting resale prices. Thistle continues to own the land, leasing it to the homebuyer with a 99-year renewable land lease. Thistle works with the financial community to ensure that qualified buyers have access to financing and provides resident training and support services to homebuyers.

To qualify for a Thistle CLT home, a homebuyer cannot earn more than 80% of AMI.[11] Thistle also sets non-retirement asset limits for homeowners to qualify. Thistle homebuyers pay a nominal monthly fee to the CLT for land taxes and the administration of the program. Like other CLTs, homeowners agree to limit the price of their homes when they sell. This allows homeowners to recover their investment plus about 18% of the market appreciation, depending on the level of investment.[12] In order to facilitate resales, Thistle maintains an active list of qualified buyers.

Buena Vista Community Land Trust Guarantees Permanent Affordability

Buena Vista is a 57-home community in which 49 of the homes are permanently affordable through the Thistle community land trust. Completed in 2000, the community is a mixture of single-family homes, condominiums, and townhomes. A large open center green, community gardens, and a community center with meeting space and kitchen facilities are part of the development.

Originally the 3.7 acre Buena Vista site was not zoned for residential development. Because the proposed development contained affordable housing, the city of Boulder zoned the property to medium density residential with reduced parking and setback requirements.

Market-rate homes in the development started at about $290,000, while the affordable condominiums ranged from $80,000 to $165,000. As in its other CLT properties, Thistle continues to own the land and leases it for a nominal amount to each homeowner. CLT homeowners also sign an agreement limiting the resale price to initial cost plus a maximum increase of 25%, allowing the homeowner to achieve a measure of capital appreciation.

Funds for Thistle projects have come from a host of sources, both public and private. The Buena Vista community cost about $8 million to develop.[13] Financing included private construction loans, federal HOME and CDBG grants, along with approximately $1.1 million in funds from the Boulder Community Housing Assistance Program.

Of the 49 residents who purchased affordable homes in the Buena Vista community, 48 were already living and working in Boulder.[14] Purchasers of the affordable homes included teachers, postal workers, librarians, software engineers, carpenters, firefighters, massage therapists, and small business owners.[15]

Homes that are part of Thistle's Community Land Trust have provided a unique opportunity for families to build the equity necessary to gain a stable financial footing. Although the profit a homeowner can earn on the sale of a CLT home is limited by the terms of the ground lease, many of the families who have sold their Thistle land trust homes move on to market-rate homeownership opportunities.[16]

Conclusion

Community land trusts provide for perpetual affordability of moderately priced housing by separating ownership of the land from ownership of the homes. They ensure that housing priced affordably at a point in time remains affordable in the long term.

The OCHLT and the Thistle CLT, in conjunction with a local municipal commitment to negotiating with developers for inclusion of affordably priced housing, have created attractive, moderately priced housing in areas with high real estate costs and a scarcity of open land.

1 Unlike the common community land trust model, the Orange Community Housing and Land Trust sells a leasehold interest in both the land and the home, due to unique constraints in North Carolina state law.

2 Institute for Community Economics, *Options and Issues in Creating a Community Land Trust*, 2001, at 1.

3 *Id.* at 9.

4 *Id.*

5 *Id.*

6 Interview with Christine Westfall, Orange Community Housing and Land Trust, July 2004.

7 The practice takes the form of an informal policy, rather than an ordinance, because the state of North Carolina is a non-home rule state and the state legislature has not legally enabled municipalities to pass mandatory inclusionary zoning ordinances. Despite this limitation, the community of Davidson, North Carolina, has passed a mandatory inclusionary zoning ordinance.

8 Interview with Robert Dowling, Orange Community Housing and Land Trust, October 2004. A significant portion of the information about OCHLT and Larkspur was provided by Christine Westfall and Robert Dowling.

9 Because the state of North Carolina has not enabled municipalities to draft ordinances that include affordability requirements, the square footage limitation was included to serve as a proxy to create moderately priced homes.

10 Tom Kenworthy, *Housing Costs at a High Altitude*, USA Today, March 29, 2004.

11 "Area median income" is determined based on income levels in the primary metropolitan statistical area (PMSA). The Boulder PMSA includes all of Boulder County.

12 Thistle Community Land Trust, *Limited Resale Price Information*. Information sheet on file with Business and Professional People for the Public Interest.

13 Elizabeth Gold, *Blue Vista envisions class American neighborhood*, Boulder County Business Report, December 12, 2003.

14 *Boulder's Thistle Housing making home ownership, rental more affordable*, Boulder County Business Report, November 2, 2001.

15 Kevin McCullen, *Program Helps Middle Class Own Homes in Boulder*, Denver Rocky Mountain News, April 19, 2000.

16 Interview with Etta Habegger, Thistle Community Housing, July 2004.

CREATIVE PUBLIC-PRIVATE PARTNERSHIPS

Sunset Woods

The Development:
Sunset Woods • Highland Park, Illinois

At first thought, most people would probably say that developing affordable housing in an affluent, built-out community with high land costs and housing values like Highland Park, Illinois, could not be done profitably or without building a large number of market-rate units in a dense, out-of-character development. Sunset Woods serves as impressive evidence that such thinking is untrue. Thanks to a creative partnership between the non-profit, for-profit, and public sectors, the Sunset Woods condominium development consists of 60 affordable homes servin g seniors over the age of 62. Forty-eight of the homes are affordable to seniors making less than 80% or 115% of the area median income (AMI), and twelve of the homes are owned by the city of Highland Park and rented affordably to seniors earning less than 50%-60% of AMI.

Reduced Land Costs + City or Municipal Support = Affordable Development

The Sunset Woods development was possible because of a creative but simple agreement between the developer and the city: the land was donated by the city, and the developer assembled the deal.

The Tool: Creative Public-Private Partnerships

Creative public-private partnerships rely on the innovation and commitment of public and private sector entities to create affordable housing. In most cases, these partnerships draw upon the respective assets and abilities of the public, private, and not-for-profit sectors to ensure that at least some of the housing in a particular development can be sold or rented affordably. A municipality can procure land, make public lands available at a reduced price or for free, or provide a developer with increased regulatory flexibility that decreases construction costs. Private sector developers can provide private equity (which can help leverage additional resources), real estate expertise, and a strong reputation for producing high-quality housing. Not-for-profit developers provide unique expertise in accessing public funding streams, in managing affordable housing, and in marketing to income-eligible households. With the participation of all three, the development of affordable housing becomes a reality.

Creative public-private partnerships provide municipalities with a flexible tool that allows them to draw on the strengths of for-profit and not-for profit developers in order to create housing that meets local needs. Municipalities can determine what they wish to bring to the table and then negotiate with private and not-for-profit developers in order to structure a deal that best serves the community.

"LASAGNA" FINANCING

The total cost of Sunset Woods was approximately $10 million. The funds were secured as follows:

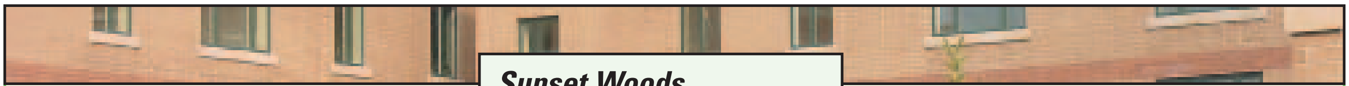
- $7.1 million in private debt
- $750,000 from Illinois housing trust fund
- $240,000 in Lake County HOME funds
- $60,000 grant from the Federal Home Loan Bank
- $1.8 million from city of Highland Park (land cost)

Using Creative Partnerships to Develop Senior Housing at Sunset Woods

Some partnerships begin with the city identifying its housing goals and crafting a plan to address them. In Highland Park, the city decided to make affordable senior housing a priority after reviewing its master plan and recognizing a pressing need for such housing.[1]

The city then identified funds it had acquired through the refinancing of an existing city-owned building and earmarked them towards addressing this problem. Over a few years, the city strategically invested $1.8 million to acquire seven adjacent parcels for the development of senior housing.

With the land available, Highland Park then issued a



request for proposals in 1998 for the development of senior housing on the site. The city selected the partnership of Brinshore Development and the non-profit Housing Opportunity Development Corporation (HODC) to develop the property in conjunction with the Highland Park Housing Commission. When negotiating the structure of the deal, the town and the developers agreed that the town would provide the land for the development, that all of the homeownership units would be sold at moderate prices, and that the city would receive twelve units that it could rent to seniors. Drawing upon the expertise of HODC, the city also agreed to hire HODC to manage these affordable rental units.

With the land and ownership structure set by their unique agreement, the developer team relentlessly pursued additional funds and assembled a complex financing arrangement. The total cost of the project was approximately $10 million, and it was financed largely using private debt ($7.1 million). The developer team also secured $750,000 from the Illinois Housing Development Authority Low Income Housing Trust Fund, $240,000 in Lake County HOME funds, and a $60,000 grant from the Federal Home Loan Bank.

Construction began in 2001, and Sunset Woods opened in 2002. The 60-unit development contains 48 condominiums and 12 apartments. In order to create a seamless community, the developers scattered the rental and homeownership units throughout the building and made them indistinguishable. The building is well designed, and common areas include a meeting room, library, central dining room, sitting areas, laundry rooms, a medical screening room, and an outdoor recreation space. A beautiful and spacious park borders the back of the development.

Although 100% affordable, the development serves a variety of income levels in need of affordable housing. Of the 48 condominium units, 18 of the units are reserved for seniors making less than 80% of AMI. The remaining 30 condos are available to moderate-income seniors making less than 115% of AMI.

Sunset Woods

- 60-unit development reserved for seniors over the age of 62
- 48 of the units are condominiums affordable to seniors making less than 80% or 115% of AMI
- 12 of the units are rented at a level affordable to seniors earning less than 50%-60% of AMI
- Over 80% of the owners and renters are from or have connections to the community

Condos sold for between $119,000 and $129,000 for one-bedroom and $149,000 and $169,000 for two-bedroom units. Although sales prices were set at the same levels for seniors with incomes at the 80% and 115% levels, lower-income seniors were provided a second soft mortgage that effectively reduced the purchase price by $10,000 for a one-bedroom and $20,000 for a two-bedroom unit. (A soft mortgage functions largely as a deferred loan, with the Illinois Housing Development Authority providing the funds.)

In order to ensure that the community's investment in Sunset Woods provides a lasting asset, the condominium units will remain affordable for at least 40 years under a deed restriction in the condo declaration. When an owner decides to sell a unit, the resale value is restricted to the lesser of a 3% increase in the price per year, the rate of inflation, or the fair market value of the unit. The city of Highland Park has the opportunity to purchase the unit and sell it to someone on the city's waiting list of qualified buyers. The development is so popular that the waiting list currently contains over 50 names.

The rental units at Sunset Woods are owned by the city of Highland Park and managed by HODC. Nine of the units receive project-based rental assistance through the county, and the remaining three are available to other renters whose incomes are below 60% of AMI.

Sunset Woods employs a preference for buyers and renters who are current Highland Park residents, work in Highland Park, or have children in Highland Park. In the initial purchase of units, over 80% of buyers and renters were residents of or had connections to Highland Park.

Conclusion

Sunset Woods illustrates that the non-profit, for-profit, and public sectors can collaborate to produce attractive, affordable homes that fit within the character of the local community, despite high land costs and high housing values. Thanks to a creative partnership, the city of Highland Park was able to leverage a public investment of $1.8 million into 60 affordable

homes for Highland Park seniors that will stay affordable for at least 40 years. Brinshore brought private equity and real estate experience to the table. HODC provided a clear understanding of public funding streams and invaluable experience with building and managing affordable housing to the partnership. These talents, combined with the political will and public resources of Highland Park, made Sunset Woods a reality.

[1] Interview with Richard Koenig, Housing Opportunity Development Corporation, September 2004. Richard Koenig provided a significant portion of the information about Sunset Woods.

REGIONAL HOUSING INITIATIVE

Various Communities in Northeast Illinois

A rendering of the Leland Apartments

The Tool: Regional Housing Initiative

The Illinois Housing Development Authority, the Metropolitan Planning Council, and the Chicago, Cook County, and Lake County Housing Authorities have come together to pilot an innovative program called the Regional Housing Initiative (RHI). RHI allows developers to use Housing Choice Vouchers as operating subsidies to make a portion of their rental units available to low-income families.

Developers that participate in the program receive project-based Housing Choice Vouchers to support the funding of projects that include units for income-eligible families. Households that earn up to 80% of area median income (AMI) are eligible under the HCV program, but typically families in the program earn less than 30% of AMI. The RHI vouchers fund the difference between reasonable, market-rate rents for the units and the affordable rent that the tenant pays, thereby ensuring the owner the equivalent of a steady, market-rate rent for the unit.[1] The operating subsidy is a source of long-term funding. When awarded RHI assistance, the developer signs a contract with the partnering housing authority that guarantees the subsidy for ten years, with the possibility of renewal after that period expires.

RHI

- Provides operating subsidies in the form of Housing Choice Vouchers for up to 25% of units that are reserved for voucher-eligible families
- Participating households may earn up to 80% of AMI, but typically earn less than 30%
- Developers may receive bonus points on federal Low Income Housing Tax Credit application
- RHI supports mixed-income developments in both job-rich areas and areas close to or near jobs

In addition to an operating subsidy, RHI participation assists developers who are interested in receiving federal Low Income Housing Tax Credits. Developers securing a commitment from RHI may receive four bonus points towards their scores on the Low Income Housing Tax Credit application. This assistance can be invaluable to developers in the competitive application for limited tax credit resources. Furthermore, RHI subsidies can help developers leverage other sources of funding.

Proposals that are eligible for RHI assistance may include new construction or existing buildings needing no, little, or substantial rehabilitation. The subsidy is limited to multi-family apartments that will provide a mixed-income community, including supportive housing that provides access to opportunity. Up to 25% of the total units in multi-family projects may receive RHI assistance. Proposals for supportive housing for people with disabilities may receive assistance for up to 100% of their units. Because the program prioritizes the creation of mixed-income communities, the RHI selection panel considers the mix of incomes that will be created in the development when reviewing applications.

Potential tenants to fill the RHI-funded units are referred to property managers from participating housing authorities. Participating owners must establish a preference for tenants in assisted units who are working or in training for work within a 12-mile radius of the development. In this way, RHI focuses its resources on providing units of affordable housing in areas in close proximity to job opportunities or in areas with easy access to jobs via public transit.

Since the program was created in 2002, RHI subsidies have been committed to fund 328 apartments within mixed-income communities. The RHI partnership is considering expanding both the scope of the program and the number of participating housing authorities in the future.

RHI Facilitates Rental Assistance in New Communities

RHI has awarded subsidies to several developments that will serve a variety of populations across northeast

Illinois. Two examples of proposals that have received RHI support are:[2]

- **Leland Apartments, Chicago, Illinois**
  Fourteen RHI vouchers have been awarded to Heartland Housing for its Leland Hotel redevelopment plan. The proposal will preserve the historic nature of the building, while keeping it affordable for low-income residents. The plan will add kitchenettes, update bathrooms, and enlarge the existing units to create 137 larger, livable apartments. The development will be located in Uptown, one of the most diverse communities on Chicago's North Side. The renovation will also include offices for social workers, laundry facilities, a community kitchen, an exercise room, and storefront retail space.

- **Wentworth Commons, Chicago, Illinois**
  The Wentworth Homes proposal, a development by Lakefront SRO, has been awarded RHI subsidies for ten apartments in a 51-unit building of family supportive housing. The proposed development, located near the revitalizing Far South Michigan Avenue business corridor, includes a plan to connect residents to jobs through strong property management and supportive service provision.

Although these two developments are examples of housing that will serve extremely low-income households, RHI is a flexible tool that can be used in mixed-income developments in a variety of contexts and communities. Most importantly, RHI stands out as a resource of public funding waiting to be used to develop affordable housing.

Conclusion

Through the allocation of stable operating subsidies, RHI offers affordable rental opportunities in new communities that provide access to job opportunities for residents. The flexibility of the program allows multifamily owners across northeast Illinois to easily participate, and provides financial benefits to help ensure that the proposed housing is financially viable and stable over the long term.

[1] Metropolitan Planning Council, *Regional Housing Initiative Owner Application*, October 22, 2003, http://www.metroplanning.org.

[2] Metropolitan Planning Council, *RHI expands affordable housing options in Chicago and suburban Cook and Lake counties*, www.metroplanning.org; interview with Robin Snyderman, Metropolitan Planning Council, August 2004.

RENT SUBSIDIES

Chicago Rental Subsidy Program

The Rosemont

The Development:
The Rosemont • Chicago, Illinois

The Rosemont is a newly rehabilitated apartment building in which over 25% of the units are rented to residents with incomes at less than 30% of the area median income (AMI). The owners of The Rosemont receive a rent subsidy through Chicago's Rental Subsidy Program, which pays almost half of their eligible tenants' rent each month. With a minimal amount of administration, the Rental Subsidy Program efficiently provides a significant subsidy to owners of The Rosemont and other landlords across Chicago who serve nearly 2,000 extremely low-income households each year.

The Tool: Rent Subsidy Programs

Rent subsidy programs provide financial assistance that makes otherwise market-rate housing affordable at a lower rent level. The funds allow property owners to rent market-rate units at an affordable rent level. These programs maximize the number of affordable units available because they draw upon an existing stock of rental housing. Rent subsidy programs also offer significant flexibility to communities to structure eligibility requirements, income levels served, and the amount of public subsidy provided. Unlike the federal Housing Choice Voucher program, local rent subsidies can be administered by municipalities to make rental units available to moderate-income families in their locality. Rent subsidy programs can be implemented much more quickly and efficiently than constructing new affordably priced units.

RENTAL SUBSIDY PROGRAM

- With only $7 million, the city subsidizes over 2,000 units of housing for households at or below 30% of AMI
- Landlords may choose their own tenants or receive referrals from the city
- City sends rental support checks to landlords quarterly
- Program is efficient and well-managed and maintains a landlord waiting list

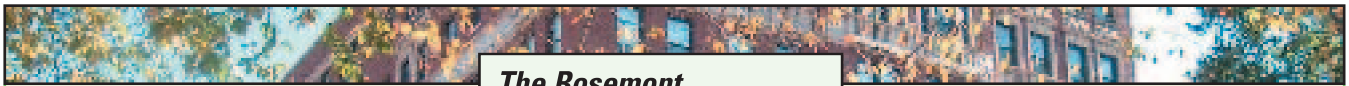
Chicago's Rental Subsidy Program

The city of Chicago's Rental Subsidy Program is one of the largest locally funded rent subsidy programs in the country. Through the program, subsidies are provided to qualified landlords who charge affordable rents to eligible households. The program is noteworthy for the efficiency with which it provides a large number of affordable apartments to extremely low-income residents with a relatively modest subsidy. For a cost of only about $7 million a year, the city provides subsidies for about 2,000 households.[1] The city has chosen to target its rental assistance to the area's neediest residents: households with incomes at or below 30% of AMI are eligible to live in the supported units. The program provides assistance for a variety of unit types, from single beds in homeless shelters to four-bedroom apartments.

Landlords apply to participate in the program. The city evaluates the landlord's application to determine whether any valid claims exist against the landlord, and buildings are inspected for safety and habitability.

Participating landlords are free to choose any tenant under the rent subsidy program, as long as the tenant is income eligible. If the landlord prefers, the city's Department of Housing will also work with landlords to match them with prospective tenants looking for units of the appropriate size and location. Landlords can then choose to contact those potential tenants or wait to be contacted by other prospective tenants.

The city's Department of Housing sets the rent and subsidy levels for each building by independently evaluating the fair market rent levels for the unit and the tenant's ability to pay.[2] Final rents are then negotiated with the landlord. Landlords receive the subsidy four times a year and are required to submit annual income verification forms for each tenant who lives in a subsidized unit. If a tenant vacates a subsidized unit, the landlord is responsible for filling the unit



with any qualified tenant or with a tenant recommended by the city.

The Department of Housing inspects all units to be leased with a rent subsidy to ensure that units are habitable and the buildings are safely constructed. Participating buildings are subject to additional random spot inspections approximately once every two years.

The Rosemont

- 25% of units are rented to families earning less than 30% of AMI
- Rental Subsidy Program pays almost half of participating tenants' rent each month directly to the owner
- Located within minutes of Lake Michigan and Loyola University

Landlords choose to enter the program for different reasons. Many enter because they have a long-term relationship with a tenant who is no longer able to pay the rent. Some participate because they see it as a way to be in business while helping the community. Others enter simply to gain access to a large number of prospective renters.

Chicago's Rental Subsidy Program is funded by the city's Low Income Housing Trust Fund. The majority of the funding for the trust fund comes from an annual payment from the city's corporate fund.

The Rental Subsidy Program has been recognized as efficient and fiscally prudent as well as landlord-friendly and well-managed.[3] The city's Department of Housing makes timely subsidy payments and allows the landlord grace time to find new tenants and fix any reporting flaws. A waiting list of landlords seeking to participate in the program exists, providing clear proof of the program's success. The city finds it unnecessary to advertise or recruit landlords into the program because information about the program is spread effectively by word of mouth.

The Rosemont: Using the Rent Subsidy to Make Units More Affordable

A 122-unit apartment building, The Rosemont participates in Chicago's Rental Subsidy Program. Located within two blocks of Lake Michigan and Loyola University, the building was purchased in 1992 by Holsten Real Estate Development Corporation. Upon purchasing the building, Holsten spent $1.5 million to significantly upgrade its features by replacing the plumbing, heating, hot water, elevator, and electrical systems.[4]

In 1995, Holsten responded to a city advertisement for the Rental Subsidy Program. Holsten decided to participate not only out of a desire to serve low-income households, but also in an effort to maintain high occupancy in its building.

Thirty-four of the 122 units at The Rosemont are occupied by tenants who are assisted with rental subsidies. Rents paid by the tenants range from $225 to $325 a month, and Holsten receives approximately $200 each month in subsidy payments per tenant. The subsidy therefore provides a significant housing opportunity for low-income tenants earning 30% of AMI.

In addition to the rent subsidies provided for some of its tenants, Holsten receives federal tax credits to support the extremely affordable rent levels offered to The Rosemont's residents. The property also benefits from Cook County's Class 9 property tax classification, which taxes the development at 16% annually rather than the customary 26%, saving the owner approximately $66,000 in property taxes each year. With this combination of local and federal subsidies, The Rosemont offers a significant asset of affordable housing to the community.

While The Rosemont is an example of a large, city-style apartment building that uses the rent subsidy program and other public funding streams to provide affordable housing for extremely low-income families, the rent subsidy model can be used flexibly and efficiently to serve a much higher income level in smaller developments. For example, a suburban community could use a modest amount of resources to make existing apartments affordable to families at 60% of AMI.

Conclusion

The rent subsidy model allows municipalities to design a targeted program based on their own priorities, such as the level of assistance and the methods of administration. Because subsidies make existing rental housing affordable, this model offers municipalities an opportunity to quickly implement a strategy that will provide immediate results – affordable housing within their borders at limited public cost.

1 Business and Professional People for the Public Interest, *Making Rents More Affordable: An Analysis of a Statewide Rental Subsidy Program Using the Chicago Rental Subsidy Program as a Model*, 2003, at 13.

2 The city of Chicago does not rely upon the Department of Housing and Urban Development's guidelines for fair market rents for the area. Rather, it conducts its own analysis of the fair rent level for each property. *Id.* at 15.

3 *Id.* at 17-18.

4 Interview with Andrea Klopfenstein, Holsten Real Estate Development Corporation, August 2004. Andrea Klopfenstein provided a significant portion of the information about The Rosemont.

III. LOCAL FUNDING MECHANISMS

Overview

Many affordable housing developments are created without the use of public subsidy through relaxed zoning restrictions or negotiations by local officials with developers. Even though municipalities can create affordable housing without public subsidy, they may need the use of public funds to make a development financially viable if they choose to create a development that is 100% affordable or that serves families with very low incomes in order to accommodate the full breadth of a local workforce or senior population.

Fortunately, a number of methods exist by which governments can generate funds locally to support affordable housing development. In addition to drawing on numerous sources of federal and state funding, municipalities can create local housing trust funds to provide a regular and dedicated source of funds for affordable housing opportunities. Permanent funding streams for housing trust funds may be generated through a variety of policies, including the establishment of a demolition tax, the institution of a commercial linkage fee, or the creation of a Tax Increment Financing (TIF) district.

The case studies in this section demonstrate how municipalities, through the use of locally generated affordable housing funds, can support the creation of affordable housing that meets the community's needs:

- **Housing Trust Funds**
  Housing trust funds are flexible local accounts that may distribute funds to support the creation or preservation of affordable housing developments. The Hollywood Palms Apartments case study illustrates how San Diego used its housing trust fund, supported primarily through the city's commercial linkage fee, to finance the development of apartments reserved entirely for families earning 60% of area median income (AMI).

- **Demolition Taxes**
  In order to address the problem of the loss of affordable housing through the demolition of modest homes and to create a source of funds for new affordable housing development, demolition taxes generate revenue when existing residential structures are demolished. Highland Park, Illinois, has used the funds collected through its demolition tax to support the construction of six new town homes, all of which are priced affordably. Further, the city has ensured that the use of public funds will serve the community for many years to come by guaranteeing the long-term affordability of the homes using a community land trust.

- **Tax Increment Financing (TIF) Districts**
  TIF districts allow new property tax revenue to be amassed within the district and allocated to qualifying projects. These case studies show how TIF funds can help produce developments that bring numerous benefits to a community. At The Phoenix at Uptown Square in Chicago, Illinois, TIF funds helped support the renovation of three historically significant structures to include some affordably priced condominiums, as well as significant retail space, all in a walkable area. The Senior Suites development, part of a comprehensive redevelopment strategy, provides affordable rental housing for seniors in one of the fastest growing areas of Chicago, again through the use of TIF funds.

- **Commercial Linkage Fees**
  Linkage fees help mitigate the negative impact on the supply of affordable housing that can be caused by new commercial development by assessing a fee in proportion to the housing needs created by the new economic development. In the SOMA Family Apartments case study, the city of San Francisco utilized the significant amount of revenue generated by its Jobs/ Housing Linkage program to fund a large family development reserved entirely for households earning at or below 60% of AMI. Although the creation of a commercial linkage fee may require special legal consideration, the San Francisco example provides a useful illustration of the opportunity to create a development entirely affordable to low-income households through the use of locally generated funds.

HOUSING TRUST FUNDS

San Diego Housing Trust Fund

Hollywood Palms Apartments

The Development:
Hollywood Palms Apartments • San Diego, California

Hollywood Palms Apartments in the City Heights neighborhood of San Diego is a 94-unit rental development reserved for families earning 60% or less of area median income (AMI). Completed in 2003, the development has helped meet the city's need for larger family apartments, providing 44 two-bedroom, 28 three-bedroom, and 22 four-bedroom units. A key source of funding for its development was San Diego's Housing Trust Fund.

HOUSING TRUST FUNDS

- Help leverage other public resources and private equity to finance developments
- Allow communities to custom fit funds to their particular priorities with minimal administrative burden
- Have supported the creation of over 6,500 units of affordable housing in San Diego
- San Diego's fund generates most of its revenue through a commercial linkage fee

The Tool: Housing Trust Funds

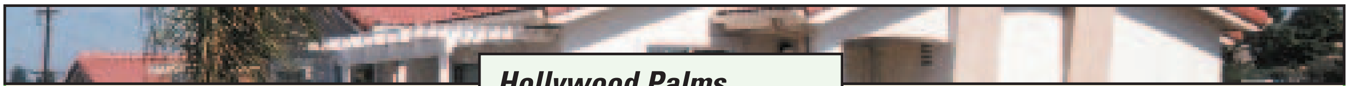
Housing trust funds are accounts, like bank accounts, that may receive dedicated sources of public funds and distribute funds toward development, rehabilitation, and preservation of affordable housing units. The funds can vary widely as to the sources of their revenues, the types of projects they support, and how the funds are administered. This flexibility is one of the key benefits of housing trust funds, as it allow communities to custom fit the fund to their particular strengths, needs, and priorities with minimal administrative burden. Because housing trust funds are established locally, they are free from federal intervention and restrictions, allowing them to be a flexible tool designed to fit the needs and conditions of a particular community.

San Diego Housing Trust Fund

In San Diego, for example, the Housing Trust Fund (HTF) is the city's most flexible source of financing for affordable housing development. The San Diego Housing Commission uses HTF dollars as a gap financing measure and to help projects meet matching requirements for other funding sources such as federal HOME funds and the State of California's Local Housing Trust Fund Program.[1] In this way, the city can leverage local HTF funds to secure additional funds for developments, make projects more competitive for Low Income Housing Tax Credits, and promote developments, such as special purpose housing, that might otherwise not receive funding.

San Diego's Housing Trust Fund program has been extremely successful. The Fund was created in 1990 to address the city's need for low- and moderate-income housing by encouraging private sector activities that advance affordable housing opportunities. The HTF has helped to transform affordable housing in San Diego from small projects initiated mainly by non-profit community development corporations to larger, more complex projects undertaken by a range of developers. Over the course of its history, HTF investments have included \$27.6 million for developing 4,100 rental and special purpose housing units; \$9 million for rehabilitating 1,500 owner-occupied units; \$5 million for 1,100 units for first-time homeowners; \$2.2 million for non-profit capacity building; and \$12.5 million for transitional housing.

In general, funds can be used for the new construction and rehabilitation of rental housing, transitional housing, special purpose housing, owned-occupied rehabilitation, and first-time homeowners. By city ordinance, particular percentages of its assistance must benefit very-low-income households (at or below 50% of AMI), low-income households (between 50% and 80% of AMI), and first-time homebuyers. Rental housing developments must remain affordable for 55 years and are restricted through the use of



Hollywood Palms

- 94-unit rental development
- All units are reserved for families at or below 60% of AMI
- Affordable rents range from $591 to $693/month for two-, three-, and four- bedroom apartments; market rents are about $1100 to $1550/month
- Use of Housing Trust Funds helped leverage financing necessary to complete the project

covenants, conditions, and restrictions (CC&Rs).

The San Diego Housing Commission awards funding through a continually open Notice of Funding Availability. Awards correspond to programmatic strategies outlined in the Annual Plan. To ensure that plans reflect community needs, conditions, and priorities, a community task force helped to design the fund in 1990, and public meetings precede the adoption of each year's Annual Plan.

The Housing Commission awards both loans and grants with HTF funds, with most rental developments receiving loans. These loans are typically structured to be repaid through residual receipt payments or at the back end of financing, allowing the developer to repay other loans before repaying HTF loans. As loans are repaid, HTF becomes a self-sustaining resource.

While the HTF has occasionally received revenue from the sale of city-owned property, CDBG loan repayments, and from a Transient Occupancy Tax,[2] the San Diego HTF's primary revenue source is the city's commercial linkage fee. This fee is charged to commercial and industrial buildings on a square-foot basis at the time building permits are issued for new construction or renovations that change a structure's use.[3] Over $39 million has been raised for the Housing Trust Fund from the commercial linkage fee since the program's creation.

In 2003, San Diego created an Inclusionary Housing Program. The ordinance requires that developers of two or more residential units must price at least 10% of their units at levels affordable to families with incomes at or below 65% of AMI for rental developments or 100% of AMI for homeownership units.[4] The ordinance allows a fee to be paid in lieu of providing the affordable housing units.[5] This in-lieu fund has collected over $1 million since its creation, with over $3 million more expected based on permit applications currently being processed. Dollars from this fund are used to support affordable rental housing development and may supplement funds from the city's Housing Trust Fund. In addition, over 2,000 affordable units have been or are expected to be built under the ordinance.

Using the Housing Trust Fund to Develop Hollywood Palms

Construction of the Hollywood Palms Apartments, a development reserved exclusively for households earning less than 60% of AMI, originally began without support from the city's Housing Trust Fund. The project had received Low Income Housing Tax Credits, but these required that the development be placed in service by December 2000. When the developer did not meet the deadline, the tax credits were forfeited, leaving the project half-complete. When the Housing Commission learned that the project was in jeopardy, it stepped in to help restructure the financing and preserve the affordable units. A community task force was formed to give input into how the design and construction could be completed.

The Fox Hollow Limited Partnership was restructured, creating a new partnership between the non-profit City Heights Community Development Corporation, a newly added for-profit developer, Affirmed Housing Group, and the original tax credit equity investor. This limited partnership took over the development and worked with the Housing Commission to refinance the project. The Housing Commission granted the project a $900,500 HTF loan. These funds met the federal HOME funds matching requirement, allowing the project to secure an additional $1,299,500 in HOME funds. The Housing Commission also worked with the developers to help them secure $6,550,000 in tax-exempt bonds and $4,540,910 in newly issued Low Income Housing Tax Credits. The Fox Hollow Limited Partners agreed to contribute $1,321,000 of equity to complete the financing.

In this way, San Diego's Housing Commission used its Housing Trust Fund to leverage the financing needed to construct a thriving development that would serve low-income families exclusively. Opened in 2003, Hollywood Palms provides 94 affordable family units, including 21 units that are affordable to families earning 50% of AMI and 73 units that are affordable to families making 60% of AMI. In a mar-

ket where two-bedroom units are rented for $1,100 a month, the maximum two-bedroom rent at Hollywood Palms is $591. Typical market-rate rent is $1,500 a month for a three-bedroom apartment and $1,550 for four bedrooms, but maximum rent for Hollywood Palms units is $651 for three bedrooms and $693 for four-bedroom apartments.

Conclusion

Because housing trust funds are locally administered, they provide cities with flexibility to meet their own community needs and priorities. Cities can determine for themselves the source of the revenue, the process for awarding funding, and the types of projects that receive assistance. While the direct assistance provided by a housing trust fund may be modest compared to the total development cost, it can be leveraged to make affordable housing units possible by attracting private equity and other public resources.

[1] Interview with Ann Kern, San Diego Housing Commission, August 2004. Ann Kern provided a significant portion of the information about San Diego's Housing Trust Fund and the Hollywood Palms Apartments.

[2] The Transient Occupancy Tax is a 10.5% surcharge on hotel rooms.

[3] San Diego's current Housing Impact Fee is $1.06 per square foot for office and comparable uses, 80 cents per square foot for research and development space, 64 cents per square foot for hotels, retail, and manufacturing, and 27 cents per square foot for warehouses.

[4] San Diego Housing Commission, *Inclusionary Housing Programs*, http://www.sdhc.net.

[5] The fee-in-lieu is currently $1.75 per square foot and will increase to $2.50 per square foot on July 3, 2005.

DEMOLITION TAXES

Highland Park Demolition Tax

Temple Avenue Town Homes; photo courtesy of Highland Park Illinois Community Land Trust

The Development:
Temple Avenue Town Homes • Highland Park, Illinois

The Temple Avenue Town Homes consist of six affordable homes constructed in the upscale and built-out suburb of Highland Park, Illinois, where the median home value is over $430,000.[1] The units were targeted to families at different income levels ranging from below 60% to 100% of the area median income (AMI). Revenue collected from Highland Park's demolition tax and distributed through its Housing Trust Fund supported construction of the development.

The Tool: Demolition Taxes

Demolition taxes generate revenue when existing residential structures are torn down. Demolition taxes may be used to offset the negative effects of teardowns on a community. When buyers demolish an existing house, replace it with a much larger new house, then sell the new residence for a significant profit, the new structures often do not match the scale, appearance, and character of the surrounding neighborhood. As a result, many municipalities view teardowns as a negative phenomenon that disrupts established neighborhoods and may threaten the character of the community.

Furthermore, teardowns can have a negative impact on a community's stock of moderately priced housing. The demolition of existing older, smaller residences – which are typically more affordable – and replacement with new, larger residences may reduce the diversity of a community's housing stock and affordable housing opportunities. Teardowns may also contribute to property value increases that further the difficulty of providing affordable housing within a community, as land costs may reach a point that renders the development or preservation of affordable housing financially infeasible.

DEMOLITION TAXES

- Collected when existing residential structures are demolished
- Creates new, ongoing funding source for affordable housing
- Helps offset trend toward demolition of smaller homes and preserves community character
- Highland Park has collected $900,000 from its demolition tax in about two years

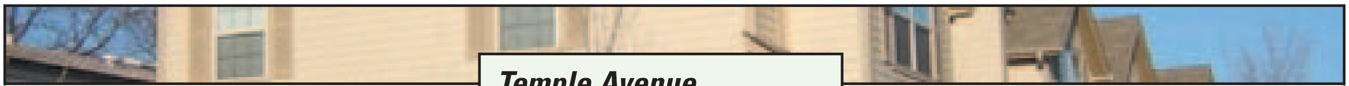
Highland Park Demolition Tax

In 2002, the City of Highland Park adopted an Affordable Housing Demolition Tax in order to: 1) offset the trend toward demolition of smaller, usually more affordable residences and 2) establish a permanent funding stream for its Housing Trust Fund. Prior to adoption of the demolition tax, Highland Park had experienced a wave of teardowns in many of the older neighborhoods within the city. Escalating land prices had also increased the number of residential teardowns, changing the character of the neighborhood.

The demolition tax is a tax on residential demolitions. For single-family homes, the tax is $10,000.[2] For multiple-family residential buildings, the demolition tax is $10,000 or $3,000 per unit, whichever is higher.[3] In addition, a demolition permit fee of $500 is required for all demolitions within Highland Park. Since its inception in 2002, the demolition tax has generated over $900,000 in revenue for the Housing Trust Fund. About 50 demolitions each year continuously finance the Fund. In fiscal year 2004 alone, the tax generated $570,000 from 57 teardowns.

In limited circumstances, the demolition tax may be waived. An exception to application of the tax may be found if: 1) the owner replaces the demolished structure with affordable housing on site or at another site or 2) the applicant for demolition has been the owner and occupant of the structure for the five years preceding demolition and continues as the owner and occupant of the replacement structure for five years after demolition.[4]

Revenue generated by the demolition tax is placed into Highland Park's Housing Trust Fund. The Housing



Trust Fund, along with other affordable housing strategies, was created as a result of the city's 2001 Affordable Housing Plan. The Plan was developed in response to resident concerns that housing market trends – including rising land and housing costs and a loss of affordable units over the years – threatened Highland Park's diversity, the character of neighborhoods, and severely limited housing options for a broad range of families currently living and working in the community.

Temple Avenue Town Homes

- Six affordable townhomes targeted to families with incomes from below 60% to 100% of AMI
- Town Homes were sold for between $110,000 and $190,000
- Funded partially with demolition tax funds
- Long-term affordability is guaranteed through placement in a community land trust
- All buyers live or work in Highland Park

Temple Avenue Town Homes: Demolition Taxes Provide Needed Funding for Affordable Units

The six affordable homes at Temple Avenue Town Homes were constructed as the result of active involvement by the city of Highland Park and the use of demolition tax revenues. The builder, Brad Zenner, first acquired the parcel as a nuisance property that was sold at public auction. He approached the city of Highland Park about redeveloping the land, and the city suggested that he work in conjunction with the nonprofit community land trust to develop affordable housing on the site. Construction on the site began in December 2003.

The Temple Avenue Town Homes were completed in August 2004. All units have three bedrooms, two and one-half bathrooms and two car attached garages. Market-rate prices for townhomes in Highland Park average over $300,000,[5] and the median home value for a single- family home in Highland Park is nearly $430,000. The cost of the Temple Town Homes ranged between $110,000 and $140,000. All of the units will remain permanently affordable through inclusion in the Highland Park Illinois Community Land Trust (HPICLT).

The units at Temple Avenue are targeted toward a mix of incomes. Two town homes were reserved for families making less than 60% of AMI, two for families at less than 80% of AMI, and two at 100% of AMI.

The town homes are priced according to the buyer's income. Each applicant must qualify for the maximum amount of mortgage that his or her income will permit through a participating lender. The HPICLT owns the land and subsidizes the home to an affordable level that the applicant can afford. The subsidy will vary, from approximately 20% to 55% of the market cost of the unit. Priority is given to low- and moderate-income homebuyers who live or work in Highland Park.

The total cost of the project was $1,475,000. Financing included $335,800 from the Highland Park Housing Trust Fund (provided by the demolition tax), $120,000 from the Lake County Affordable Housing Program, $80,000 from the Illinois Housing Development Authority, and a $30,000 grant from the Federal Home Loan Bank. The HPICLT negotiated the price of the project with the builder. Once completed, the units were sold to the HPICLT, which in turn sold the units and leased the land to the prospective homebuyers.

All of the families who have moved into the Temple Avenue Town Homes live or work in Highland Park. The families include a hospital worker, a nurse at the local high school, a family who has rented in Highland Park for 13 years, two city employees, and a schoolteacher.

Conclusion

Demolition taxes can provide a significant source of revenue for affordable housing development while also discouraging destruction of a community's more affordable housing stock. Use of demolition tax funds through a housing trust fund facilitates the city's control over development projects and allows the town to shape housing developments to meet its own affordable housing priorities.

[1] 2000 U.S. Census Data, adjusted for inflation to 2004 dollars. $431,616 is the adjusted median value for specified owner-occupied homes.

[2] City of Highland Park, *Demolition Tax Fact Sheet*, http://www.cityhpil.com/pdf/demopermits.pdf.

[3] *Id*.

[4] *Id*.

[5] Interview with Mary Ellen Tamasy, Highland Park Illinois Community Land Trust, August 2004. Mary Ellen Tamasy provided a significant portion of the information about the Temple Avenue Town Homes.

TAX INCREMENT FINANCING DISTRICTS

Lawrence/ Broadway and Near South TIFs

Top photo: The Phoenix at Uptown Square; lower photo: Senior Suites at Central Station

The Developments:

The Phoenix at Uptown Square • Chicago, Illinois

Senior Suites of Central Station • Chicago, Illinois

Completed in 2004, The Phoenix at Uptown Square in Chicago, Illinois, accommodates both ground-level retail space and 37 condominium units, eight of which were sold at the affordable price of $100,000. The financing for the project was supported by funds from the area's Tax Increment Financing District, which made possible the rehabilitation of the historically significant structure and the provision of 20% of the housing units as affordable. The Phoenix at Uptown Square demonstrates how TIF funds can be used to ensure that new redevelopment in a rapidly appreciating neighborhood can include affordably priced housing, in addition to producing vital retail establishments, all in a walkable area.

Senior Suites of Central Station consists of 96 apartments and is dedicated to housing moderate-income seniors. Constructed in 1996, it is located in the burgeoning Central Station community of Chicago's South Loop. The development serves seniors at two income levels: 40 units are reserved for seniors earning less than 50% of the area median income (AMI) and 56 are dedicated for those earning less than 60% of AMI. TIF funds were used to acquire the land and helped the developer leverage other financing sources.

TAX INCREMENT FINANCING

- Allocates new revenue from increased property value to eligible projects in a designated area
- No tax increase occurs; funds are disbursed as additional tax revenue accrues
- Funds may be used for public improvements, including affordable housing development
- Flexible standards allow many areas to qualify for TIF designation

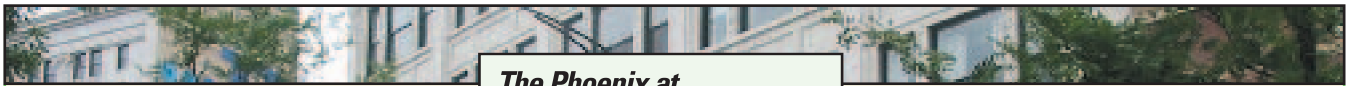
The Tool: Tax Increment Financing Districts

Tax Increment Financing (TIF) is a tool that allocates new revenue from property taxes in a designated area to pay for improvements within that area. These new revenues, also called increment, arise if new development takes place in the TIF district, or if the values of existing properties increase. Guidelines that allow for the creation of TIF districts are provided by state law. In Illinois, TIF districts are limited to lifespans of 23 years by state statute.

TIF districts operate on the assumption that assessed values of properties within the district will increase, thereby generating additional property tax revenue to fund improvements within the district. TIF districts do not impose new taxes; they only re-allocate how supplemental tax revenue will be spent.

Additional tax revenue that is allocated to the TIF fund may be created a few ways. New development on vacant land could generate new taxes not paid while the land was vacant. Improvements on an existing parcel, such as an addition to a house, factory, or store, could increase the taxable value of the parcel. Or, the taxes on existing properties could go up, either because of inflation or because of increased property values in the neighborhood. All of this new tax revenue would be allocated for qualifying projects (e.g., infrastructure, housing) within the TIF district.

Illinois's TIF law was amended in 1999 to increase the availability of TIF funds for use in affordable housing development. Although most TIF-funded developments are not allowed to use TIF funds to pay for brick-and-mortar costs of new construction, the new law makes an exception for affordable housing developments, allowing up to 50% of these costs to be paid with TIF funds.[1]



The Phoenix at Uptown Square

- 8 of 37 condominium units priced affordably
- Affordable units sold for \$100,000; market-rate units for up to \$400,000
- TIF funds supported historic renovation as well
- Development combines retail and condominium ownership

In addition, up to 75% of the interest costs of financing affordable housing developments – an increase from 30% – may be paid for with TIF revenues.

The criteria under Illinois law for TIF district creation are very broad and subject to much interpretation.[2] Nearly every property in Illinois is a potential TIF district, depending on the wishes of the municipality. State law allows TIFs to be established in areas that are "blighted" or in danger of becoming blighted (called "conservation areas").[3] There are 13 specifically enumerated factors to be considered when determining whether an area qualifies as "blighted" or a "conservation area," such as deterioration, vacancy, overcrowding, lack of community planning, or inadequate utilities. Five of these factors must be met for an area to qualify as "blighted," while only three factors plus the presence of structures over 35 years old are needed for an area to be termed "conservation."

To determine if an area is eligible to become a TIF district, a city usually hires a consultant to conduct an eligibility study. If the area meets state standards, the city creates a redevelopment plan and project budget. These documents provide a roadmap to locally designated priorities and a plan for how the TIF dollars will be spent over the life of the district.

Without outside funding, it usually takes a few years of property value increases after a TIF district is created before revenues are sufficient to fund public projects. To cover the gap between TIF creation and availability of funds, many communities choose to jump-start the TIF by issuing municipal bonds to cover initial improvements. Typically, the bonds are secured by projected TIF revenues.

The city of Chicago has one of Illinois' most active TIF programs, with nearly 130 TIF districts. The city of Chicago's Mayoral Affordable Requirements Ordinance requires that when a developer receives TIF funds to develop housing, at least 20% of the units must be priced as affordable to families earning up to 60% of AMI for rental units or earning up to 100% of AMI for homeownership units.[4] In this way, the city ensures that when TIF funds are used to revitalize a neighborhood, long-time residents, seniors, and the local workforce are able to remain. As of 2002, TIF dollars had helped to create over 1,800 units of affordable housing in Chicago.[5]

The Phoenix Uses TIF Financing to Rehabilitate Historically Significant Structure

The Phoenix at Uptown Square utilized a TIF district to rehabilitate and reconstruct three historically significant buildings and to sell 20% of the new housing units affordably. The development incorporates a mixture of retail space and 37 condominium units, eight of which are affordable.

The Phoenix developer, Joseph Freed and Associates, was interested in undertaking a project that involved a mix of residential and retail.[6] In planning the project, the developer engaged in negotiations with the city concerning the condition of the buildings, the cost of the land, and the feasibility of the project.

From the beginning, Freed and Associates identified the parcel as a potential candidate for inclusion in a TIF district. Because of its interest in the potential development, Freed funded the studies that laid the foundation for creating the district. Created in 2001, the Lawrence/Broadway TIF district that encompasses The Phoenix consists of 74 acres of commercial and residential land in Chicago's Edgewater and Uptown communities. The total projected budget for the TIF district over its 23-year life is \$35 million. In its first two years, the TIF district accumulated over \$1 million in increment for projects in the district.

TIF assistance to The Phoenix helped create more than affordable housing. The project also included a significant retail development as well as the preservation and restoration of three buildings as historic structures. Two of the buildings were built around 1915, and the third was constructed in 1930. They had served as banks, department stores, and hotels, but had fallen into disuse when Freed and Associates approached the city about developing the site. During redevelopment, two of the structures were rehabbed and the buildings' terra cotta exteriors were restored. The third was completely reconstructed. Residential units occupy two of the buildings, while the third is now home to a large bookseller.

The Phoenix also benefited from participating in the city's Chicago Partnership for Affordable Neighbor-

hoods (CPAN) program. The development received CPAN funding support, and prospective affordable homebuyers were provided homebuyer assistance and screened by the city's Department of Housing.

The project was completed in 2004 for a total cost of $24 million. With the exception of $6.9 million in TIF dollars and $320,000 in CPAN funds, the project was privately financed.

The sales price of the affordable units represented a significant savings for affordable buyers compared to the price of the market-rate units. With the assistance of the local aldermen, affordable units sold for $100,000, compared to market-rate sales prices between $200,000 and $400,000.

Over 400 people initially expressed interest in purchasing the eight affordable units. Following income qualification tests and the required homebuyer training courses, over 100 hopeful buyers participated in a lottery for The Phoenix's eight affordable units.

Senior Suites Utilizes TIF Financing to Construct Senior Apartments

In the mid-1990s, Chicago's mayor recognized the need to address the city's ongoing shortage of affordable housing for seniors. The Senior Suites Chicago Corporation, an affiliate of the Senior Lifestyle Corporation (SLC), agreed to partner with the city to produce affordable senior housing across the city that would allow seniors to remain in their neighborhoods. Relevant city agencies, including the Departments of Housing, Aging, and Planning and Development, and local aldermen, all gave the Senior Suites project priority status. To ensure the development would address the community's needs, SLC met with local seniors and neighborhood groups, and consulted with outside experts.

The first Senior Suites community opened in April 1995 on the city's northwest side. Senior Suites at Central Station, constructed in 1996, followed shortly thereafter. All of the apartments in the 96-unit development are affordably priced. Fifty-six of the units are set aside for seniors earning at or below 60% of AMI; the remaining 40 units are reserved for seniors earning at or below 50% of AMI.

Senior Suites

- All units reserved for seniors earning at or below 60% or 50% of AMI
- Affordable apartments rent for prices between $623-$762/month
- Market-rate homes in the neighborhood sell for up to $1.7 million
- Development made possible by use of TIF funds and other federal funding sources

"Lasagna" Financing

The total cost of the Senior Suites development was $9.6 million financed as follows:

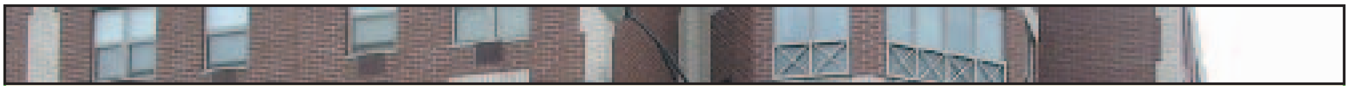
- $5.1 million loan from the city of Chicago backed by HOME dollars
- $2.5 million in Low Income Housing Tax Credits
- $1.0 million in private loans
- $960,000 in TIF funds

Senior Suites at Central Station was developed as part of the larger Central Station planned community. This 80-acre community is being constructed on the site of the abandoned tracks of the former Illinois Central Railroad, which dominated Chicago's near south side for more than a century. The $3 billion Central Station development will ultimately consist of 14 million square feet of new construction, including 8,000 new rental and for-sale homes, retail space, hotels, offices, and space for commercial uses. Mere minutes from Chicago's downtown business district, the community is close to the city's Museum Campus, Soldier Field, Grant Park, the Universities of Chicago and Illinois, and the Lake Michigan shore line.

An important component of the Central Station development was the designation in 1990 of a TIF district encompassing the area, including portions of Chicago's Loop and South Loop areas. Between 1990 and 2002, this TIF district earned over $86 million in increment.[7] As the real estate market of the South Loop burgeoned, the TIF reaped additional benefit, earning over $25 million in increment during 2002 alone.[8] According to Gerald Fogelson, chair of one of the corporate partners in the Central Station development, "the original Central Station TIF, which now is called the Near South TIF, was absolutely vital to the success of this project."[9]

Rents in the Senior Suites development range from $623 to $635 for studio apartments and from $707 to $762 for one-bedroom apartments. Rents include heat, electric, and air conditioning, monthly housekeeping service, weekly transportation to the grocery store, and use of laundry machines and exercise equipment.

The total cost of the development was $9.6 million.



TIF funds in the amount of $960,000 were used to acquire the land for the development. In addition, SLC used $2.5 million in Low Income Housing Tax Credits, a $5.1 million loan from the city backed by HOME funds, and $1 million in private equity to fund the development.

The Senior Suites model has been so successful that today, 12 Senior Suites communities have been built in Chicago, with three more in various stages of production. All Senior Suites developments are committed to providing affordable rental housing to seniors.

Conclusion

Created in accordance with state law, TIF districts can generate significant revenue for affordable housing development, providing a useful tool to municipalities interested in including affordable units in private construction projects. Revenue generation through TIF districts does not require the assessment of new fees or an increase in tax rates. Instead, it provides a funding alternative for communities searching for creative ways to support affordable housing development.

1 65 ILCS 5/11-74.4-3(q)(11).

2 Illinois law regarding TIF creation is set out in the Illinois Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, *et seq.*

3 TIFs may also be established for industrial park conservation areas in locations with 1) high unemployment rates, 2) land zoned as industrial, and 3) vacant land suitable for industrial use and an adjacent blighted or conservation area. In some cases, vacant land that qualifies as a blighted area or an industrial park conservation area and also satisfies additional criteria may qualify for TIF designation.

4 Chicago's ordinance also requires that development on land purchased from the city at a reduced price must include at least 10% affordable housing. CHICAGO, IL., MUNICIPAL CODE, ch. 2-44-090.

5 Neighborhood Capital Budget Group, *TIF Almanac*, 2003, at 32.

6 Interview with Dennis Harder, Joseph Freed and Associates, July 2004. Dennis Harder provided a significant portion of the information about The Phoenix at Uptown Square.

7 Neighborhood Capital Budget Group, *TIF Profile: Near South*, http://www.ncbg.org/tifs.

8 *Id*.

9 Deborah Johnson, *The New Face of Chicago's South Loop*, URBAN LAND, April 2002, at 1. Fogelson is the chair of Fogelson Properties, which is one of the partners in the joint venture to develop Central Station.

COMMERCIAL LINKAGE FEES

Jobs/ Housing Linkage Program of San Francisco

SOMA Family Apartments

The Development:
SOMA Family Apartments • San Francisco, California

The SOMA Family Apartments, 74 units of affordable housing constructed in San Francisco's South of Market neighborhood, were developed in part using funding from the city's commercial linkage fee. When combined with the studio apartments next door, this 100% affordable, community-oriented development provides the neighborhood with housing, childcare, education and services, and a new grocery store.

The Tool: Commercial Linkage Fees

New commercial development benefits localities in several ways, but it can also have an impact on the availability of affordably priced housing. Commercial development can increase housing costs by driving up property values and generating increased demand for moderately priced housing from workers in newly created jobs. Linkage fees can mitigate these effects by generating affordable housing resources in proportion to new economic development. In most linkage strategies, a fee is assessed to a new commercial property, and the funds are used to support affordable housing initiatives. This program works to correct the jobs/ housing imbalance created when there are insufficient housing opportunities for workers to live close to their jobs.

A linkage fee is generally established by local legislation and typically administered by city staff. The local agency that issues building permit applications and zoning variances typically collects the fees. The revenue generated is directed into a housing trust fund. Once the fee is in place, the program will generate funds without any further need for action.

In most cases, linkage fees are charged per square foot of the new development and vary depending on the use of the land. To determine the amount of the fee, officials must decide how many new affordable units are needed due to the new development and then determine the difference in cost between developing affordable units and market-rate units.[1] Often, there is a proximity requirement incorporated into the linkage program to ensure that the affordable housing is built in the area affected by the commercial development.

Municipalities designing commercial linkage fee programs can tailor the program to fit their city's needs. Considerations might include: which types of development will pay the fee, how much each type of development will pay, and what the geographic boundaries of the policy will be.[2] Most commercial linkage fees apply to commercial development, including office, retail, and hotel space, and some also include new industrial development. Many exempt small businesses under a certain minimum square footage from the fee.

Rates established by cities with linkage fees range from 50 cents to $14.00 per square foot. The rate of the linkage fee should relate to the increase in the need for affordable housing created by the new commercial development. For example, in the Chicago metropolitan area, it has been estimated that for every 100 jobs added to an area that is already short on affordable

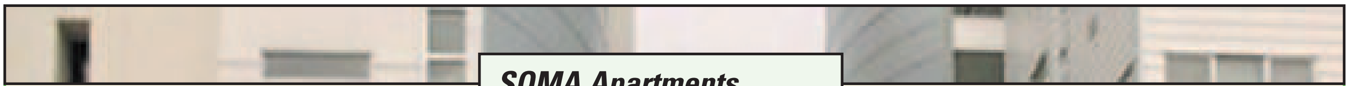
COMMERCIAL LINKAGE FEES

- Generate affordable housing funds by assessing new commercial or industrial development
- Help ensure that new economic development leads to growth of balanced communities
- Has raised $38 million in San Francisco and led to construction of 4,600 units of affordable housing

"LASAGNA" FINANCING

The total cost of SOMA Apartments was approximately $23.7 million. The funds were secured as follows:

- $11.3 million in commercial linkage fee revenue
- $9.7 million in tax credit and private construction loans
- $2.5 million in Tax Increment Financing funds
- $200,000 in bond funding



housing, a need for 15 additional affordable housing units within reasonable commuting distance is generated.[3]

Linkage fees require special legal considerations. In order to implement a fee, proponents must demonstrate that the linkage fee is connected to the impacts of the proposed development and that it is proportional to the nature and extent of those impacts. In Illinois, courts have held that exactions such as linkage fees are permissible only if they meet needs that are "specifically and uniquely attributable" to the developer's activity and are directly proportional to those needs.[4] In other words, the commercial development incurring the fees would definitely introduce new employees into the locality that the current housing market could not support, creating a lack of affordable housing. Municipalities should therefore work carefully with their legal counsel when enacting this tool.[5]

SOMA Apartments

- 74 units of moderately priced housing
- Units affordable to families at or below 50%-60% of AMI
- Rents range from $500 to $1,600
- Community includes commercial space, childcare facility, grocery store, computer center, and courtyard

Jobs/ Housing Linkage Program of San Francisco

San Francisco – one of many cities that has a commercial linkage fee – first employed this strategy in 1981, when it linked the development of office space to incentives to develop affordable housing as an informal planning commission policy. In 1985, the city formally enacted a program requiring all office developers to make a monetary contribution for affordable housing based on the size of the development. The scope of the ordinance was expanded in 2001 to apply to entertainment, hotel, office, research and development, and retail projects over 25,000 square feet. All revenue collected through the linkage fee is deposited in an Affordable Housing Fund, which is administered by the Mayor's Office of Housing.

When enacting the ordinance, the San Francisco city council explained that "there is a causal connection between [commercial] developments and the need for additional housing in the City, particularly housing affordable to lower and moderate income…. Due to this shortage of housing, employers will have difficulty in securing a labor force, and employees, unable to find decent and affordable housing, will be forced to commute long distances, having a negative impact on qualify of life, limited energy resources, air quality, social equity, and already overcrowded highways and public transport."[6]

San Francisco's linkage fee rate is currently $13.95 per square foot for entertainment space, $11.21 for hotel, $14.96 for office, $9.97 for research and development, and $13.95 for retail.[7] The levels of the fees were determined by a nexus study completed by the city's planning department that estimated the demand for affordable housing created by various land uses. Instead of paying the linkage fee, a developer may choose to construct affordable housing units based on a formula that obligates it to construct approximately one to three affordable units for every 10,000 square feet of space, depending on the use of the space.

San Francisco has raised approximately $38 million in commercial linkage fees since it adopted a linkage strategy in 1981. These funds, in turn, have resulted in the creation of more than 4,600 units of affordable housing.[8] Fees collected in the Housing Trust Fund are distributed through a Request for Proposal process and have funded a variety of projects, including affordable rental units for families, affordable homeownership units, and single room occupancy units. Rental rates in affordable developments created by the Fund are limited to those affordable to families earning 60% of area median income (AMI) or less.[9]

Using Linkage Fee Revenue to Create Affordable Units at SOMA Family Apartments

The SOMA Family Apartments were made possible by the San Francisco commercial linkage fee. The building, which contains 74 units of family housing, is entirely reserved for low- to moderate-income households. Approximately two-thirds of the development's units are targeted to families below 60% of AMI and one-third are in place for households below 50% of AMI. Rents range from $500 to $1,600, depending on the size of the unit and the income of the applicant.

The SOMA Family Apartments, located in the South of Market neighborhood of San Francisco, are connected to the SOMA Studio Apartments, another affordable development. Together, the developments provide 162 affordable units and represent the largest affordable housing development in San Francisco in a decade. The complex also includes 22,000 square feet of com-

mercial space with a childcare facility and a large grocery store, computer-learning center, large community kitchen, and 10,000 square feet of courtyard space.

The parcel of land for the apartments was purchased in 1999 by the Tenderloin Neighborhood Development Corporation and the Citizens Housing Corporations, two local CDCs that developed the family and studio units simultaneously. The total cost to construct the Family Apartments was $23.7 million. Nearly half of the funding for the project, $11.3 million, was provided by linkage fee revenues.[10] An additional $2.5 million in assistance came from TIF funds, and $.2 million in bond funding was contributed. The remainder of the financing was provided through tax credit and private construction loans.

Conclusion

Commercial linkage fees can provide substantial funding to support affordable housing developments with minimal administrative burden. The fee helps ensure that the moderately priced housing needs created by new economic development are addressed in order to maximize the growth of healthy and diverse communities. Municipalities can structure the fee in a way that best ensures their affordable housing needs are met.

[1] Generally speaking, a municipality will first determine the number of new affordable units needed as a result of a particular type of commercial development. Next, it will estimate the gap between how much a household earning a moderate income can afford to pay for housing and the cost of constructing a new unit. With these figures, a municipality can calculate the fee to be assessed for each category of commercial development.

[2] Policy Link, *Commercial Linkage Fees*, http://www.policylink.org.

[3] *Id*. Estimation performed by the Northeastern Illinois Planning Commission in 1990.

[4] *Pioneer Trust & Savings Bank v. Mount Prospect*, 22 Ill. 2d 375, 380 (1961).

[5] Some municipalities have chosen to enact housing excise taxes rather than commercial linkage fees. Similar to linkage fees, excise taxes collect revenue when a specific act occurs. For example, the city of Boulder applies an excise tax on all new residential and commercial construction. Policy Link, *Community Housing Assistance Program: Boulder, Colorado,* http://www.policylink.org. The tax is currently 21 cents/ square foot for new residential development and 45 cents/ square foot for new commercial development. BOULDER, CO., CITY CODE, §53-9-1. All funds collected from the tax go to the Boulder Community Housing Assistance Program, which creates permanently affordable units for low- and moderate-income households.

[6] SAN FRANCISCO, CA., MUNICIPAL CODE, art. III, §313.2.

[7] *Id*.

[8] Policy Link, *Commercial Linkage Fees*, http://www.policylink.org.

[9] "Area median income" is determined based on income levels in the primary metropolitan statistical area (PMSA). The San Francisco PMSA includes Marin, San Francisco, and San Mateo counties. HUD USER, http://www.huduser.org.

[10] Interview with Joe LaTorre, City of San Francisco, August 2004.

CONCLUSION

The case studies in this book demonstrate the many opportunities for local governments to create affordable housing. Several lessons emerge:

Affordable housing can serve a mix of incomes and create housing for people who live and work in a community. Avalon at Newton Highlands, constructed in suburban Boston, met the town's need for a rental community to serve its young professionals and empty nesters while simultaneously creating 74 apartments affordable to families with incomes from 50% to 80% of the area median income (AMI). Many other developments across the country have provided affordable housing for families living or working in their local community. For instance, in Chapel Hill, North Carolina, all of the community land trust homes in the Larkspur subdivision have been sold to families living or working in the county, including employees of the local university and medical center and a dental hygienist. The Sunset Woods development in Highland Park, Illinois, provides a mix of condominiums affordable to households earning up to 80% or 115% of AMI and apartments affordable at 50 to 60% of AMI, while serving the community's need for senior housing. The large majority of seniors who own and rent at Sunset Woods were residents of or had connections to Highland Park.

Even built-out communities can encourage the development of affordable housing. Even where little undeveloped land is available, a significant number of affordable units can be created through the rehabilitation of existing parcels. In the examples of rehabilitation at 1116 Washington Boulevard and The Phoenix at Uptown Square, property tax incentives and tax increment financing helped make the development of affordable units possible. Further, tools such as rent subsidy programs build upon the existing stock of rental housing to provide affordable units. At The Rosemont, use of rent subsidies created 34 affordable apartments. Additionally, a community that adopts an inclusionary zoning program will ensure that any future residential development within its borders will result in the production of affordable housing.

Municipalities can stimulate affordable development without spending public dollars. Most simply, a municipality can relax zoning restrictions while still creating a development that will fit within the character of the community. By clearly providing for the construction of multifamily developments within its borders, a town may encourage previously reluctant developers to propose rental or ownership developments with affordable components. Further, municipalities may consider modifying density limitations or providing other zoning concessions to allow slightly higher levels of density. By granting modest increases in density or providing other concessions in zoning or development standards, a municipality can help a developer to gain increased revenues from additional units or decrease the developer's cost. In doing so, the municipality can encourage, negotiate for, or require the inclusion of affordably priced units in the development. Developments in Montgomery County, Maryland; Chicago, Illinois; Chapel Hill, North Carolina; and across Massachusetts showcase successful communities with significant affordable components, all constructed privately without the use of public funding.

Affordable housing can be successfully built in low-density developments in affluent communities without a decline in real estate values. Many case studies in this guide feature developments located in affluent or gentrifying areas. In the prosperous, low-density community of Westwood, Massachusetts, the city, through negotiations with a private developer, created 25 affordable single-family homes as part of the new, 100-home Chase Estates subdivision. The presence of affordably priced homes has not hampered real estate values in Chase Estates; today, market-rate homes there sell for up to $800,000. In the same vein, in Boulder, Colorado, where the median home price is about $500,000, the Buena Vista subdivision includes 49 permanently affordable homes reserved through a community land trust. And the Temple Avenue Town Homes in Highland Park, Illinois, provided affordable ownership town homes selling for between $110,000 and $140,000, while the median value for a single-family home in Highland Park is nearly $430,000.

Communities can use a wide range of tools to encourage the creation of affordable housing. All communities can create attractive affordable housing for families of all incomes through the creative application of resources and policy tools.

Business and Professional People for the Public Interest
Regional Affordable Housing Initiative
25 East Washington Street, Suite 1515
Chicago, Illinois 60602
312-641-5570
www.bpichicago.org

AI PROGRESS REPORT – FAIR HOUSING ACTION PLAN

Attachment M

Goal	Action Items	Complexity	Cost	Funding	Time frame	Implementation Partners	Status
#1 - Increase fair housing education and outreach opportunities available to residents; landlords, property management agents and real estate professionals; City staff, appointed boards and commissions; and City municipal leaders	1A – Designate the Housing Advisory Commission (HAC) as the entity responsible for overseeing the implementation of this Fair Housing Action plan with support from the staff liaison to the HAC, the TED Business Group and the City Clerk's Office	Low	Low	City	Short	Lead: City Clerk's Office Partners: HAC, TED, Senior Task Force (STF), Accessible Community Task Force (ACT), Advisory Commission on Disabilities (ACD)	Complete
	1B – Contract with a Qualified Fair Housing Enforcement Organization to conduct paired real estate testing in the rental market based on source of income, disability and race	Low	Medium	CDBG	Short	Lead: City Clerk's Office Partners: HUD-certified fair housing organizations, HAC	Not started
	1C - Contract with a Qualified Fair Housing Enforcement Organization to conduct fair housing education and outreach workshops for residents, landlords, real estate agents, property management agents, lenders, City staff, City Council, and City boards and commissions	Low	Medium	CDBG	Short	Lead: City Clerk's Office Partners: HUD-certified fair housing organizations, HAC, STF, ACT, ACD	In progress – completed for City staff, City Council and commissions
	1D -Contract with a HUD-certified homebuyer counseling organization to provide homebuyer education and financial management training, especially for groups with low homeownership rates	Low	Medium	CDBG	Short	Lead: City Clerk's Office Partners: HUD-certified housing counseling agency, HAC	Not started
	1E - The City will review its procedures for investigating all housing discrimination complaints to ensure they are in full compliance with applicable laws and reflect best practices for investigation and resolution of complaints	Low	Medium	City	Short	Lead: HAC Partners: City Clerk's Office, City Council, HUD-certified fair housing organizations	Complete by May, 2019
	1F - Amend Title 10, Section 5, §10–5–6–1 of the Naperville Municipal Code to allow a housing discrimination complaint to be investigated as long as it is filed within one year of the alleged unlawful act that forms the basis of the complaint	Medium	Low	City	Medium	Lead: HAC Partners: City Clerk's Office, City Council	Complete by May, 2019
	1G - Annually review progress on achieving the AI goals and objectives	Low	Low	CDBG	Long	Lead: HAC Partners: City Clerk's Office, City Council	Ongoing
#2 - Ensure that persons with limited English proficiency can access the City's affordable housing	2A - Develop and implement a Language Access Plan that conforms to HUD'S Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting	Medium	Medium	CDBG	Medium	Lead: City Clerk's Office Partners: TED, Community advocacy groups such as Naperville Indian Community Outreach	Not started

and community development services and programs	Limited English Proficient Persons (72 Fed. Reg. 13; Jan. 22, 2007)						
#3 - Expand affordable housing choice throughout Naperville to meet existing and future market demand for members of the protected classes	3A - 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 this Fair Housing Action Plan	Medium	High	City	Medium	Lead: TED Partners: City Clerk's Office, HAC, STF, ACT, ADC	In progress
	3B - Fully integrate planning for affordable housing and fair housing into the comprehensive planning and implementation process with plan amendments	Medium	Low	City	Long	Lead: TED Partners: City Clerk's Office, HAC, STF, ACT, ADC Planning & Zoning Commission (PZC)	Not started
	3C - Identify parcels of land appropriate for rezoning for multi-family development; amend the City Zoning Map to rezone these parcels and create opportunities for new affordable housing development	Medium	Low	City	Long	Lead: TED Partners: City Clerk's Office, PZC, HAC, STF, ACT, ADC	Not started
	3D - Consider reasonable accommodation requests as a new policy established through this AI, including but not limited to zoning ordinance provisions	Low	Low	City	Short	Lead: TED Partners: City Clerk's Office	Not started
#4 - Advocate for public transit systems to connect lower income neighborhoods and affordable housing communities with major employment centers and education facilities	4A - Work with social service providers to better understand the transportation needs of the protected classes and other lower income households	Medium	Low	City	Medium	Lead: TED Partners: City Clerk's Office, STF, ACT, ADC, social service providers, transit providers	Not started
	4B - Establish a formal policy of encouraging all local units of government and social service agencies, including the City, Park District, Townships and Counties, to locate public service facilities on bus lines, whenever possible	Medium	Low	City	Medium	Lead: TED Partners: City Clerk's Office, City Council, STF, ACT, ACD, transit providers, social service providers	Not started
	4C - Work with Chicago RTA and PACE to coordinate future transit route development with the review and approval process for affordable housing development	High	Medium	City	Long	Lead: TED Partners: City Clerk's Office, PZC, HAC, STF, ACT, ACD, transit providers	Not started

MINUTES
HOUSING ADVISORY COMMISSION
NAPERVILLE MUNICIPAL CENTER, MEETING ROOM A
MONDAY, DECEMBER 3, 2018 – 6:30 PM

A. CALL TO ORDER: 6:31 p.m.

B. ROLL CALL

Commissioners Present: James Bernicky, Michele Clemen, Laura Ellman, Mercedes Haber-Kovach, Linda Kuhn, Steve Lakner, Linda Wilhelm

Others Present: Shebnem Ozkaptan

C. PUBLIC FORUM

Speakers:

1. Mike Ryder – Homeless Alliance:

- City Council is to receive S.B. Friedman's report on 5th Avenue. Council is to provide policy direction, including whether to include 10% attainable housing in the residential component.
- Homeless Alliance and 5th Ave Steering Committee are also calling for 10% for attainable housing. They are asking the Housing Advisory Commission to support this as well.
- Friedman seemed to define workforce and senior attainable income as 100% of AMI. Questions for Friedman: why workforce and senior and not disability? Where does the 100% AMI come from? What area of AMI are they using?
- Assuming the IHDA AMI, 100% for a family of 4 would require a salary of $84,000/year, making the monthly rent $2,100.00 at 30% of income, which is not attainable as workforce or senior housing.
- The Homeless Alliance believes that AMI should be 60%, which would be an income of $51,000/year and monthly rent of $1,270.00 at 30% of income, which is attainable. That would correspond to IHDA's definition of affordable housing, which would increase the percentage of affordable housing in Naperville. Naperville is currently well below minimum percentages defined by IHDA.
- The AI states that the City should affirmatively further the creation of fair and attainable housing, specifically housing near public transportation. The 5th Avenue Development is an opportunity for the City to take steps in that direction; the City Council needs to make the creation of attainable housing a priority.
- The Housing Advisory Commission should actively advocate for the inclusion of properly defined attainable housing in the 5th Avenue development.
- The Homeless Alliance is here to ask for HAC's help in affirmatively furthering fair housing in Naperville. They are requesting a shared copy of data on the residence of municipal workers, as they believe most city employees are priced out of Naperville due to housing costs, which further supports the need for attainable housing.

- Second, they are asking the HAC to make a statement at the City Council meeting supporting the inclusion of at least 10% attainable housing in the 5th Avenue development, with attainable housing being defined as 60% of AMI.
- The Homeless Alliance will also make a statement.

2. Dr. Bob Buckman

- Wanted to back up Mike Ryder and ask that the Commission include the Homeless Alliance Statement in the record.

D. OLD BUSINESS

1. 18-1035 Receive response to the Homeless Alliance request for information on the residency of City employees.

Human Resources Department reported that 94 out of 960 employees are Naperville residents, including full-time and temporary employees, interns and employees of Naper Settlement. More information may be available from the Human Resources Department. They can work with Ruth Broder, Staff Liaison, on this request.

2. 18-1040 Discuss Fair Housing Education Training.

All commissioners attended. Debriefing included the following:

- Three City Council members attended. There was a low level of staff and city council attendance. It was not mandatory. It was disappointing that more did not attend.
- The meetings were very long and a lot of information was not covered.
- One person strongly was against how the person read off the power point verbatim and it made it difficult to stay interested. People who were at the RFP reviews were not at the debrief and should have been included.
- Dr. Bob asked if the RFP provided an outline of what the presentation was going to be, because it may have been too broad.
- The commission should be involved in all steps and in the future, should have more continuity along with verifying materials being provided. Disconnect between RFP review and review of presentation.
- Presentation can be tailored to other audiences, as discussed in the AI recommendation.
- Would like to see more city staff and council members because the topic is so important.
- Would like to have new incoming council members provided with training on this topic during their orientation training.

E. NEW BUSINESS

1. 18-036 Discuss current and pending vacancies on the Housing Advisory Commission.

Bob Fischer's term ended, Edwin Hojnacki resigned and Michele Clemen's term will end in May, 2019. Laura Ellman was elected State Senator and has not determined whether or not she will stay on the commission. Mark Rice will be filling in for the remainder of Edwin's term and will be appointed on 12/18/18. Mr. Rice spoke briefly about his background and experience.

F. REPORTS

1. 18-1038 Receive the updated report regarding progress on the Analysis of

Impediments to Fair Housing Choice (AI) Action Items.

Fair Housing Education is still underway, pending editing PowerPoint slides. 1E and 1F will be done in 2019.

2. 18-1037 Approve the minutes of the September 10, 2018 HAC meeting.

Motion to approve minutes by Lakner/Ellman (7-0).

3. 18-1039 Receive the 2019 HAC calendar.

First meeting would be January 7 and bimonthly thereafter. Motion to accept calendar by Ellman/Lakner (7-0).

G. DISCUSSION OF FIFTH AVENUE WORKSHOP

The Council is split on the topic of what the definition of affordable housing is and what it covers. Friedman has just been hired and has a different definition. Dr. Bob indicated that he felt it was critical that the commission members are present at the council meeting and speak regarding affordable housing. A Straw Poll has been discussed and Council should not bypass the Children's Museum and parking discussion. The straw poll, if passed, would allow Ryan to continue to move forward with Phase 2 before Children's Museum and parking issues are addressed. There are some errors in the consultant's report and Council members are reviewing it closely. It will be helpful for commissioners to be present to comment, if necessary. The Steering Committee considered 10% to be a reasonable goal for attainable housing, but the standard set by the consultant is too high and not truly affordable or attainable.

Regarding the Metra platforms, concern was expressed that the existing platforms are too small for a significant number of additional people. Dr. Bob stated that Metra does not have the funds to build new platforms or add new train cars. In the a.m. trains are packed, but there is no money to expand platforms or add train cars.

A question was asked about whether the Impediments Study defined what attainable housing is for Naperville. The study did not, because that was not the objective.

Several commissioners committed to attending the 5th Avenue Workshop. A suggestion was made that the commission reevaluate its mission after the New Year.

H. ADJOURNMENT

Motion to adjourn by Commissioner Lakner, seconded by Commissioner Haber-Kovach; meeting adjourned at 6:56 p.m.

DuPage Homeless Alliance – Statement to Housing Advisory Commission – 12/3/18
Re: Commission Support on Inclusion of 10% Attainable Housing in 5th Avenue Station Project

My name is Mike Ryder, a member of St. Thomas Church and of the Homeless Alliance.

Tomorrow the City Council will receive the report from City's 5th Ave Development Advocate, S.B. Friedman. The Council is to provide some policy direction on key topics, including whether or not to include of 10% "attainable" housing in the residential component.

- The Homeless Alliance has advocated for at least 10% attainable housing
- The 5th Ave Development Steering Committee has called for 10% attainable housing.
- We have discussed that proposal with the Housing Advisory Commission in the past and are asking the Commission to actively support that objective.

The Friedman policy question would seem to define workforce and senior "attainable" income as 100% of Area Median Income or AMI. The questions for Friedman are:
- How come workforce and senior segments ... and not people with disabilities?
- Where did the 100% of AMI come from?
- What area AMI are they using?

Assuming the Illinois Housing Development Authority or (IHDA) AMI, 100% for a family of 4 would be $84K income ... which would calculate to a monthly rent of $2,115. That is based on 30% of income for rent. That would definitely not be attainable for the workforce or senior segments.

We believe that "attainable" should be defined as 60% of the AMI ... an income of 51K for a family of 4 ... that calculates to a monthly rent of $1,270 per month.

That would correspond to the IHDA definition of affordable housing and would therefore improve the % of affordable housing in Naperville. Naperville is currently well below the IHDA requirement, and subject to litigation.

According to the Analysis of Impediments, the City needs to be affirmatively furthering the creation of fair and attainable housing ... and specifically housing near public transportation. The 5th Ave Development is an opportunity under the city's control to take a step in that direction. The Council needs make the creation of attainable housing a priority in this development.

The Housing Advisory Commission, having responsibility for the implementation the AI recommendations, needs to actively advocate for the inclusion of properly defined "attainable" housing in the 5th Ave Project.

As community partners with the Housing Advisory Committee, we are here tonight to ask for your help to affirmatively further the development of fair and attainable housing in Naperville.

First: We are asking that you share a copy of the data on municipal workers with us. Our concern is that many municipal workers have been priced out of Naperville ... if true, that further supports the need for attainable housing.

We are asking that the Housing Advisory Commission make a statement at tomorrow's City Council meeting supporting the inclusion of a minimum of 10% attainable housing in the 5th Ave Development Project ... with attainable income being defined as 60% of the IHDA AMI. The Homeless Alliance will also make a supporting statement.