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**Title:** Provide direction regarding the proposed Affordable Housing Incentive Program (AHIP) - PZC 22-1-017

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Date	Ver.	Action By	Action	Result
1/17/2023	1	City Council	directed staff	Pass

**CITY COUNCIL AGENDA ITEM**

**ACTION REQUESTED:**

Provide direction regarding the proposed Affordable Housing Incentive Program (AHIP) - PZC 22-1-017

**DEPARTMENT:** Transportation, Engineering and Development

**SUBMITTED BY:** Allison Laff, AICP, Deputy Director

**BOARD/COMMISSION REVIEW:**

The Human Rights and Fair Housing Commission (HRFHC) reviewed the proposed AHIP at their April 4, 2022 and June 6, 2022 meetings. On May 18, 2022, the Planning and Zoning Commission (PZC) open the public hearing regarding AHIP and continued it to the July 6, 2022 PZC meeting. Following two public speakers at the July 6, 2022 meeting and discussion by the PZC, the PZC made a motion to approve the proposed AHIP (motion failed, 8-0).

**BACKGROUND:**

Consultant SB Friedman was engaged by the City in fall 2019 to analyze the City’s housing market and project short- and long-term housing needs. The final plan entitled “Addressing Unmet Housing Needs” was reviewed by the Human Rights and Fair Housing Commission and approved by the City Council in September 2020.

The findings included in the plan were used as the basis for developing a menu of policy options to address identified housing challenges and capitalize on opportunities to create diverse housing options at various price points. One of the key recommendations included in the plan was the development of an Inclusionary Zoning Ordinance (IZO) that would link the creation of affordable housing units to market-rate residential development.

In January 2021, the City Council directed staff to begin work on an IZO. On February 16, 2021, the City Council awarded Procurement 21-054, Inclusionary Zoning Ordinance Advisory Services, to SB Friedman and Duncan Associates (subconsultant).

### ***June 2021 Workshop***

On June 21, 2021, the City Council held a workshop to discuss a potential Inclusionary Zoning Ordinance (IZO) for Naperville. At the conclusion of the workshop, there was City Council consensus to focus affordable housing efforts on voluntary measures which result in increasing the number of affordable units and which may include the use of incentives, such as density bonuses.

### ***November 2, 2021 City Council Meeting***

At the November 2, 2021 City Council meeting, SB Friedman and Duncan Associates presented a proposed voluntary affordable housing program which was developed based on feedback gained from the City Council in August/September 2021. At the conclusion of the City Council discussion on November 2<sup>nd</sup>, the City Council directed staff and SB Friedman/Duncan Associates to draft an ordinance for presentation to the HRFHC and PZC.

### ***Work Following November 2, 2021 City Council Meeting***

Following Council discussion on November 2, 2021, SB Friedman tested the financial impacts of the proposed voluntary affordable housing program to confirm its viability and refine the final menu of incentives to be offered through this program.

SB Friedman, Duncan Associates, and city staff additionally discussed the proposed program with representatives of the residential development (Pulte Development Corporation; Lincoln Properties) to gain their feedback on program components. Each representative was receptive to the proposed program and found its components to be beneficial.

### ***April 4, 2022 HRFHC Meeting***

SB Friedman and Duncan Associates provided a detailed overview of the proposed voluntary affordable housing incentive program (AHIP) at the April 4, 2022 HRFHC meeting. Following SB Friedman's presentation, two members of the public provided testimony and the Commissioners asked several questions. At the conclusion of their discussion, the HRFHC did not recommend any changes to the proposed program and did not request additional time to review the proposed program. The HRFHC did not vote on the proposed program; however, an HRFHC vote is not required on this matter.

### ***June 6, 2022 HRFHC Meeting***

Following the April 4, 2022 HRFHC meeting, Chairman Miller requested that the AHIP return to the HRFHC for further discussion and feedback regarding specific program components. The HRFHC again reviewed the AHIP on June 6, 2022 where 7 commissioners were in attendance. Two members of the public provided comments during public forum. In general, 3 of the 7 Commissioners consistently expressed concerns with the by-right approach and incentives being proposed through the AHIP; 1 of the 7 Commissioners consistently noted that a by-right approach is a necessary component of the incentive program; and two of the 7 Commissioners provided less input throughout the discussion but noted support for the program in their concluding remarks.

### ***July 6, 2022 PZC Meeting***

The public hearing on the AHIP was held on July 6, 2022. Following a presentation by SB Friedman and Duncan Associates, two members of the public provided testimony. The PZC discussed rent

rates, incentives being offered, success of other voluntary programs, mapping Naperville properties which could participate in the AHIP, IHDA affordability calculations, Section 8 vouchers, the need for public input on development projects, and the preferred focus on the sale of City-owned land for affordable housing. Following discussion, the PZC made a motion to approve the AHIP which failed (vote 0 in favor; 8 against).

**DISCUSSION:**

On October 4, 2022, City Council reviewed the proposed AHIP. Following 6 public speakers and comments provided by Brad Wilson, Naperville Park District, City Council discussed the proposed program and noted that they are not comfortable with AHIP as proposed today, but that they do not want to spend a significant amount of time completing additional analysis. Council continued discussion of AHIP to December 6, 2022 and directed staff to meet with Council representatives to work on the following amendments to the proposed AHIP:

- Prohibit the program from being applicable in single-family zoning districts; and
- Re-review the amount and degree of incentives being offered, including the proposed reduction to required park donations.

On December 6, 2022, at the request of staff, City Council continued discussion of AHIP to the January 17, 2023 meeting.

***Proposed AHIP Revisions***

The following revisions are proposed to the AHIP based on discussions held between staff and representatives of the City Council following the October 2022 Council meeting.

Change #1: The ordinance will specifically prohibit any property zoned for single-family or duplex residential uses (R1A, R1B, R2, R1, E1, E2, and E3) from participating in the program.

Change #2: The density bonuses offered by right to qualifying multi-family projects will be reduced from 200% to 100%.

**Density Bonuses**

1.

**Qualified**

**Multi**

-

Change #3: The menu of incentives will be modified as follows:

**TABLE 6-1 MENU OF INCENTIVES**

Incentive Category	Prior Incentive Proposed (October 2020)	Revised Incentive Proposed (January 2023)
<b>Yards/Setbacks</b>	Up to 50% decrease in the required width or depth of any yard or setback requirement, provided that minimum yards or setbacks may not be reduced along the entirety of any property line of a lot where any portion of the property line abuts an E1, E2, E3, R1, or R1A zoned lot that is not part of the Qualified Project.	No change.
<b>Lot Coverage*</b>	Up to 33% increase in any applicable lot coverage and building coverage limits.	No change.
<b>Parking</b>	Up to a 50% decrease in residential parking requirements.	Up to a 50% decrease in residential parking requirements <b>for rental residential units only</b>
<b>Building Height*</b>	Up to a 50% increase in any applicable building height limit, provided that no additional building height is permitted for that portion of a building located within 50 feet of an E, R1, or R1A zoned lot.	<b>Up to a 30% increase</b> in any applicable building height limit, provided that no additional building height is permitted for that portion of a building located within 50 feet of an E, R1, or R1A zoned lot.
<b>Exterior Wall Construction</b>	An exemption from the exterior wall construction regulations of Section 5-2C-3 (requiring at least 50% masonry material) provided that this exemption is not to be interpreted as allowing use of EIFS, corrugated or channeled metal, or unfinished/smooth face concrete block as an exterior building material	An exemption from the exterior wall construction regulations of Section 5-2C-3 (requiring at least 50% masonry materials) <b>for the side and rear facades of a proposed building</b> provided that this exemption is not to be interpreted as allowing use of EIFS, corrugated or channeled metal, or unfinished/smooth face concrete block as an exterior building material. <b>The front façade of a building shall be required to comply with the provisions of Section 5-2C-3.</b>
<b>Park Land Donation or Fee in-Lieu</b>	A 50% reduction in the applicable park dedication or fee-in-lieu of payment requirements set forth in Section 3-5 of the Code.	A <b>25%</b> reduction in the applicable park dedication/fee-in-lieu of payment requirements set forth in Section 3-5 of the Code. <b>No reductions shall be offered for any park dedication which is required in conjunction with Section 3-5 of the Code, provided however, that if the land donation does not fully satisfy the requirements of Section 3-5, the remaining fee-in-lieu payment shall be eligible for 25% reduction.</b>

Incentive Category	Prior Incentive Proposed (October 2020)	Revised Incentive Proposed (January 2023)
City Fee Waiver	n/a	<b>A 50% reduction in the entitlement and permitting fees assessed by the City in conjunction with an affordable housing development application.</b> The waived fees may be reimbursed to the City's general fund using money from the City's existing affordable housing fund (i.e. funds donated to the City through the Lincoln at CityGate Apartments project).
PUD Outdoor Common Area Requirements	Up to 20% decrease in outdoor common area requirements as required for PUD	No change.

**Change #4:** The allowed number of incentives and percentage of affordable units required will be modified as follows:

**TABLE 6-2 ALLOWED NUMBER OF INCENTIVES**

Project Type	Household Income	Number of Incentives Available Based on % of Affordable Housing Units	
		10% 20%	20% 40%
Rental	Up to 60% Regional Median Household Income	3 <sup>[1]</sup>	4
Rental	Up to 50% Local Median Household Income	3	4
Rental	Up to 60% Local Median Household Income	2	3
For-Sale	Up to 80% Local Median Household Income	4	4 <b>5</b>
For-Sale	Up to 100% Local Median Household Income	2	3

**Change #5:** Consider establishing a nominal impact fee (e.g., \$100 per unit) which would be paid by applicants submitting permits for new market rate residential permits. The impact fee collected would be added to the City's affordable housing fund which is intended to be used towards a variety of affordable housing purposes and initiatives.

**City Council Input Sought**

Staff is seeking City Council direction on January 17, 2023 regarding the amended AHIP proposal.

- If City Council concurs with the amended AHIP proposal, staff will then prepare a final ordinance for review by the City Council at a future meeting. This ordinance will additionally include provisions related to Affordable For-Sale and Rental Dwelling Unit Occupancy and Rental Restrictions; Affordable Housing Agreements; and Enforcement.
- If City Council does not concur with the amended AHIP program, staff will cease further work

on this program and instead focus efforts on the remaining affordable housing goals (i.e., sale of vacant City-owned land; preservation of naturally occurring affordable housing and creating a revolving rehabilitation loan program for low-income seniors).

**FISCAL IMPACT:**

To be determined.