



Legislation Text

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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the report and provide direction regarding Affordable Housing next steps

DEPARTMENT: Transportation, Engineering and Development

SUBMITTED BY: Allison Laff, AICP, Deputy Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Under New Business at the January 20, 2026 meeting, the City Council directed staff to prepare a report summarizing the most recent affordable housing discussions, including the Affordable Housing Incentive Program (AHIP) and Inclusionary Zoning Ordinance (IZO). Upon receipt of this report, the City Council may provide direction to staff as to how to proceed.

DISCUSSION:

Below is an overview of the City's affordable housing efforts, in chronological order, since 2019.

Addressing Unmet Housing Needs

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 approved by the City Council in 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.

Inclusionary Zoning Ordinance (IZO)

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.

On June 21, 2021, the City Council held a workshop (led by SB Friedman) to discuss a potential Inclusionary Zoning Ordinance (IZO) for Naperville. At the conclusion of the workshop, City Council consensus was 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.

Affordable Housing Incentive Program (AHIP)

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 discussion, the City Council directed staff and SB Friedman/Duncan Associates to draft an ordinance for presentation to the Human Rights and Fair Housing Commission (HRFHC) and Planning and Zoning (PZC).

Following the November 2, 2021 meeting, 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. In addition, SB Friedman and staff discussed the proposed program with representatives of residential development (Pulte Development Corporation; Lincoln Properties) to gain feedback on program components.

Commission Review of AHIP

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, public comment and commission discussion, the HRFHC did not recommend any changes to the proposed program. It is important to note that the HRFHC did not vote on the proposed program; however, an HRFHC vote was not required.

Following the April 4, 2022 meeting, the HRFHC requested that the AHIP be brought back for further discussion and feedback regarding specific program components. The HRFHC again reviewed the AHIP on June 6, 2022. At this meeting, three of the seven Commissioners consistently expressed concerns with the by-right approach and incentives being proposed through the AHIP; one of the seven Commissioners consistently noted that a by-right approach is a necessary component of the incentive program; and two of the seven Commissioners provided less input throughout the discussion but noted support for the program in their concluding remarks.

The PZC public hearing regarding the AHIP was held on July 6, 2022. Following a presentation and public 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. The motion failed. (Failed: 0 in favor; 8 against).

City Council Review of AHIP

On October 4, 2022, the City Council reviewed the proposed AHIP. Following public speakers, the City Council discussed the proposed program and noted that they were not comfortable with AHIP as proposed but did not want to spend a significant amount of time completing additional analysis. Discussion of AHIP was continued to December 6, 2022 (later continued to January 17, 2023) and staff was directed to meet with Council representatives to develop the following amendments to the proposed AHIP:

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

The revised AHIP was presented to the City Council on January 17, 2023. At this meeting, there were eight public speakers (7 in favor; 1 against); 41 position statements submitted in support; and four written comments submitted in support.

In the agenda item, staff noted that if the City Council concurred with the amended AHIP proposal, staff would then prepare a final ordinance for review at a future meeting. At the conclusion of discussion, a motion to support the AHIP as presented. The motion passed with a voice vote.

Presentation of a final AHIP ordinance was delayed to 2024 due to competing workload items. On November 5, 2024, the City Council conducted the first reading on the proposed ordinance adopting the Affordable Housing Incentive Program (AHIP). At this meeting, the City Council discussed phasing requirements, IHDA's Affordable Housing Planning and Appeal Act (AHPAA) requirements, affordable units that have been built voluntarily since 2020, concerns about removal of the public review and approval process resulting from by-right incentives, the proposed park donation reduction, the ability to make future modifications to AHIP following its adoption, and the need for continued Council support for the voluntary inclusion of affordable units in residential development.

The ordinance adopting AHIP returned to the City Council for a final vote on November 19, 2024 (attached). At this meeting, Council discussed the need for and the history of AHIP, affordable units that have been built voluntarily since 2020, and concerns about the removal of the public review and approval process resulting from by-right incentives.

At the conclusion of discussion, a motion was made to pass the ordinance adopting AHIP. A motion of substitution was made to direct staff to create and provide petitioners proposing new residential developments with a catalog of local projects where affordable housing strategies have been successfully incorporated and approved. The motion of substitution passed. (Approved; 5-4).

Affordable Housing Catalog

In April 2025, staff completed the Affordable Housing Catalog requested by the City Council in November 2024. This catalog includes a list of development projects approved since 2019 that have voluntarily contributed to attainable or affordable housing efforts. The catalog provides an overview for each development project as well as other useful information for potential petitioners, including total affordable units, total units per acre, and variances approved. The catalog is formatted as a StoryMap and provides an interactive, map-based user interface for those seeking information about affordable housing in Naperville.

The Affordable Housing Catalog is posted on the city's website:

<https://www.naperville.il.us/projects-in-naperville/affordable-senior-and-idd-housing-project>

Naperville Affordable Housing Plan and Current AHPAA Status

The Illinois General Assembly passed the AHPAA in 2003 to address the lack of moderately priced housing that exists in many communities. The law identifies "non-exempt local governments" as those communities which have a population of at least 1,000 persons and have less than 10% of their housing stock qualify as affordable as defined by the statute.

In 2003, the City of Naperville was classified as a non-exempt community due to the finding that only 9.4% of the City's housing stock could be classified as affordable. In 2013 and 2018, Naperville

continued to be classified as a non-exempt community due to 6.2% and 7.5% of the City's housing stock being considered affordable.

For those communities identified as non-exempt, the AHPAA requires submittal of an Affordable Housing Plan. In 2023, the City Council approved, and IHDA accepted, the Naperville Affordable Housing Plan, in which Naperville's goals to increase the local affordable housing stock were provided. The plan is attached.

In January 2024, the City received notice from the Illinois Housing Development Authority (IHDA) that Naperville is now in compliance with IHDA's Affordable Housing Planning and Appeal Act (AHPAA) based on 10.3% of its housing stock being classified as affordable.

DuPage County Efforts

In an effort to increase workforce housing units, DuPage County has recently undertaken numerous zoning code amendments, including allowances for accessory dwelling units, regulations for short-term rentals, density increases, and an increase to average median income (AMI) calculations.

In addition, the DuPage County Board approved County staff's request to add an additional \$5 million to their housing fund (for a total of \$10 million) for 2026 and authorized County staff to issue an RFP to solicit a Community Land Trust (CLT). The CLT would partner with the County to manage and distribute housing funds (including fee-in-lieu funds collected through an IZO), income qualify applicants, and enforce ongoing compliance with any housing programs. With the additional budget, CLT, and available County land, the County hopes to develop a non-federal housing program by which to create new workforce housing units, as well as provide low-interest loans and first-time homebuyer assistance. DuPage County staff has noted that they are hopeful to partner with municipalities to facilitate housing solutions and programs that benefit the region.

FISCAL IMPACT:

The City will likely need to retain a consultant to complete additional work on AHIP or to create a new IZO. In addition, if implemented, the City will require ongoing funds (either through hiring of a consultant or new City employee) to implement and monitor a new affordable housing program.