



**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 3a

Title:

Recommendation to Approve the Inclusionary Housing Fee In-Lieu Amount for 2017

Presenter:

Ellen Johnson

Meeting: Planning & Development Committee

Date: February 6, 2017

Proposed Cost: N/A

Budgeted Amount: N/A

Not Budgeted:

**Executive Summary** *(if not budgeted please explain):*

The Inclusionary Housing Fee In-lieu was discussed at the Planning & Development Committee meeting on January 9, 2017 in connection with a Concept Plan for Prairie Winds, a proposed multi-family development. Committee members expressed that the current fee in-lieu may be too high, and that it may be appropriate to set a separate fee for multi-family vs. single family units.

The Inclusionary Housing Ordinance requires construction of affordable units or a fee in-lieu for construction of affordable units for any new residential development. The fee in-lieu amount is to be determined annually by the City Council. The current fee in-lieu per required affordable unit is \$72,819.50, which was set in March 2016.

The Staff Memo provides information on the City's current and past fee in-lieu amounts, other communities' IHO fees, and a list of potential fees and the resulting fee in-lieu contribution for various size developments.

The Committee has several options regarding the fee:

1. Keep the current fee (72,819.50) for all types of residential developments.
2. Keep the current fee (\$72,819.50) for single-family developments and establish a new fee for multi-family developments.
3. Set a new fee that will apply to all types of residential developments.
4. Set a new, different fee for single-family and multi-family developments.

**Attachments** *(please list):*

Staff Memo

**Recommendation/Suggested Action** *(briefly explain):*

Recommendation to Approve the Inclusionary Housing Fee In-Lieu Amount for 2017

Community and Economic Development  
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**STAFF MEMO**

**TO:** Chairman Todd Bancroft  
And the Members of the Planning and Development Committee

**FROM:** Ellen Johnson, Planner

**RE:** Inclusionary Housing Ordinance Fee In-Lieu for 2017

**DATE:** January 31, 2017

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The Inclusionary Housing Fee In-lieu was discussed at the Planning & Development Committee meeting on January 9, 2017 in connection with a Concept Plan for Prairie Winds, a proposed multi-family development. The Inclusionary Housing Ordinance, Title 19 of the City Code, requires construction of affordable units or a fee in-lieu for construction of affordable units for any new residential development. The decision whether to accept affordable units or a fee in-lieu is determined by the City Council. The current fee in-lieu per required affordable unit is \$72,819.50.

The IHO states the following regarding establishment of the fee (Section 19.02.060):

*“The amount of the per-unit fee in-lieu of Affordable Units shall be determined annually by the City Council. If no fee has been determined by the City Council for the current year, the fee most rely determined by the City Council shall apply.”*

The IHO does not include a methodology or calculation that the City Council must use to determine the fee. Council has the ability to set the fee as it deems appropriate.

At the 1/9/17 meeting, Committee members expressed that the current fee in-lieu may be too high and that the fee may inhibit residential development. Members stated a desire to explore lowering the fee and/or creating a separate fee for multi-family vs. single family units.

**A. IHO Fee History**

The Inclusionary Housing Ordinance (IHO) was adopted in 2008. The fee in-lieu that was set upon adoption of the IHO was **\$140,000** per required affordable unit. The following calculation was used to determine the fee:

St. Charles' Median Home Sale Price (from Assessor's data) – 2/3 of the IHDA  
Affordable Price for a 4-person Household

In 2010, the fee in-lieu was lowered to **\$104,500** after IHDA released an updated affordability chart with a lower affordable price for a 4-person household. The same calculation as used in 2008 was used to determine the new fee.

In 2013, the IHO was suspended after a determination by staff that over 25% of the City's housing stock was affordable, per the provisions of the IHO at that time.

In March of 2016, the IHO was reinstated in an amended form. The sliding scale that connected the applicability of the IHO provisions to the City's affordable housing share was removed due to a change in IHDA's methodology for determining each community's affordable housing share which resulted in the a determination that the City's share of affordable housing had dipped to 11.2%.

When the IHO was amended and reinstated in March of 2016, a new fee in-lieu was set due to concern expressed by City Council members that the fee of \$104,500 was too high. The Housing Commission recommended the fee in-lieu be calculated as the cost of providing a 25% downpayment for two affordable units priced at \$145,639, which is the affordable home price for St. Charles determined by IHDA. This resulted in a fee of **\$72,819.50** for 2016. Note that the Housing Commission recommended this calculation as a basis for coming up with the fee, not necessarily that fee in-lieu contributions must be used for downpayment assistance. The Commission felt this fee was high enough to encourage providing units in projects as an incentive to not pay the fee.

## **B. IHO Fees in Illinois**

While none of St. Charles' neighbors has adopted an Inclusionary Housing policy, St. Charles is one of five municipalities in Illinois that have done so. Staff researched these communities' IHOs and compiled the following information related to their fee in-lieu provisions:

- *St. Charles:*
  - *IHO applies to all residential developments.*
  - *For 1-15 unit developments, 5% must be affordable; for developments over 15 units, 10% must be affordable.*
  - *Fee In-lieu is accepted.*
  - *Fee In-lieu = \$72,819.50 per required affordable unit.*
  
- **Evanston:**
  - IHO applies to all residential developments.
  - 10% of units must be affordable.
  - Fee In-lieu is accepted.
  - Fee In-lieu = \$100,000 per required affordable unit within Transit Oriented Development (TOD) areas and \$75,000 outside of TOD areas.
  
- **Highland Park:**
  - IHO applies to residential developments 5 units and larger.
  - 20% of units must be affordable.
  - Fee In-lieu is only accepted for single-family developments under 20 units.
  - Fee In-lieu = \$125,000 per required affordable unit. (Note: because 20% of units must be affordable, if compared to St. Charles' ordinance, the fee would be, in effect, \$250,000 per unit.)

- **Lake Forest:**
  - IHO applies to residential developments 5 units and larger, excluding single-family units.
  - 15% of units must be affordable.
  - Fee In-lieu is accepted.
  - Fee In-lieu = \$130,000 per required affordable unit. (Note: because 15% of units must be affordable, if compared to St. Charles' ordinance, the fee would be, in effect, \$195,000 per unit.)
  
- **Chicago:**
  - IHO applies to residential developments that require a zoning change or are receiving city financial assistance or land.
  - 10% of units must be affordable.
  - Fee in-lieu is accepted.
  - Fee in-lieu = \$100,000 per unit in most areas.

In addition, Arlington Heights has a voluntary inclusionary housing policy through which developers are encouraged to provide affordable units in multi-family developments, or pay a fee in-lieu of \$75,000 per affordable unit. The voluntary nature of this ordinance indicates that the actual fee may be negotiated as part of development projects such as PUDs.

Lastly, the Batavia is currently in the midst of discussions regarding creation of a new inclusionary housing ordinance. Batavia is considering imposing a flat fee of \$1,000 per unit, in lieu of a requirement to build 10% affordable units in a project. Because this fee is \$1,000 per unit, and not \$1,000 per required affordable unit, the fee would equate to \$10,000 per required affordable unit based on St. Charles' ordinance.

### **C. Fee Options**

There was discussion at the 1/9/17 P&D Committee meeting of having a separate fee in-lieu for multi-family and single-family developments. While this is possible, there is no precedent from other Illinois communities for separate fees for different unit types.

The Committee may choose one of the following options:

- Keep the current fee (72,819.50) for all types of residential developments.
- Keep the current fee (\$72,819.50) for single-family developments and establish a new fee for multi-family developments. It would need to be determined which fee would apply for two-family dwellings and townhomes.
- Set a new fee that will apply to all types of residential developments.
- Set a new, different fee for single-family and multi-family developments. Again, it would need to be determined which fee would apply for two-family dwellings and townhomes.

If it is determined that a new fee should be set, Council has the ability to set the fee as it deems appropriate. The fee may be based on a chosen formula like the current fee, or may not be based on a formula.

## 1. Non-Formula Based Fee

The table below lists the City’s past and current fees and the resulting fee in-lieu contributions for various sized developments. After that, possible new fees are listed, from \$50,000 down to \$5,000 per required affordable unit along with the resulting fee contributions. These fees are not based on a formula.

		<b>1-unit development</b>	<b>50-unit development</b>	<b>100-unit development</b>	<b>250-unit development</b>	<b>500-unit development</b>	<b>600-unit development</b>
<b>Affordable Units Required</b>		<i>0.05 unit</i>	<i>5 units</i>	<i>10 units</i>	<i>25 units</i>	<i>50 units</i>	<i>60 units</i>
<b>2008 Fee</b>	<b>\$140,000</b>	\$7,000	\$700,000	\$1,400,000	\$3,500,000	\$7,000,000	\$8,400,000
<b>2010 Fee</b>	<b>\$104,500</b>	\$ 5,225	\$522,500	\$ 1,045,000	\$2,612,500	\$5,225,000	\$6,270,000
<b>Current Fee (2016)</b>	<b>\$72,819.50</b>	\$ 3,641	\$364,098	\$ 728,195	\$1,820,488	\$3,640,975	\$ 4,369,170
<b>Possible Fee In-Lieu to Consider:</b>							
	<b>\$50,000</b>	\$ 2,500	\$250,000	\$ 500,000	\$1,250,000	\$2,500,000	\$ 3,000,000
	<b>\$40,000</b>	\$ 2,000	\$200,000	\$ 400,000	\$1,000,000	\$2,000,000	\$ 2,400,000
	<b>\$30,000</b>	\$ 1,500	\$150,000	\$ 300,000	\$750,000	\$1,500,000	\$ 1,800,000
	<b>\$20,000</b>	\$ 1,000	\$100,000	\$ 200,000	\$500,000	\$1,000,000	\$ 1,200,000
	<b>\$10,000</b>	\$ 500	\$50,000	\$ 100,000	\$250,000	\$500,000	\$ 600,000
	<b>\$5,000</b>	\$ 250	\$25,000	\$ 50,000	\$125,000	\$250,000	\$ 300,000

## 2. Formula-Based Fee

If there is interest in setting a separate fee for multi-family and single-family units, a non-formula based fee from the above chart may be chosen, or the fee may be based on a formula. As previously stated, the current fee is calculated as the cost of providing a 25% downpayment for two affordable units priced at \$145,639, which is the affordable home price for St. Charles determined by IHDA, resulting in a fee of \$72,819.50.

Keeping with the calculation methodology used for the current fee, a fee for multi-family units may be based on a “downpayment” for a specified number of affordable units. A renter is typically required to provide first month’s rent plus one month’s rent security deposit as a “downpayment” to lease a unit. The affordable rent as determined by IHDA for a two-bedroom unit is \$1,026, so the “downpayment” required is \$2,052. The fee could be calculated as the cost of providing a downpayment for a certain number of affordable units. The table below lists potential fees based on this formula, and the resulting fee in-lieu contributions for various size developments.

	<b>1-unit development</b>	<b>50-unit development</b>	<b>100-unit development</b>	<b>250-unit development</b>	<b>500-unit development</b>	<b>600-unit development</b>
<b>Affordable Units Required</b>	<i>0.05 unit</i>	<i>5 units</i>	<i>10 units</i>	<i>25 units</i>	<i>50 units</i>	<i>60 units</i>
<b>Possible Fee In-Lieu to Consider, based on Rental Unit Downpayment Calculation:</b>						
<b>Fee based on downpayment for 1 unit = <u>\$2,052</u></b>	\$102.60	\$10,260	\$20,520	\$51,300	\$102,600	\$123,120
<b>Fee based on downpayment for 2 units = <u>\$4,104</u></b>	\$205.20	\$20,520	\$41,040	\$102,600	\$205,200	\$246,240
<b>Fee based on downpayment for 3 units = <u>\$6,156</u></b>	\$307.80	\$30,780	\$61,560	\$153,900	\$307,800	\$369,360
<b>Fee based on downpayment for 4 units = <u>\$8,208</u></b>	\$410.40	\$41,040	\$82,080	\$205,200	\$410,400	\$492,480
<b>Fee based on downpayment for 5 units = <u>\$10,260</u></b>	\$513.00	\$51,300	\$102,600	\$256,500	\$513,000	\$615,600
<b>Fee based on downpayment for 6 units = <u>\$12,312</u></b>	\$615.60	\$61,560	\$123,120	\$307,800	\$615,600	\$738,720
<b>Fee based on downpayment for 7 units = <u>\$14,364</u></b>	\$718.20	\$71,820	\$143,640	\$359,100	\$718,200	\$861,840
<b>Fee based on downpayment for 8 units = <u>\$16,416</u></b>	\$820.80	\$82,080	\$164,160	\$410,400	\$820,800	\$984,960