

 ST. CHARLES <small>S I N C E 1 8 3 4</small>	AGENDA ITEM EXECUTIVE SUMMARY		Agenda Item number: 4b
	Title:	Presentation of the 2018 St. Charles Housing Affordability Analysis	
	Presenter:	Ellen Johnson	
Meeting: Planning & Development Committee		Date: January 14, 2019	
Proposed Cost: N/A	Budgeted Amount: N/A	Not Budgeted:	<input type="checkbox"/>
Executive Summary (if not budgeted please explain): <p>Staff completed the annual Housing Affordability Analysis this past fall. This analysis has been conducted since 2009 to track St. Charles' housing affordability status. The State's Affordable Housing Planning and Appeal Act requires communities to have a housing stock comprised of at least 10% affordable units. A community is exempt from AHPAA if they are above 10% affordable and non-exempt if they are below 10% affordable. Non-exempt communities must submit an affordable housing plan to IHDA and are subject to appeals from affordable housing developers who feel they have been treated unfairly by the municipality.</p>			
Staff's 2018 Finding: <p>Staff has found that 23.7% of St. Charles' housing stock is affordable, based on data from calendar year 2017. This is an increase from last years' finding of 22.3%.</p>			
IHDA's 2018 Finding: <p>In December of 2018, IHDA released an updated listing of each community's affordable housing share. This is the first update since 2013. IHDA has found St. Charles to be at 17.1% affordable, up from 11.2% in 2013. St. Charles remains exempt from AHPAA.</p>			
2019 Inclusionary Housing Fee: <p>The Fee In-lieu of providing affordable units required under the City's Inclusionary Housing Ordinance can be set on an annual basis at the City Council's discretion. In light of the affordable housing share findings for 2018, staff is seeking direction from the Committee on whether there is interest in setting a new Fee In-lieu for 2019. Options for the 2019 fee include:</p> <ol style="list-style-type: none"> 1. Keep the current fee of \$36,409.75 (calculated as the cost of a 25% downpayment for one affordable unit priced at \$145,639 (affordable home price for St. Charles set in IHDA's 2013 AHPAA Report). 2. Keep the current methodology for establishing the fee, but recalculate the fee based on the new affordable home price for St. Charles set in IHDA's 2018 AHPAA Report, which is \$158,663. The calculation and resulting fee would be as follows: $\\$158,663 \times .25 = \\$39,665.75$ 3. Choose a new fee. <p>The Housing Commission discussed the AHPAA findings and the 2019 Fee In-lieu at their meeting on 1/10/19. They recommended setting the fee at \$39,665.75 to reflect the updated affordable home price.</p>			
Attachments (please list): <p>Staff Memo, 2018 St. Charles Housing Affordability Analysis, AHPAA Affordable Housing Share Comparison of Neighboring Communities, Summary of IHO Fee History</p>			
Recommendation <p>Provide direction on the 2019 Inclusionary Housing Fee.</p>			

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Staff Memo

TO: Chairman Ed Bessner
And the Members of the Planning & Development Committee

FROM: Ellen Johnson, Planner

RE: 2018 Affordability Analysis & IHDA's 2018 Determination of St. Charles' Affordable Housing Share

DATE: January 8, 2019

I. BACKGROUND

The Affordable Housing Planning and Appeals Act (AHPAA) was adopted by the State of Illinois in 2003. AHPAA classifies communities with a housing stock that is less than 10% affordable as “Non-Exempt Local Governments”. These communities must submit an Affordable Housing Plan to the Illinois Housing Development Authority (IHDA) and are subject to appeals from affordable housing developers who feel they have been treated unfairly by the municipality. Communities with a housing stock over 10% affordable are considered exempt from AHPAA; they do not need to submit an Affordable Housing Plan and are not subject to developer appeals.

IHDA does not calculate each community’s affordable housing share on an annual basis. Beginning in 2009 and most years thereafter, staff has performed an annual Affordability Analysis in order to track St. Charles’ affordable housing situation. Staff has prepared the 2018 Affordability Analysis (see report attached). Staff has determined that **23.7%** of housing units in St. Charles are considered affordable, up from 22.3% in 2017.

In December of 2018, IHDA issued its 2018 Report on Statewide Local Government Affordability. This report provides the official affordable housing share for each municipality in Illinois, the first update since 2013. The findings are used to identify communities which are Non-Exempt from the Affordable Housing Planning & Appeals Act (AHPAA).

IHDA’s 2018 finding for St. Charles is **17.1%** affordable, up from 11.2% in 2013. St. Charles remains exempt from AHPAA. The table below lists the past and current findings for St. Charles.

	2004	2013	2018
IHDA's Findings – St. Charles' Affordable Housing Share	16.3%	11.2%	17.1%

The complete report from IHDA can be accessed their website: <https://www.ihda.org/wp-content/uploads/2015/07/2018-Statewide-AHPAA-List.pdf>

II. CALCULATIONS

“Affordable Housing” is defined as housing that has a sales price or rental amount that is within the means of a household with an income at or below 80% of the Area Median Income (AMI) for owner-occupied units and at or below 60% AMI for rental units, based on household size. To be considered affordable, housing costs cannot exceed 30% of gross annual household income.

1. City Staff’s Calculations & Findings

Staff utilized the same methodology for calculating the affordable housing share as has been used since 2009. This methodology was derived from the IHDA’s 2004 Report on Affordable Housing Planning and Appeals Act.

Staff’s mythology is detailed in the 2018 Affordability Analysis (see report attached).

Staff’s findings are as follows:

	Total Units	Affordable Units	Affordable Housing Share
Owner-Occupied Units	9,705	2,718	28%
Rental Units	4,204	575	13.7%
TOTAL	13,909	3,293	23.7%

2. IHDA’s Calculations & Findings

In 2013, IHDA changed their methodology for determining each community’s affordable housing share. This has caused discrepancies between staff’s and IHDA’s findings (see Section III).

IHDA’s methodology is detailed below:

Owner-Occupied Units

The following table details IHDA’s calculation of the affordable owner-occupied home price for St. Charles:

Median Household Income – Chicago MSA	\$63,327
80% of AMI	\$50,662
30% of the Annual Income	\$15,199
Affordable Monthly Payment	\$1,267

Median Real Estate Taxes per Month ¹	\$580
Affordable Monthly Payment – Taxes (\$1,267-\$580)	\$687
Present Value (3.98% interest rate)	\$144,239
10% Down Payment	\$14,424
Affordable Home Price	\$158,663

Rental Units

The table below shows IHDA's calculation of the affordable monthly rent for St. Charles:

Median Household Income – Chicago MSA	\$63,327
60% of AMI	\$37,996
30% of the Annual Income	\$11,399
Affordable Monthly Rent	\$950

Findings

IHDA utilized 2016 American Community Survey 5-year estimates to determine the number of owner- and renter-occupied housing units that are equal to or less than the affordable house price or monthly rent. ACS data is based on self-reported estimates of the value of one's home or monthly payment for a rental unit.

According to IHDA's analysis, **17.1%** of housing units in St. Charles are considered affordable. This finding is up significantly from 11.2% in 2013. For rental units, the increase in affordable rent (\$916 in 2013 to \$950 in 2018) was caused by an increase in area median income (\$61,045 in 2013 to \$63,327 in 2018). For owner-occupied units, the affordable home price went up from \$145,639 in 2013 to \$158,663 in 2018. A higher median property tax balanced out the increase in area median income. The increase in affordable home price was due to a lower interest rate used in the calculation (4.8% in 2013 to 3.98% in 2018).

	Total Units	Affordable Units	Affordable Housing Share
Owner-Occupied Units	9,083	914	10%
Rental Units	3,562	1,252	35%
TOTAL	12,645	2,166	17.1%

III. STAFF VS. IHDA FINDINGS

As discussed in past years, City staff and IHDA utilize different methodologies for determining the affordable housing share. For the 2018 analyses, this has resulted in an affordability finding of 17.1% by IHDA vs. 23.7% by staff. The owner-occupied and rental findings are flipped: staff found St. Charles to have significantly more affordable owner-occupied units while IHDA found St. Charles to have more affordable rentals.

The reasons for the difference between staff's and IHDA's findings are related to the data used for the calculations:

¹ Data Source: 2016 American Community Survey 5-year estimates for St. Charles. This figure is the median real estate taxes per month for all houses within St. Charles.

- Median income: Staff uses median income adjusted for a four-person household while IHDA uses the overall area median income.
- Home prices and rents: Staff uses local Township Assessor data to determine the assessed market value of owner-occupied homes in St. Charles and actual collected rents from each apartment complex in the city. IHDA uses 2016 ACS 5-year estimates to determine home prices and rents.
- Housing unit count: Staff uses Township Assessor data for this information, while IHDA uses 2016 ACS 5-year estimates.
- Property taxes: Staff uses a formula provided by IHDA in the 2004 AHPAA report to determine the affordable owner-occupied housing price. The property tax rate is built into this formula. IHDA uses the median real estate taxes per month for all houses within St. Charles, based on 2016 ACS 5-year estimates, resulting in a monthly tax that is higher than would be expected for a house valued at a price affordable to a household at 80% AMI.

The different data sources resulted in a higher affordable home price under staff's analysis. In addition, IHDA sets a single affordable rent and determines how many units are under that threshold. Staff uses rental rates adjusted for bedroom count, which are established by IHDA on an annual basis.

IV. 2019 INCLUSIONARY HOUSING FEE

In light of the affordable housing share findings for 2018, staff is seeking direction from the Committee on whether there is interest in setting a new Inclusionary Housing Fee In-lieu for 2019.

Per Section 19.02.060 of the City Code, the fee in-lieu may be set on an annual basis at the discretion of the City Council:

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 recently determined by the City Council shall apply.

As a reminder, City Code Title 19 "Inclusionary Housing" requires developers of new residential developments to build a proportionate share of affordable housing units on site, or to pay a fee in-lieu of providing affordable units.

Fee in-lieu payments made by developers are placed into the City's Housing Trust Fund to provide and preserve affordable housing opportunities in St. Charles. Currently, the City offers the Home Rehab & Accessibility Loan Program and First-Time Homebuyer Loan Program which are funded by the Housing Trust Fund. The City has also earmarked a significant portion of the fund, \$416,000, to the Kane County Affordable Housing Fund to be made available to developers of affordable housing.

A summary of past IHO fees can be found attached. Currently, the fee per required affordable unit is \$36,409.75, which was set in March 2018. This fee is calculated as the cost of a 25% downpayment for one affordable unit priced at \$145,639 (affordable home price for St. Charles set in IHDA's 2013 AHPAA Report).

There are several options for the 2019 fee, including:

1. Keep the current fee of **\$36,409.75**.
2. Keep the current methodology for establishing the fee, but recalculate the fee based on the new affordable home price for St. Charles determined by IHDA in the Affordable Housing Planning & Appeals Act 2018 Report on Statewide Local Government Affordability, which is \$158,663.

The calculation and resulting fee would be as follows: $\$158,663 \times .25 = \$39,665.75$
(cost of a 25% downpayment for one affordable unit)

3. Recommend a new fee, based on a formula or not.

The table below lists the City's current fee and the resulting fee in-lieu contributions for various sized developments. After that, the fee recalculated using the updated affordable home price from IHDA is listed, followed by possible new fees not based on a formula, from \$70,000 down to \$5,000 per required affordable unit.

	1-unit development	50-unit development	100-unit development	250-unit development	500-unit development
Affordable Units Required	0.05 unit	5 units	10 units	25 units	50 units
2018 fee (current)	\$36,409.75	\$1,820	\$182,049	\$364,098	\$910,244
Fee based on 2018 Affordable Home Price:	\$39,665.75	\$1,983	\$198,329	\$396,658	\$991,644
Other Possible Fees:					
	\$70,000	\$3,500	\$350,000	\$700,000	\$1,750,000
	\$60,000	\$3,000	\$300,000	\$600,000	\$1,500,000
	\$50,000	\$2,500	\$250,000	\$500,000	\$1,250,000
	\$40,000	\$2,000	\$200,000	\$400,000	\$1,000,000
	\$30,000	\$1,500	\$150,000	\$300,000	\$750,000
	\$20,000	\$1,000	\$100,000	\$200,000	\$500,000
	\$10,000	\$500	\$50,000	\$100,000	\$250,000
	\$5,000	\$250	\$25,000	\$50,000	\$125,000

V. ATTACHMENTS

- 2018 St. Charles Housing Affordability Analysis
- AHPAA Affordable Housing Share Comparison of Neighboring Communities
- Summary of IHO Fee History

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2018 St. Charles Housing Affordability Analysis

October 2018

I. BACKGROUND & PURPOSE

“Affordable Housing” is defined as housing that has a sales price or rental amount that is within the means of a household with an income at or below 80% of the Area Median Income (AMI) for owner-occupied units and at or below 60% AMI for rental units, based on household size. To be considered affordable, housing costs cannot exceed 30% of gross annual household income.

The State of Illinois *Affordable Housing Planning and Appeals Act (AHPAA)*, passed in 2003, established a process for identifying communities with a shortage of housing stock affordable to homebuyers and renters. Per the law, “Non-Exempt Local Governments” have less than 10% of the local housing stock that is considered affordable. These municipalities must adopt and submit an Affordable Housing Plan and are subject to developer appeals to the State Housing Appeals Board. “Exempt Local Governments” have more than 10% of the local housing stock that is considered affordable. These municipalities do not need to adopt or submit an Affordable Housing Plan and are not subject to developer appeals.

Beginning in 2009 and most years thereafter, staff has performed an analysis of the affordable housing stock in St. Charles in order to provide a consistent look into the City’s affordable housing situation, both in regards to AHPAA compliance and for the City’s general knowledge. Staff utilizes the same methodology used in the State of Illinois’ *2004 Report on Affordable Housing Planning and Appeals Act* to determine the percentage of housing in St. Charles that is considered affordable.

Table 1 lists staff’s findings of St. Charles’ affordable housing share. St. Charles has consistently been well over the 10% affordable threshold required by AHPAA.

Table 1

	2009	2010	2011	2013	2014	2017
Staff’s Findings – St. Charles’ Affordable Housing Share	16.3%	16.6%	18%	25.6%	23.1%	22.3%

No report was completed in 2012, 2015, or 2016 due to availability of Township Assessor data.

In 2013, Illinois Housing Development Authority (IHDA) issued an updated list of Exempt and Non-Exempt Local Governments under AHPAA. This was the first updated list since AHPAA was adopted. For this update IHDA utilized a different methodology to determine each community’s affordable housing share than the methodology released in 2004.

Table 2 lists IHDA’s findings of St. Charles’ affordable housing share. IHDA’s last calculation found St. Charles’ housing stock to be over 10% affordable, meaning it is in compliance with AHPAA and is considered an Exempt Local Government. IHDA has stated that it will release updated findings every five years; the next update is expected in late 2018.

Table 2

	2004	2013	2018
IHDA's Findings – St. Charles' Affordable Housing Share	16.3%	11.2%	TBD

II. AFFORDABILITY IN ST. CHARLES – 2018 UPDATE

This report utilizes the same methodology for calculating the affordable housing share as staff has used for the City's annual affordability analysis since 2009. This methodology was derived from the *2004 Report on Affordable Housing Planning and Appeals Act*. This is done in order to provide a consistent means of comparison.

The amount of monthly income a person can spend on owner-occupied housing and still be considered affordable is calculated as follows:

Area Median Income (AMI) x (.80) x (.30) / (12)

- The AMI used for St. Charles is the median income for the Chicago Metropolitan Statistical Area, as defined by IHDA for a four-person household.
- (.80) represents 80% of the median income, the maximum income still considered affordable by IHDA.
- (.30) represents 30% of a household income, the percentage of income expected to be spent on housing according to IHDA.
- / (12) is to adjust to a monthly income as opposed to yearly.

This same method is used to determine affordable rental price, except (.60) or 60% of AMI is used as opposed to 80% of AMI.

Owner-Occupied Units

Table 3 details the calculation used to determine the maximum affordable owner-occupied home price.

Table 3

Chicago Metropolitan Statistical Area Median Income (four-person household) ¹	\$84,625
80% of AMI	\$67,700
30% of Annual Income	\$20,310
Affordable Monthly Payment	\$1,693
Owner-Occupied Housing Price Affordable to Family Earning 80% of AMI	\$213,427

St. Charles Township Assessor data was collected to determine the number of owner-occupied units that fall at or below the affordable home price of \$213,427, based on the market price listed by the Assessor. The Assessor data is always a year behind the current calendar year. This ensures that staff is looking at a full calendar year of assessment and sales data as opposed to only a partial year of data. The Assessor data examined in this report is for the 2017 calendar year.

¹ Source: IHDA's Schedule of Maximum Income Limits for Most of its Housing Programs – 4/1/18

Rental Units

The number of affordable rental units was derived by using rental rates collected by staff. These rates were then compared to the maximum allowed rent as established by IHDA, shown in Table 4. The maximum affordable rent is based on 60% of AMI and is then adjusted based on the number of bedrooms in the rental unit.

Table 4

Affordable Rental Units for Chicago Metro Area – 2018						
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Affordable Rent Limits for HH @ 60% AMI	\$889	\$952	\$1,143	\$1,320	\$1,475	\$1,625

Source: IHDA's Schedule of Maximum Monthly Gross Rents for Multifamily Programs- 4/1/18.

Findings

Table 5 breaks down the number of affordable housing units and total housing units by unit type, followed by the resulting percentage of affordable units. Affordable owner-occupied units are under the maximum affordable home price of \$213,427. Affordable rental units do not exceed the maximum affordable monthly rents as provided in Table 2. The total percentage of affordable units was determined by combining the owner-occupied and rental unit findings.

Table 5

Percent of Affordable Units by Ownership Type			
<i>Owner-Occupied Units</i>			
Unit Type ²	Affordable Units	Total Units	% of Affordable Units per Each Ownership Category
Single-Family	1,553	7,637	20.3%
Two-Family Duplex	8	49	16.3%
Condo	899	947	94.9%
Townhome	258	1,072	24.1%
Total	2,718	9,705	28.0%

<i>Rental Units</i>			
Rental Units Including Single Family Rentals & Conversions	575	4,204	13.7%

<i>Owner-Occupied and Rental Units Combined</i>			
Total Owner-Occupied Units and Rental Units	3,293	13,909	23.7%

² Additional housing categories are provided in the Assessor data: two-unit or more conversions and single-family rentals. These units were added to the total amount of rental units. However, staff cannot readily determine the rents charged for these units so they were only counted as part of the total rental units; none were counted as affordable.

According to staff's analysis, the percentage of affordable owner occupied units increased from 26.1% in 2017 to 28% in 2018. This rise is likely a result of the increase in the affordable home price, from \$198,537 in 2017 to \$213,427 in 2018, caused by a 7% upturn in Area Median Income over the past year.

Rental affordability increased slightly, from 13.5% in 2017 to 13.7% in 2018. The higher AMI also resulted in higher affordable rents, causing a small number of units that were not previously considered affordable to count as affordable. At the same time, an additional 250 non-affordable units were added to the housing stock (Prairie Winds). A number of existing apartment complexes changed ownership and raised their rents.

In total, **23.7%** of housing units in St. Charles are considered affordable. This marks an increase from last years' finding of 22.3%.

III. ST. CHARLES HOUSING MARKET TRENDS – 2017

Township Assessor sales data was used to determine the sales price of all owner-occupied homes sold in St. Charles in 2017. Figure 1 shows median home sale prices since 2000. The median sale price peaked in 2006 at \$302,000 before dropping in 2010 to \$225,000. The 2017 median sale price of \$275,000 marks a \$25,000 increase in the median compared to the last three years. The median price is over \$60,000 more than the affordable home price.

Figure 2 shows the median home sale price separated by unit type. This figure reflects a steady increase in the sale price of single-family homes, condos, and townhomes since 2015. In total, 503 owner-occupied homes were sold in 2017, up slightly from 497 homes in 2016 and 424 homes in 2015.

Figure 1

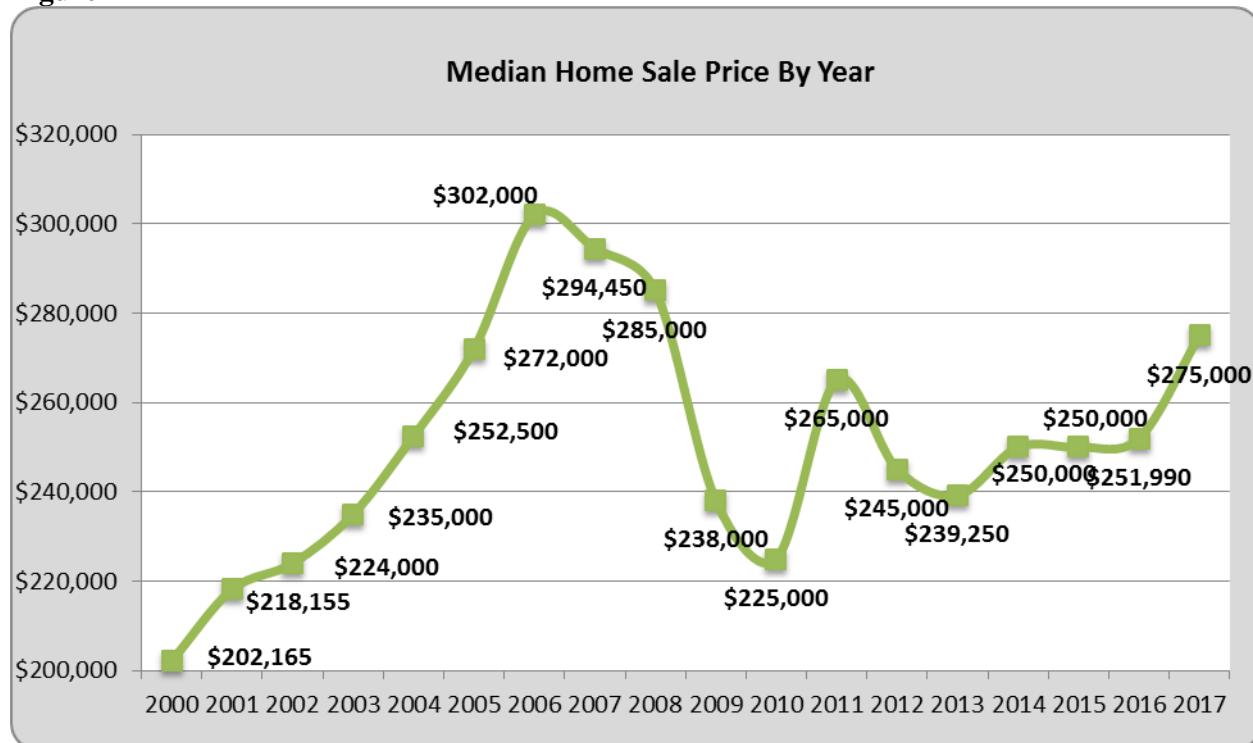
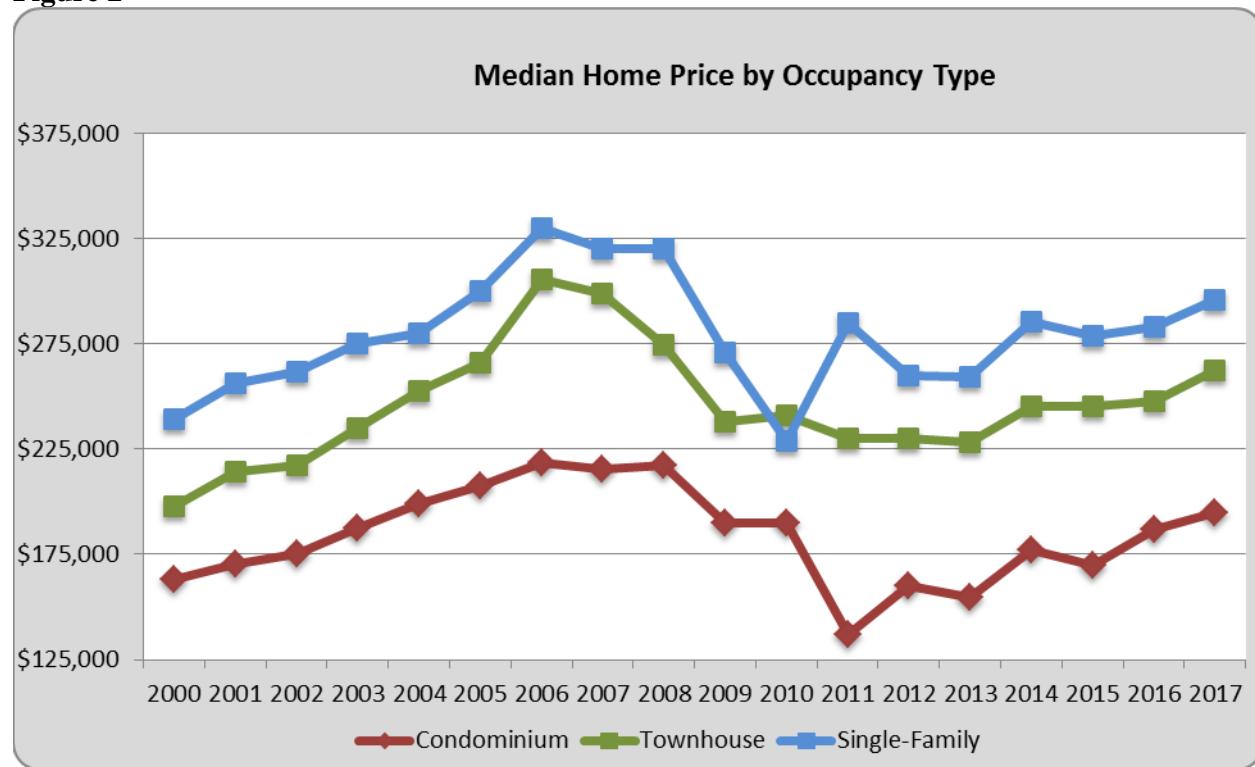


Figure 2



AHPAA – Affordable Housing Share Comparison of St. Charles and Neighboring Communities

Bold italics denote Non-Exempt Local Governments (affordable housing share under 10%)

2018

City	Population	Total Year-Round Units	Total Affordable Units	Affordable Housing Share
St. Charles	32,745	12,645	2,166	17.1%
Batavia	26,413	9,491	1,408	14.8%
Campton Hills	11,500	3,504	27	0.8%
Geneva	21,732	7,798	600	7.7%
South Elgin	22,274	7,230	3,103	42.9%
Wayne	2,513	929	44	4.8%
West Chicago	27,420	7,556	2,298	30.4%

Data source: 2016 American Community Survey 5-year estimate

2013

City	Population	Total Year-Round Units	Total Affordable Units	Affordable Housing Share
St. Charles	32,792	12,008	1,342	11.2%
Batavia	25,828	9,180	1,042	11.4%
Campton Hills	10,920	3,358	139	4.1%
Geneva	21,550	7,484	386	5.2%
South Elgin	21,600	6,914	1,057	15.3%
Wayne	2,938	948	5	0.5%
West Chicago	26,663	7,533	1,923	25.5%

Data source: 2011 American Community Survey 5-year estimate

2004

City	Population	Total Year-Round Units	Total Affordable Units	Affordable Housing Share
St. Charles	27,896	10,717	1,742	16.3%
Batavia	23,866	8,658	1,701	19.6%
Campton Hills	N/A	N/A	N/A	N/A
Geneva	19,515	6,877	771	11.2%
South Elgin	16,100	5,428	1,447	26.7%
Wayne	2,137	703	14	2%
West Chicago	23,469	6,691	2,006	30%

Data source: 2000 U.S. Census

Inclusionary Housing Fee In-lieu History

The table below lists the past and current fee in-lieu amounts since the Inclusionary Housing Ordinance was adopted in 2008:

Year Fee Established	Fee Amount
2008	\$140,000 / required affordable unit
2010	\$104,500 / required affordable unit
2016	\$72,819.50 / required affordable unit
2017	\$72,819.50/ required affordable single-family, townhome, or duplex unit \$5,000 / required affordable multi-family unit
2018	\$36,409.75

The fee in-lieu that was set upon adoption of the IHO in 2008 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. 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 in 2013. This resulted in a fee of **\$72,819.50**.

In February 2017, City Council established a different fee for multi-family housing developments due to concerns that the fee of \$72,819.50 was too high for multi-family projects. This resulted in a dual fee structure: **\$5,000 for multi-family developments and \$72,819.50 for single-family/duplex/townhome developments.**

In March of 2018, upon discussion with the Housing Commission at a joint meeting, City Council returned to a single fee for all types of residential units and set the fee at **\$36,409.75**, calculated as the cost of a 25% downpayment for one affordable unit priced at \$145,639.