

**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 4b

Title:

Presentation regarding Housing Initiatives and the 2021 St. Charles Housing Affordability Analysis

Presenter:

Russell Colby
Ellen Johnson

Meeting: Planning & Development Committee

Date: December 13, 2021

Proposed Cost: N/A

Budgeted Amount: N/A

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

Staff will be presenting information regarding the City's affordable housing policies, programs and initiatives. Staff will also present the findings of the 2021 Housing Affordability Analysis, summarized below.

The purpose of this information is to provide background and context regarding affordable housing matters in preparation for setting the Inclusionary Housing Ordinance fee, which is owed for new residential developments that do not incorporate affordable units. The fee is typically set by City Council in the first quarter of each year.

2021 Housing Affordability Analysis

Since 2009, City staff has performed an analysis of St. Charles' housing stock in order to inform decisions regarding housing policies and programs and to track the City's standing with respect to the State of Illinois' Affordable Housing Planning & Appeals Act, which requires communities to have a housing stock of at least 10% affordable.

"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% Area Median Income for owner-occupied units and at or below 60% Area Median Income for rental units. To be considered affordable, housing costs cannot exceed 30% of a household's annual income.

Based on the calculations outlined in the report, a total of **21.3%** of St. Charles' housing stock is considered affordable, very close to last year's finding of 21.8% affordable. However, rising rents and new market-rate rental units have caused a decline in rental affordability.

New for this year, staff also calculated St. Charles' affordable housing share using the method identified by Illinois Housing Development Authority. Based on IHDA's figure, St. Charles' affordable housing share is just **11.3%**.

See the attached report for further findings and discussion.

Attachments *(please list):*

Presentation Slides; 2021 Housing Affordability Analysis

Recommendation/Suggested Action *(briefly explain):*

Provide any comments or feedback. No action required.

Affordable Housing Update

Planning & Development Committee

December 13, 2021



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Topics to be covered

- Definition of “Affordable Housing”
- Affordable Housing Planning & Appeals Act
- Inclusionary Housing Ordinance / Fee
- Other IHOs in Illinois
- Housing Trust Fund
- Programs
- Housing Commission
- 2021 Housing Affordability Analysis



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“Affordable Housing”

- Housing that has a sales price within the means of a household with an income at or below 80% AMI for owner-occupied units
- Housing that has a rental amount within the means of a household with an income at or below 60% AMI for rental units
- Housing costs cannot exceed 30% of gross annual household income

Income of Family of 4 at 80% AMI: \$74,500
Affordable Home Price (3 BR): \$207,083

Income of Family of 4 at 60% AMI: \$55,920
Affordable Rent (3 BR): \$1,454



Affordable Housing Planning & Appeals Act

- Passed by State of Illinois in 2003 to address growth in home values outpacing incomes
- Identifies communities’ affordable housing share every 5 years
 - Exempt Local Governments – 10% + affordable housing stock
 - Non-Exempt Local Governments – Under 10% affordable housing stock.
 - Must adopt an Affordable Housing Plan
 - Subject to developer appeals to the State Housing Appeals Board
- St. Charles is Exempt

2004	2013	2018	2023
16.3%	11.2%	17.1%	Next report expected from IHDA



Inclusionary Housing Ordinance

- Adopted by City Council in 2008 – City Code Title 19
- Requires residential developers to provide a share of affordable housing units within a development, or to pay a fee in-lieu of providing affordable units
 - Developments with 1-15 units: 5% affordable
 - Developments with over 15 units: 10% affordable
- Development cost offsets to incentivize affordable units
 - Density Bonus, Fee waivers
- City Council has authority to accept affordable units or fee in-lieu

**75 affordable
units created**



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Other IHOs in Illinois

- Mandatory Programs
 - Highland Park
 - Lake Forest
 - Evanston
 - Chicago
 - Arlington Heights
- Voluntary Programs
 - Geneva
 - Naperville



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IHO Fee in-lieu

- Fee in-lieu set by City Council annually
- 2008 fee: \$140,000 per required affordable unit
- Current fee – based on type of residential unit
 - Multi-Family: \$39,665.75 per required affordable unit
 - Townhomes: \$27,766.03 per required affordable unit
 - Single-Family: \$15,866.30 per required affordable unit

*50-unit development –
5 affordable units OR fee:*

Multi-Family	\$198,329
Townhouse	\$138,830
Single-Family	\$79,332



Housing Trust Fund

- Fee in-lieu payments placed into Housing Trust Fund
- Eligible use of funds per City Code Ch. 3.50
 - Producing affordable housing
 - Acquiring land and buildings to provide affordable housing
 - Grants or loans to non-profits serving eligible households
 - Third-party administration of housing programs
 - Financial assistance to eligible households for rent and home purchase
 - Financial assistance to preserve/maintain existing affordable housing
 - Weatherization and emergency repairs to units occupied by eligible households

Account Balance: ~\$700,000



Housing Trust Fund Programs

- Home Rehab & Accessibility Loan Program
- First-Time Homebuyer Loan Program
- Kane County Affordable Housing Fund



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Home Rehab & Accessibility Loan Program

- Began in 2010
- Zero interest, deferred payment loan for income-eligible households (80% AMI)
- Mechanicals, roofs, windows, insulation, exterior painting/work, building security, drainage improvements, termite damage repair + accessibility improvements
- \$20,000 from Kane County & \$10,000 from St. Charles
- 6 loan recipients



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First-Time Homebuyer Loan Program

- Began in 2017
- Zero interest, deferred payment loan for income-eligible prospective homebuyers (80% AMI)
- Down-payment and closing costs assistance
- \$10,000 from Kane County & \$10,000 from St. Charles
- No loans issued



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Affordable Housing Fund Participation

- Joined in 2018
- Kane County fund to provide gap financing for the preservation and development of affordable housing. Provides financing to developers for acquisition, rehab and/or new construction of homebuyer and rental units
- Combination of HUD funding sources + St. Charles Housing Trust Fund (only for projects in St. Charles)
- Administered by Kane County Office of Community Reinvestment under oversight of Kane-Elgin HOME Commission
- St. Charles Housing Commission granted the authority to approve Housing Trust Fund financing for projects in St. Charles



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Affordable Housing Fund Results

1432 Dean St.



704 Adams Ave.



106 Moore Ave.



2021 Call for Proposals Out Now – Potential affordable rental project



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St. Charles Housing Commission

- Advise City Council on affordable housing policy and programs
- Approve Housing Trust Fund financing for Affordable Housing Fund projects
- 9 members
 - City Council rep
 - Plan Commission rep
 - School District & Park District reps
 - 5 at-large members



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Affordability Analysis – 2021

- Prepared since 2009 to inform decisions regarding housing policies and programs & to track the City's standing with respect to the Affordable Housing Planning & Appeals Act

Past – present results:

	2009	2010	2011	2013	2014	2017	2018	2019	2020	2021
% of housing stock considered affordable	16.3%	16.6%	18%	25.6%	23.1%	22.3%	23.7%	23.4%	21.8%	21.3%



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Affordability Analysis – 2021

- Calculates the home purchase price affordable to a 4-person household at 80% AMI & uses Township Assessor data to determine how many homes in St. Charles are valued below the affordable home price

Method 1 affordable home price: \$235,928

Method 2 affordable home price: \$207,083

- Rental rates are collected from apartment complexes to determine the number of units under the rents affordable to households at 60% AMI

Affordable Rental Units for Chicago Metro Area – 2021

	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Affordable Rent Limits for HH @ 60% AMI	\$979	\$1,049	\$1,258	\$1,454	\$1,623	\$1,790



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Affordability Analysis – 2021

Results:

Method 1 - \$235,928 affordable purchase price

	Affordable Units	Total Units	% Affordable
Owner-Occupied	2,488	9,796	25.4%
Rental	559	4,493	12.4%
TOTAL	3,047	14,289	21.3%

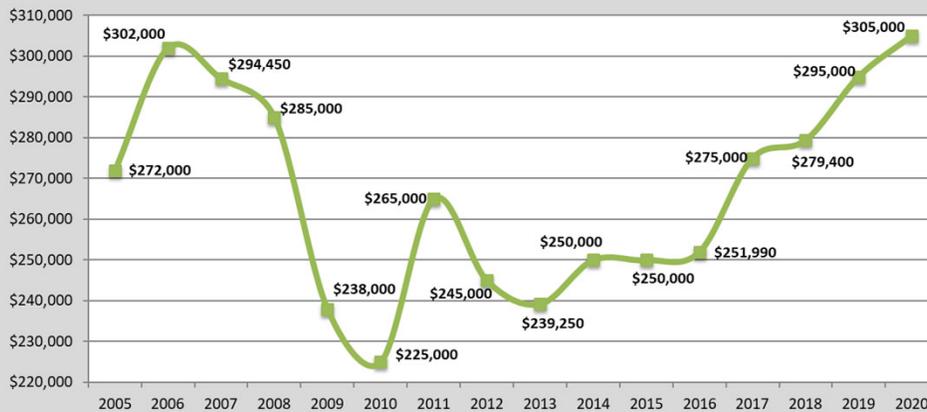
Method 2 - \$207,083 affordable purchase price

	Affordable Units	Total Units	% Affordable
Owner-Occupied	1,055	9,796	10.8%
Rental	559	4,493	12.4%
TOTAL	1,614	14,289	11.3%



Affordability Analysis – 2021

Median Home Sale Price By Year 2005-2020



Looking Ahead

- 2022 IHO fee in-lieu
- Next round of Affordable Housing Fund projects





**2021 St. Charles Housing Affordability Analysis
November 2021**

I. BACKGROUND & PURPOSE

City staff has performed an analysis of St. Charles’ housing stock beginning in 2009 and in most years thereafter for two primary reasons:

1. To provide the Housing Commission and City Council with an assessment of the state of housing affordability in the community, and to track basic housing market indicators, in order to inform decisions regarding housing policies and programs. (This includes periodic adjustments to the Inclusionary Housing Ordinance requirements, such as setting the yearly fee-in-lieu requirement for new development.)
2. To track the City’s standing with respect to the State of Illinois’ Affordable Housing Planning & Appeals Act (AHPAA).

Affordable Housing Planning & Appeals Act (AHPAA)

Every five years, Illinois Housing Development Authority (IHDA) releases a listing of each community’s affordable housing share. This report is used by IHDA to determine a community’s standing with respect to the Affordable Housing Planning & Appeals Act. Per the law:

- “Non-Exempt Local Governments” have less than 10% of the local housing stock that is considered affordable. These communities must adopt an Affordable Housing Plan and may be 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 an Affordable Housing Plan and would not be subject to developer appeals.

Affordable Housing Definition

For the purposes of this report and consistent with the City’s Inclusionary Housing Ordinance and AHPAA, “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.

Summary of Findings 2009-2021

Table 1 lists staff’s findings of St. Charles’ affordable housing share since 2009. This is the percentage of rental and owner-occupied housing units within the City limits that are considered affordable. The two methods used by staff to calculate the 2021 affordable housing share are discussed in Section II.

Table 1 – Staff

	2009	2010	2011	2013	2014	2017	2018	2019	2020	2021
Method 1 (2004 AHPAA Methodology)	16.3%	16.6%	18%	25.6%	23.1%	22.3%	23.7%	23.4%	21.8%	21.3%
Method 2 (per IHDA Affordability Charts; calculated retroactively in 2021)				16.8%	13.8%	12.7%	14.7%	13.7%	12.0%	11.3%

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

Table 2 lists IHDA's findings of St. Charles' affordable housing share. IHDA's last report in 2018 found St. Charles' housing stock to be well over 10% affordable, meaning St. Charles is considered an Exempt Local Government under AHPAA. IHDA is expected to release the next update in 2023.

Table 2 – IHDA

	2004	2013	2018	2023
IHDA's Findings – St. Charles' Affordable Housing Share	16.3%	11.2%	17.1%	<i>Next expected report from IHDA</i>

Staff's finding of St. Charles' affordable housing share has differed from IHDA's determination in the years both entities have conducted analyses. The 2013 report released by IHDA reflected a different methodology to calculate each community's affordable housing share than used for the initial report in 2004 (Method 1). The methodology is also slightly different than IHDA uses to create the Affordability Charts released annually (Method 2, outlined in Section II).

II. AFFORDABILITY IN ST. CHARLES – 2021 UPDATE

This analysis separates owner-occupied (purchased) and rental housing units and combines the results to determine the total percentage of housing in St. Charles that is considered affordable.

Affordable Purchase Price

In order to determine the number of affordable owner-occupied units in St. Charles, the affordable home price must first be determined. The affordable home price used in this report is derived from the monthly mortgage payment a family of four earning 80% of the Area Median Income could afford (30% of income), factoring in property taxes and insurance.

Method 1- 2004 AHPAA Methodology (previously used)

Since staff began preparing this report in 2009, the formula used to calculate the affordable home price was the formula outlined in the *2004 Report on the Affordable Planning & Appeals Act* published by IHDA. This formula builds in an 8.05% mortgage interest rate and assumes a 10% downpayment. Although the mortgage rate used in the formula has been higher than average for some time, this formula has been used to provide a consistent basis of comparison for the City to track affordability year-to-year. It should be noted that IHDA no longer uses this formula to calculate the affordable purchase price for determining AHPAA compliance.

Table 3 details the calculation for determining the maximum affordable owner-occupied home price. The affordable home price of \$235,928 is up from \$230,303 in 2020. This increase is due to a 2% rise in Area Median Income.

Table 3

Chicago Metropolitan Statistical Area Median Income (four-person household) ¹	\$93,125
80% of AMI	\$74,500
30% of Annual Income	\$22,350
Affordable Monthly Payment	\$1,862.50
Owner-Occupied Purchase Price Affordable to Family Earning 80% of AMI	\$235,928

¹ Source: IHDA's 2021 Income and Rent Limits – 6/1/2021

Method 2 (IHDA Affordability Charts)

Each year, IHDA publishes Owner-Occupied and Rental Unit Affordability Charts as supplemental guidance for communities wishing to track exemption status under the Affordable Housing Planning & Appeals Act. The charts provide the affordable purchase prices for households at 80% AMI, adjusted for the number of people in a household, as well as affordable rents.

Staff uses the affordable purchase prices and affordable rents established in the charts for the Chicago Metro Area when administering the City's Inclusionary Housing Ordinance, Title 19 of the City Code. Affordable units required under the ordinance are subject to these purchase price and rent limits. It is also expected that IHDA will use a similar methodology to calculate the affordable purchase price for its next report on local government affordability (expected in 2023).

As such, staff determined it would be appropriate to use the IHDA-determined affordable purchase price in this analysis. According to IHDA, a mortgage-industry standard measure is used to estimate the affordable purchase price for families at 80% AMI. The family of four income limit is divided by .36 to give a rough idea of a purchase price that would result in an affordable monthly mortgage payment that includes principal, interest, taxes, insurance and assessments. The 2021 affordable purchase price for a family of 4 earning 80% of AMI is **\$207,083**.

Affordable Rents

Affordable rents are determined by IHDA on a yearly basis in the aforementioned Owner-Occupied and Rental Unit Affordability Charts. Table 4 shows the maximum rent affordable to a household earning 60% of AMI, adjusted for family size. For example, the affordable rent for a 3-bedroom unit is based upon 60% AMI for a four-person household (\$55,920). Since last year, the amount of rent considered affordable increased by \$24-42/month depending on bedroom size, again due to the increase in Area Median Income.

Table 4

Affordable Rental Units for Chicago Metro Area – 2021						
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Affordable Rent Limits for HH @ 60% AMI	\$979	\$1,049	\$1,258	\$1,454	\$1,623	\$1,790

Source: IHDA's 2021 Owner-Occupied and Rental Unit Affordability Charts

2021 Affordability Findings & Analysis

St. Charles Township Assessor data was collected to determine the number of owner-occupied units that fall at or below the affordable home purchase prices determined under Method 1 and Method 2, based on the market value assigned by the Assessor. The Assessor data used is a year behind the current calendar year to account for a full year of data. The Assessor data examined in this report is for the 2020 calendar year.

The number of affordable rental units was derived using local rental rates collected by staff. These rates were then compared to the maximum allowed rents established by IHDA.

The tables below break down the number of affordable housing units and total housing units by type, followed by the resulting percentage of affordable units. The total percentage of affordable units was determined by combining the owner-occupied and rental unit findings.

Table 5 depicts the findings using the Method 1 affordable purchase price (\$235,928).

Table 5 (\$235,928 affordable purchase price)

Unit Type²	Affordable Units	Total Units	% Affordable
<i>Owner-Occupied Units</i>			
Single-Family	1,427	7,729	18.5%
Two-Family Duplex	7	50	14.0%
Condo	837	946	88.5%
Townhome	217	1,071	20.3%
Owner-Occupied Total	2,488	9,796	25.4%
<i>Rental Units</i>			
Rental Units	559	4,493	12.4%
COMBINED TOTAL			
Total Owner-Occupied & Rental Units	3,047	14,289	<u>21.3%</u>

A total of 25.4% of owner-occupied housing is considered affordable using the \$235,928 affordable purchase price. This is nearly unchanged from the 2020 finding of 25.3% owner-occupied affordability.

Rental affordability decreased from 14% in 2020 to 12.4% in 2021. The decrease in affordable rentals from 2020 to 2021 was caused by the addition of 96 new market-rate units at Prairie Centre as well as the loss of 135 units that were previously considered affordable due to rising rents. Most of these lost affordable units were at St. Charles Place Apartments. Rental rates have risen across almost every apartment community in St. Charles over the past year. Only two market-rate complexes offer units at or below rental rates considered affordable, comprising only 45 units. All other affordable rentals are within income-restricted, subsidized developments.

In total, 21.3% of housing units in St. Charles are considered affordable. This is just slightly lower than the 2020 finding of 21.8% affordable. It is the lowest total affordability percentage since 2011.

Table 6 depicts the findings using the Method 2 affordable purchase price (\$207,083).

² Two-unit or more conversions and single-family rentals identified in the Assessor date were added to the total number 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.

Table 6 (\$207,083 affordable purchase price)

Unit Type	Affordable Units	Total Units	% Affordable
<i>Owner-Occupied Units</i>			
Single-Family	498	7,729	6.4%
Two-Family Duplex	2	50	4.0%
Condo	530	946	56.0%
Townhome	25	1,071	2.3%
Owner-Occupied Total	1,055	9,796	10.8%
<i>Rental Units</i>			
Rental Units	559	4,493	12.4%
COMBINED TOTAL			
Total Owner-Occupied & Rental Units	1,614	14,289	<u>11.3%</u>

Comparing the owner-occupied results in Tables 5 and 6, it is clear the affordable purchase price significantly impacts the owner-occupied affordability findings. Using the \$207,083 affordable purchase price threshold, only 10.8% of owner-occupied units are considered affordable. This results in a total affordability rate of 11.3%. This is 57% lower than the 21.3% finding in Table 5 utilizing the affordable purchase price methodology of past years. However, this finding is still over the 10% affordable housing rate required under the Affordable Housing Planning & Appeals Act

III. ST. CHARLES HOUSING MARKET TRENDS – 2020

Township Assessor sales data was used to analyze the price of homes sold in St. Charles in 2020. Figure 1 shows the median home sale price over the past 15 years. The \$305,000 median sale price in 2020 is the highest in the last 15 years, exceeding the previous peak in 2006. This rise reflects a continuation of a trend of increasing prices seen over the past five years.

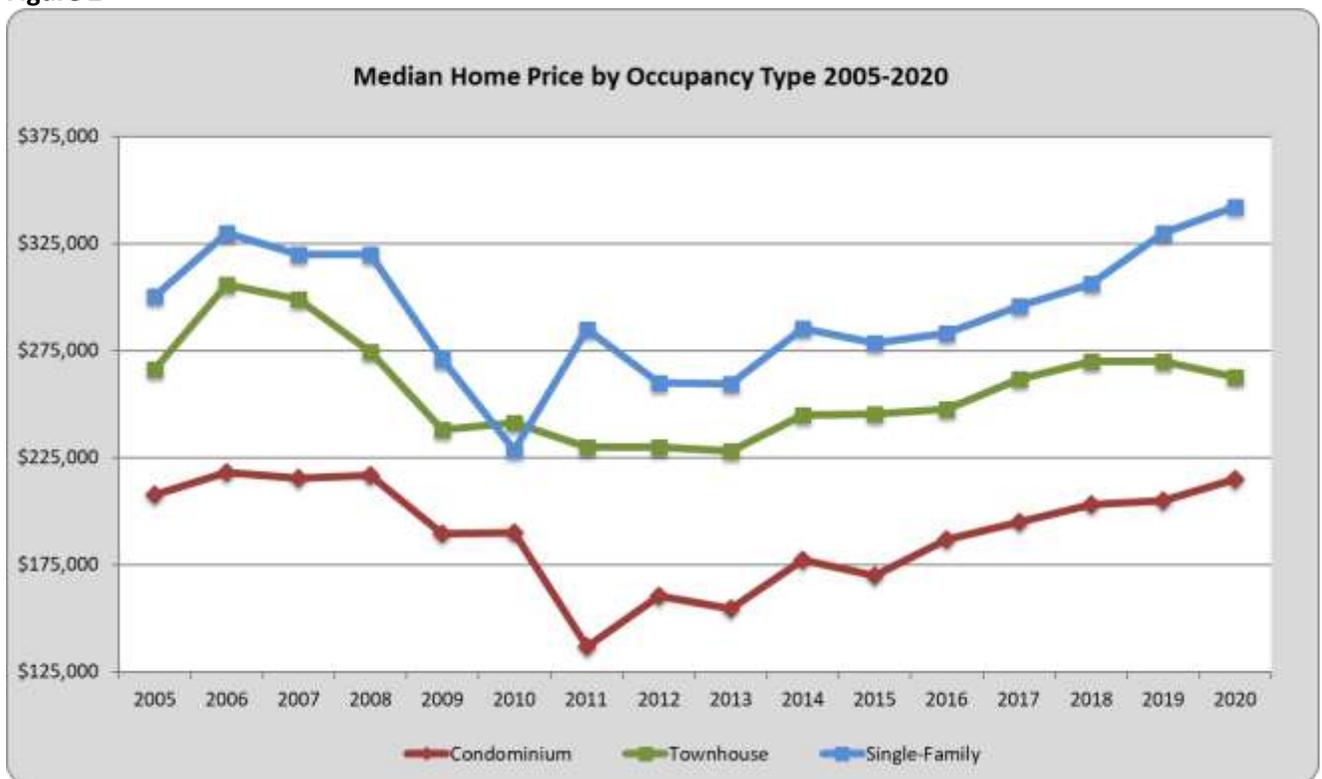
Figure 1



In terms of affordability, the median sale price is about \$69,000 over the Staff-calculated affordable home price (\$235,928) and about \$97,817 over the IHDA affordable home price (\$207,083). A total of 118 of the 536 homes sold in 2020, or 22%, were under the \$235,928 affordable price. This is in keeping with last year's figures. Only 57 homes, or 11%, were under the \$207,083 affordable home price. Both of these findings are in line with overall owner-occupied affordability findings.

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 and condos since 2015, while townhouse prices have dropped off slightly. Of the 413 single-family homes sold in 2020, 15% were under the affordable price of \$235,928, compared to 15% of townhomes and 79% of condominiums. For the \$207,083 affordable price threshold, 8% of single-family homes, 46% of condominiums, and 2% of townhouses would have been considered affordable.

Figure 2



IV. CONCLUSIONS

Moving forward, it may be prudent to utilize IHDA's affordable purchase price (Method 2/Table 6 results) to track St. Charles' affordable housing share to gauge standing with the 10% affordability benchmark under the Affordable Housing Planning & Appeals Act. However, it may also be useful to continue the calculation used for this report since 2009 (Method 1/Table 5) in order to provide context and a consistent means of comparison for the City. In future years, staff will continue to provide both analyses in this annual report.

Regardless of the methodology used, St. Charles' affordable housing stock remains above the 10% threshold. Overall affordability remained fairly steady from 2019, except for a slight dip in rental affordability.

The COVID-19 pandemic has impact housing markets nationwide. The market supply of homes has fallen while housing prices have increased substantially. Locally, this trend is reflected in the highest median home sale price seen in St. Charles since 2006. However, the data presented in this report is from calendar year 2020. The housing market continued to tighten in 2021. Next year's analysis will present 2021 data which should give a more complete picture of the COVID-19 impacts on housing affordability in St. Charles.

On the rental side, the supply of market-rate apartment units continues to increase as build-out moves forward at Prairie Centre. The City has also recently reviewed plans for a handful of additional market-rate rental developments. Should these projects come to fruition without incorporation of affordable units, the rate of affordable rentals will continue to fall.