

**AGENDA ITEM EXECUTIVE SUMMARY****Agenda Item Number: 4c****Title:** 2022 St. Charles Housing Affordability Analysis.**Presenter:** Ellen Johnson, Planner**Meeting:** Planning & Development Committee**Date:** December 12, 2022

Proposed Cost: \$0

Budgeted Amount: \$0

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

The St. Charles Housing Affordability Analysis is prepared by staff on an annual basis to inform City 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 (AHPAA), which requires communities to have a housing stock that is 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 **17%** of St. Charles' housing stock is considered affordable. This represents a significant rise in affordability from the 2021 finding of 11.3% affordable, and is over the 10% marker required under AHPAA.

On the ownership side, 17.3% of housing units are considered affordable, up from just 10.8% in 2021. This increase in affordability is attributed to:

1. An increase in Area Median Income (AMI) which resulted in a higher "affordable" home price.
2. The St. Charles Township Assessor market value data used in the affordability calculation is based on the previous 3 years of sales data (2019-2021), lagging behind current housing market conditions.

On the rental side, 16.1% of rental units are considered affordable, up from 12.4% last year. Again, calculated affordability has increased due to higher AMI, despite a general trend of rising rents across St. Charles' apartment communities.

**Looking Ahead**

Staff plans to bring forward the 2023 Inclusionary Housing Fee for Committee discussion in January. This is a fee paid by housing developers in lieu of providing affordable units.

In Dec. 2023, Illinois Housing Development Authority (IHDA) is expected to release an updated listing of each communities' affordable housing share to determine compliance with AHPAA.

**Attachments** (please list):

2022 St. Charles Housing Affordability Analysis

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

Information Only – No action needed



**2022 St. Charles Housing Affordability Analysis**  
**November 2022**

**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 list 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 2009-2022***

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 method used to calculate the affordable housing share is discussed further in Section II.

**Table 1 – Staff**

	2009*	2010*	2011*	2013	2014	2017	2018	2019	2020	2021	2022
Staff’s Findings – St. Charles’ Affordable Housing Share <sup>1</sup>	16.3%	16.6%	18%	16.8%	13.8%	12.7%	14.7%	13.7%	12%	11.3%	17%

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

<sup>1</sup> From 2009-2020, the affordable housing share was calculated based on the formula outlined in IHDA’s 2004 Report on the Affordable Housing Planning & Appeals Act. IHDA changed its methodology in 2013. In 2021, Staff began utilizing IHDA’s annual Affordability Charts to determine the affordable home price and retroactively re-calculated the affordable housing share back to 2013. The results identified for 2009-2011 reflect the original formula.

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 December 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. The methodology is also slightly different than the method IHDA uses to create its annual Affordability Charts, which are now used as the basis for Staff's analysis.

## II. AFFORDABILITY IN ST. CHARLES – 2022 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 purchase price must first be determined.

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 chart provides the affordable purchase prices for households at 80% of the Area Median Income adjusted for the number of people in a household, as well as affordable rents.

IHDA utilizes a mortgage-industry standard measure to estimate the affordable purchase price for households 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.

Table 3 details the calculation. The affordable purchase for a family of 4 earning 80% of AMI is **\$231,528**, up 10.5% from \$207,083 in 2021. This increase is due to a 12% rise in Area Median Income. This marks a sharper rise in AMI than the 2%-7% increase that has been experienced year-to-year over the previous 5 years.

**Table 3**

Chicago Metropolitan Statistical Area Median Income (four-person household) <sup>2</sup>	\$104,188
80% of AMI	\$83,350
<b>Owner-Occupied Purchase Price Affordable to Family Earning 80% of AMI (income/.36)</b>	<b>\$231,528</b>

<sup>2</sup> Source: IHDA's 2022 Income and Rent Limits – 6/15/2022

### **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 (\$62,513). Since last year, the amount of rent considered affordable increased by 12% across the board, from \$116-\$211 more per month depending on bedroom size, again due to the increase in Area Median Income.

**Table 4**

<b>Affordable Rental Units for Chicago Metro Area – 2022</b>						
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
<b>Affordable Rent Limits for HH @ 60% AMI</b>	\$1,095	\$1,173	\$1,407	\$1,626	\$1,813	\$2,001

*Source: IHDA's 2022 Owner-Occupied and Rental Unit Affordability Charts*

### **2022 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 price, based on the market value assigned by the Assessor. The Assessor data used is for the 2021 calendar year to account for a full year of data.

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

Table 5 breaks 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 findings.

**Table 5**

<b>Unit Type<sup>3</sup></b>	<b>Affordable Units</b>	<b>Total Units</b>	<b>% Affordable</b>
<b>Owner-Occupied Units</b>			
Single-Family	862	7,749	11.1%
Two-Family Duplex	3	50	6.0%
Condo	737	946	77.9%
Townhome	100	1,069	9.4%
<b>Owner-Occupied Total</b>	<b>1,702</b>	<b>9,814</b>	<b>17.3%</b>
<b>Rental Units</b>			
<b>Rental Units</b>	<b>725</b>	<b>4,497</b>	<b>16.1%</b>
<b>COMBINED TOTAL</b>			
<b>Total Owner-Occupied &amp; Rental Units</b>	<b>2,427</b>	<b>14,311</b>	<b><u>17.0%</u></b>

A total of 17.3% of owner-occupied housing is considered affordable, meaning it falls below the \$231,528 affordable purchase price compared with market values assigned by the Assessor's Office. This

<sup>3</sup> Two-unit or more conversions and single-family rentals identified in the Assessor data 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.

is up from 10.8% in 2021, marking a 61% increase in the number of affordable owner-occupied units (1,055 units in 2021). This increase in affordability is not due to lower housing values, but rather the uptick in Area Median Income, which caused an affordable home price almost \$25,000 higher than last year. This has resulted in more units classified as “affordable”.

Rental affordability increased from 12.4% in 2021 to 16.1% in 2022, caused by a 30% increase in the number of affordable rental units (559 units in 2021). This increase in affordable rentals was again due to higher Area Median income and not lower rents; certain units not counted as affordable last year were counted as affordable this year due to the higher affordable rent threshold. Rents at most of the apartment complexes in St. Charles have gone up since last year. Only three market-rate complexes offer affordable units, comprising 211 units. All other affordable rentals are within income-restricted, subsidized developments.

In total, 17.0% of housing units in St. Charles are considered affordable. This is up from the 2021 finding of 11.3% and is the highest affordability finding since 2011. There are 50% more affordable units (owner-occupied and renter) than last year’s finding. This finding is over the 10% affordable housing rate required under the Affordable Housing Planning & Appeals Act.

### III. ST. CHARLES HOUSING MARKET TRENDS – 2021

St. Charles Township Assessor sales data was used to analyze the price of homes sold in St. Charles in 2021. Figure 1 shows the median home sale price over the past 15 years. The median sale price in 2021 was \$329,500, topping last year’s high of \$305,000. This sharp rise reflects nationwide housing market trends characterized by limited supply and soaring prices.

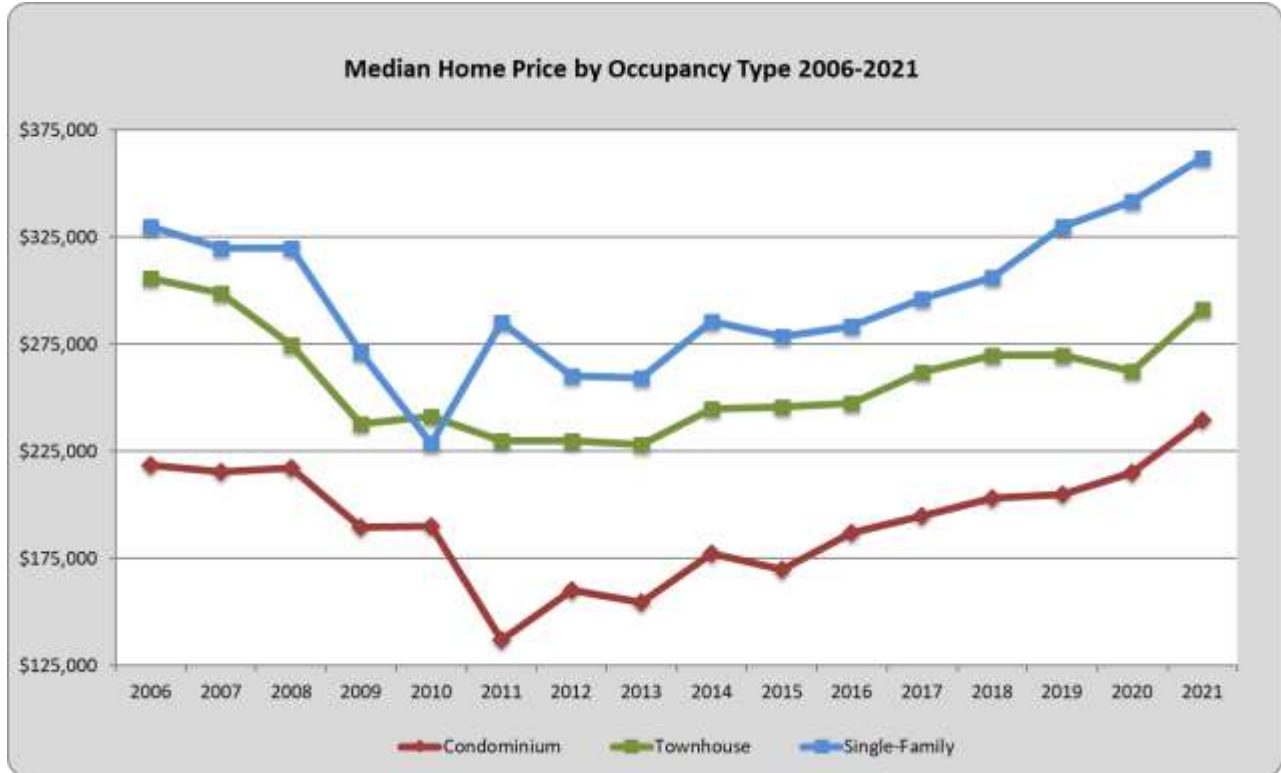
In terms of affordability, the median sale price is about \$98,000 over the affordable home price (\$231,528). Only 60 homes sold (10%) would be considered affordable (under the \$231,528 affordable home price), reflecting the high sales prices being demanded in the current market.

**Figure 1**



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, townhomes, and condos since 2015. Of the 464 single-family homes sold in 2021, only 8% were under the affordable price of \$231,528, compared to 40% of condos and 0% of townhomes.

**Figure 2**



#### IV. CONCLUSIONS

This report finds that 17% of St. Charles' housing stock is affordable. This is the highest affordability finding since the first Affordability Analysis was conducted in 2009.

The owner-occupied affordability findings increased dramatically from last year, for a total owner-occupied affordability of 17.3%. This finding may be unexpected given the current state of the housing market, characterized by high prices and limited supply. These market conditions are reflected in the record-high median home sale price data from 2021.

The contradiction between the owner-occupied affordability findings and what is being experienced in today's housing market is a function of two data points used in the affordability calculation:

1. Increase in Area Median Income which has resulted in a higher affordable home price.
2. St. Charles Township Assessor market values which are determined based on the previous 3 years of sales data. Thus, the values assigned by the Assessor lag behind current market conditions.

Further adding to the uncertainty of today's housing market are rising interest rates which heavily impact affordability for buyers. This may cause home prices to level off or decrease over time. The impact of current and future market conditions on the Township Assessor's determination of "market value" remains unknown, but may result in much lower affordability findings in future years if current trends continue.

On the rental side, affordability increased to 16.1% affordable despite a general trend of rising rents, again due to a higher Area Median Income. This finding is based on actual current rents and unit counts, resulting in a more concrete finding than on the ownership side.

The supply of market-rate apartment units continues to grow as build-out carries on at Prairie Centre and construction is slated to begin at The Springs of St. Charles. The anticipated result of these new market-rate units will be a decrease in the rental affordability rate in coming years, unless additional affordable rental units are added to the housing stock.

## **V. HOUSING COMMISSION REVIEW**

The St. Charles Housing Commission reviewed a draft of this document at their November meeting. The draft was formatted similar to the 2021 Affordability Analysis. It included two methods for calculating the affordable home price, resulting in two sets of owner-occupied housing affordability results. Method 1 was the original methodology recommended by IHDA and used for the Affordability Analysis since 2009. Method 2 was the IHDA-determined affordable purchase price per the annual published Affordability Charts. Staff began adding Method 2 to the analysis in 2021 because St. Charles uses the affordable purchase price and affordable rents established in the charts when administering the Inclusionary Housing Ordinance. 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).

The Housing Commission recommended removing Method 1 from the report. Some of the assumptions built into that formula, including a low property tax rate, were determined to be causing an inflated affordable purchase price, therefore triggering concern for the validity of the owner-occupied affordability findings. The Commission supported utilizing Method 2 for this year's report and moving forward to more accurately gauge St. Charles' standing with the 10% affordability benchmark under the Affordable Housing Planning & Appeals Act. This report has been modified as recommended by the Commission.

The Commission also commented on the limited nature of the information provided in this analysis. While the analysis shows the percentage of housing in St. Charles that is considered affordable, it does not compare supply with demand; it does not analyze local household income cohorts and explore whether the supply of affordable housing is meeting the needs of the community. They noted that attempting to define the actual number of affordable units needed to meet demand would be a worthwhile exercise. This type of information was provided in the 2014 *Homes for a Changing Region* study prepared for the City by the Chicago Metropolitan Agency for Planning and the Metropolitan Mayor's Caucus. Staff has applied for assistance from MMC to update the data provided in the *Homes* study.