



AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item Number: 4d

Title: Recommendation regarding 2023 Inclusionary Housing Fee

Presenter: Ellen Johnson

Meeting: Planning & Development Committee

Date: January 9, 2023

Proposed Cost: \$

Budgeted Amount: \$

Not Budgeted:

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

Background

The Inclusionary Housing Ordinance (IHO), Title 19 of the Municipal Code, requires developers of new residential developments to build a proportionate share of affordable housing units on site, or 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 be used to provide and preserve affordable housing opportunities in St. Charles.

The IHO fee in-lieu may be set on an annual basis at the discretion of the City Council. Council typically sets the fee at the beginning of each calendar year.

Current Fee

The current IHO fee has a three-tier structure based on housing type. Each fee is per required affordable unit in the development:

- Multi-Family Developments: \$39,665.75 (cost of a 25% downpayment for an affordable home priced at \$158,663)
- Townhome Developments: \$27,766.03 (cost of a 17.5% downpayment)
- Single-Family Developments: \$15,866.30 (cost of a 10% downpayment)

In previous years, a single fee (\$39,665.75) applied to all types of residential development. City Council decided in 2021 to lower the fees for townhome and single-family developments. Council recognized the relative ease of incorporating affordable units within multi-family developments vs. single-family or townhome and the lower cost of construction per multi-family unit vs. single-family, with the cost of a townhome unit falling between the two. In addition, multi-family developments are more likely to be able to take advantage of the density bonus allowed under the code for developments that incorporate affordable units.

2023 Inclusionary Housing Fee:

The Housing Commission discussed the 2023 IHO fee at their meeting on 1/5/23 and voted 5-0 to recommend keeping the current fees in place. It is anticipated the fee for 2024 will be recalculated after IHDA releases the new affordable home price for St. Charles, expected in December of this year.

Attachments *(please list):*

IHO Fee Memo

Recommendation/Suggested Action *(briefly explain):*

Provide a recommendation on the 2023 Inclusionary Housing Fee.



MEMO

COMMUNITY DEVELOPMENT DEPARTMENT

DATE: January 6, 2023

TO: Chairman Steve Weber and the Members of the Planning & Development Committee

FROM: Ellen Johnson, Planner

RE: **2023 Inclusionary Housing Fee**

Staff is seeking direction from the Committee on setting the Inclusionary Housing Fee In-lieu for calendar year 2023.

Under Title 19 of the City Code, the Inclusionary Housing fee in-lieu may be set on an annual basis at the discretion of the City Council. Section 19.02.060 states:

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.

I. Background

The Inclusionary Housing Ordinance (IHO), Title 19 of the City Code, 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. The Housing Trust Fund is to be used to create and preserve affordable housing opportunities in St. Charles. Currently, the City's Home Rehab & Accessibility Loan Program and First-Time Homebuyer Loan Program are funded by the Housing Trust Fund. In addition, a significant portion of the fund has been earmarked for the Kane County Affordable Housing Fund, through which developers of affordable housing can request funding for proposed projects. So far, this has enabled two purchase/rehab/resale projects and construction of a new affordable home.

II. Previous IHO Fees

When the IHO was first adopted in 2008, the IHO fee was set at \$140,000 per required affordable unit. After being reduced in 2010 to \$104,500, the IHO was suspended for three years beginning in 2013. The IHO was reinstated in 2016 with a reduced fee of \$72,820 per required affordable unit. This fee was calculated as the cost of providing a 25% downpayment for two affordable units, a calculation that has been used each year since, with some modification based on the affordable home price as designated by IHDA. As of 2019, the fee was set at \$39,665.75, calculated as the cost of providing a 25% downpayment for a single affordable unit priced at \$158,663.

III. Current IHO Fee

City Council set the fee for 2021 in Oct. 2020. For the first time, a three-tiered fee structure was established based on unit type, as opposed to a single fee for all unit types. This was done to take into account the relative ease of incorporating affordable units within multi-family developments and the greater likelihood of being able to take advantage of the density bonus allowed under the code for developments that incorporate affordable units, as well as a lower per-unit construction

cost for multi-family vs. single-family developments. The cost of constructing a townhome unit generally falls between multi-family and single-family.

The fee for multi-family developments was kept the same as the 2020 fee: **\$39,665.75**, calculated as the cost of a 25% downpayment for an affordable house priced at \$158,663. Townhomes: **\$27,766.03**, calculated as the cost of a 17.5% downpayment for an affordable house. Single-family developments: **\$15,866.30**, calculated as a 10% downpayment for an affordable house. The fee was kept the same for 2022.

The calculation upon which the three fees are determined is based upon St. Charles' affordable home price as determined by IHDA in its 2018 Report on Statewide Local Government Affordability. IHDA releases this report every 5 years. IHDA has communicated that it will release its next report in December 2023. Staff anticipates updating the fee based on the new affordable home price identified at that time.

IV. 2023 IHO Fee

The three-tiered fee structure has been utilized for determining developer contributions for the past two years. Staff has not experienced issues with administration of the fee structure. The lower fee for single-family developments has resulted in lower contributions required for the Munhall Glen single-family subdivision currently under construction. The fee collected for the Springs of St. Charles apartment community was calculated based on the highest tier, resulting in a fee payment of over \$1.2 million.

If it is determined that the current fees should remain in place, the 2023 fees would remain at **\$39,665.75 for multi-family, \$27,766.03 for townhomes and \$15,866.30 for single-family.**

Alternatively, the Committee could recommend changes to the fee structure and/or fees, including a return to a single fee. The fee(s) could be based on a different formula or not based on a formula. The Ordinance does not provide direction as to how the fee should be determined.

The table below lists the current IHO fees and the resulting developer contributions for various sized developments. After that, possible fees are listed which are 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	<i>0.05 unit</i>	<i>5 units</i>	<i>10 units</i>	<i>25 units</i>	<i>50 units</i>
2021 fees (current):					
<i>Multi-family</i>	\$39,665.75	\$1,983	\$198,329	\$396,658	\$991,644
<i>Townhomes</i>	\$27,766.03	\$1,388	\$138,830	\$277,660	\$694,151
<i>Single-Family</i>	\$15,866.30	\$793.32	\$79,332	\$158,663	\$396,658
Other Possible Fees:					
\$70,000	\$3,500	\$350,000	\$700,000	\$1,750,000	\$3,500,000
\$60,000	\$3,000	\$300,000	\$600,000	\$1,500,000	\$3,000,000
\$50,000	\$2,500	\$250,000	\$500,000	\$1,250,000	\$2,500,000
\$40,000	\$2,000	\$200,000	\$400,000	\$1,000,000	\$2,000,000
\$30,000	\$1,500	\$150,000	\$300,000	\$750,000	\$1,500,000
\$20,000	\$1,000	\$100,000	\$200,000	\$500,000	\$1,000,000
\$10,000	\$500	\$50,000	\$100,000	\$250,000	\$500,000
\$5,000	\$250	\$25,000	\$50,000	\$125,000	\$250,000

V. Housing Commission Recommendation

Housing Commission discussed the IHO fee for 2023 at their meeting on 1/5/23. They unanimously recommended keeping the current fees in place. It was noted that staff has not observed issues with administering the fees.