

**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 4e-1

Title:

2023 St. Charles Housing Affordability Analysis & Illinois Housing Development Authority's 2023 Statewide Report on Local Government Affordability

Presenter:

**Ellen Johnson, Planner
Russell Colby, Community Development Director****Meeting:** Planning & Development Committee**Date:** February 12, 2024**Proposed Cost:** N/A**Budgeted Amount:** N/A**Not Budgeted:** **TIF District:** None**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. The information is also used to inform the City's decisions regarding our local affordable housing requirements and programs.

"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.

City Report (annual)

Based on the calculations outlined in the report, a total of **12.9%** of St. Charles' housing stock is considered affordable. This represents a decrease in affordability from the 2022 finding of 17%. On the ownership side, 13.2% of housing units are affordable, down from 17.3% in 2022. For rental housing, 12.2% of units are affordable, down from 16.1% last year.

State Report (Every 5 years)

In Dec. 2023, Illinois Housing Development Authority (IHDA) released the [2023 Statewide Report on Local Government Affordability](#) which lists each municipality's affordable housing share. This is used by IHDA to determine compliance with the Affordable Housing Planning and Appeals Act. The report is issued every 5 years. According to the report, **17.2%** of St. Charles' housing stock is affordable. This is nearly unchanged from the 2018 finding of 17.1%. With an affordable housing share above 10%, St. Charles remains an Exempt Local Government under AHPAA. This means St. Charles does not need to submit an Affordable Housing Plan to the State and is not subject to appeals to the State Housing Appeals Board. The next update is expected in 2028.

Analysis

As in years past, Staff's affordability finding (12.9%) differs from the State's finding (17.2%). Reasons for the difference relate to the data points and sources used for the calculations, as detailed in the Affordability Analysis. Staff believes that the housing affordability situation in St. Charles is more accurately represented by Staff's finding due to the use of more localized and current data.

Attachments (please list):

2023 St. Charles Housing Affordability Analysis

Recommendation/Suggested Action (briefly explain):

Provide any comments or questions. Information Only – No action needed



2023 St. Charles Housing Affordability Analysis
December 2023

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 2009-2023

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	2023
Staff’s Findings – St. Charles’ Affordable Housing Share ¹	16.3%	16.6%	18%	16.8%	13.8%	12.7%	14.7%	13.7%	12%	11.3%	17%	12.9%

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

¹ 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 most recent report, released in December 2023, found St. Charles’ housing stock to again be around 17%. St. Charles remains an Exempt Local Government under AHPAA because its affordable housing share is over 10%. The next update is expected in five years.

Table 2 – IHDA

	2004	2013	2018	2023
IHDA’s Findings – St. Charles’ Affordable Housing Share	16.3%	11.2%	17.1%	17.2%

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, and each report thereafter, 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. Reasons for the difference between staff’s and IHDA’s findings are related to the data points and sources used for the calculations, including:

- 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 American Community Survey (ACS) 5-year estimates to determine home prices and rents. The 2023 report used 2017-2021 ACS 5-year estimates.
- Housing unit count: Staff uses Township Assessor data for this information, while IHDA uses 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 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.

Staff believes that the housing affordability situation in St. Charles is more accurately represented by staff’s affordability finding due to the use of more localized and up-to-date data.

II. AFFORDABILITY IN ST. CHARLES – 2023 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 **\$245,139**, up 5.9% from \$231,528 in 2022. This increase is due to a 5.9% rise in Area Median Income. This change in AMI is within the typical percent increase experienced year-to-year over the past 6 years, with the outlier being the 12% AMI increase experienced from 2021-22.

Table 3

Chicago Metropolitan Statistical Area Median Income (four-person household) ²	\$110,300
80% of AMI	\$88,250 ³
Owner-Occupied Purchase Price Affordable to Family Earning 80% of AMI (income/.36)	\$245,139

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 (\$66,180). Since last year, the amount of rent considered affordable increased by approx. 6% across the board, from \$64-\$117 more per month depending on bedroom size, again due to the increase in Area Median Income. This marks less of an increase than the sharper rise experienced from 2021-22.

Table 4

Affordable Rental Units for Chicago Metro Area – 2023						
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Affordable Rent Limits for HH @ 60% AMI	\$1,159	\$1,242	\$1,489	\$1,721	\$1,920	\$2,118

Source: IHDA's 2023 Owner-Occupied and Rental Unit Affordability Charts

2023 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 2022 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.

² Source: IHDA's 2023 Income and Rent Limits – 6/15/2023

³ 80% of AMI equates to \$88,240. IHDA appears to have miscalculated and used \$88,250 to calculate the affordable home price for a household at 80% AMI per the 2023 IHDA Affordability Charts.

Table 5

Unit Type ⁴	Affordable Units	Total Units	% Affordable
Owner-Occupied Units			
Single-Family	720	7,758	9.3%
Two-Family Duplex	3	50	6.0%
Condo	543	945	57.5%
Townhome	31	1,054	2.9%
Owner-Occupied Total	1,297	9,807	13.2%
Rental Units			
Rental Units	555	4,562	12.2%
COMBINED TOTAL			
Total Owner-Occupied & Rental Units	1,852	14,369	<u>12.9%</u>

On the ownership side, 13.2% of owner-occupied housing falls below the \$245,139 affordable purchase price and is considered affordable, based on market values assigned by the Assessor's Office. This is down from 17.3% in 2022, marking a 24% decrease in affordability (405 fewer affordable homes). The greatest loss in affordable units was experienced for condos and townhomes. The decrease in owner-occupied affordability is due to home value increases outpacing the rise in Area Median Income.

On the rental side, affordability fell from 16.1% in 2022 to 12.2% in 2023. This was caused by a loss of 170 affordable rentals at two apartment complexes, all of which were 1- or 2-bedroom units. Rents at most of the apartment complexes in St. Charles have gone up over the past year, although the increases were generally to a smaller degree than was experienced last year. Only three market-rate complexes offer affordable units, comprising just 57 units. All other affordable rentals are within income-restricted, subsidized developments.

In total, 12.9% of housing units in St. Charles are considered affordable. This is down from the 2022 finding of 17%, however it is more in line with the findings of years previous. This finding is over the 10% affordable housing rate required under the Affordable Housing Planning & Appeals Act.

III. ST. CHARLES HOUSING MARKET TRENDS – 2022

St. Charles Township Assessor sales data was used to analyze the price of homes sold in St. Charles in 2022. Figure 1 shows the median home sale price over the past 15 years. The median sale price in 2022 was \$369,500, topping last year's high of \$329,500. This marks the second year in a row in which housing prices have risen sharply, reflecting nationwide housing market trends characterized by limited supply and soaring prices.

In terms of affordability, the median sale price is about \$124,000 over the affordable home price (\$245,139). Only 43 homes sold in 2022 (10.6%) would be considered affordable, reflecting the high sales prices being demanded in the current market.

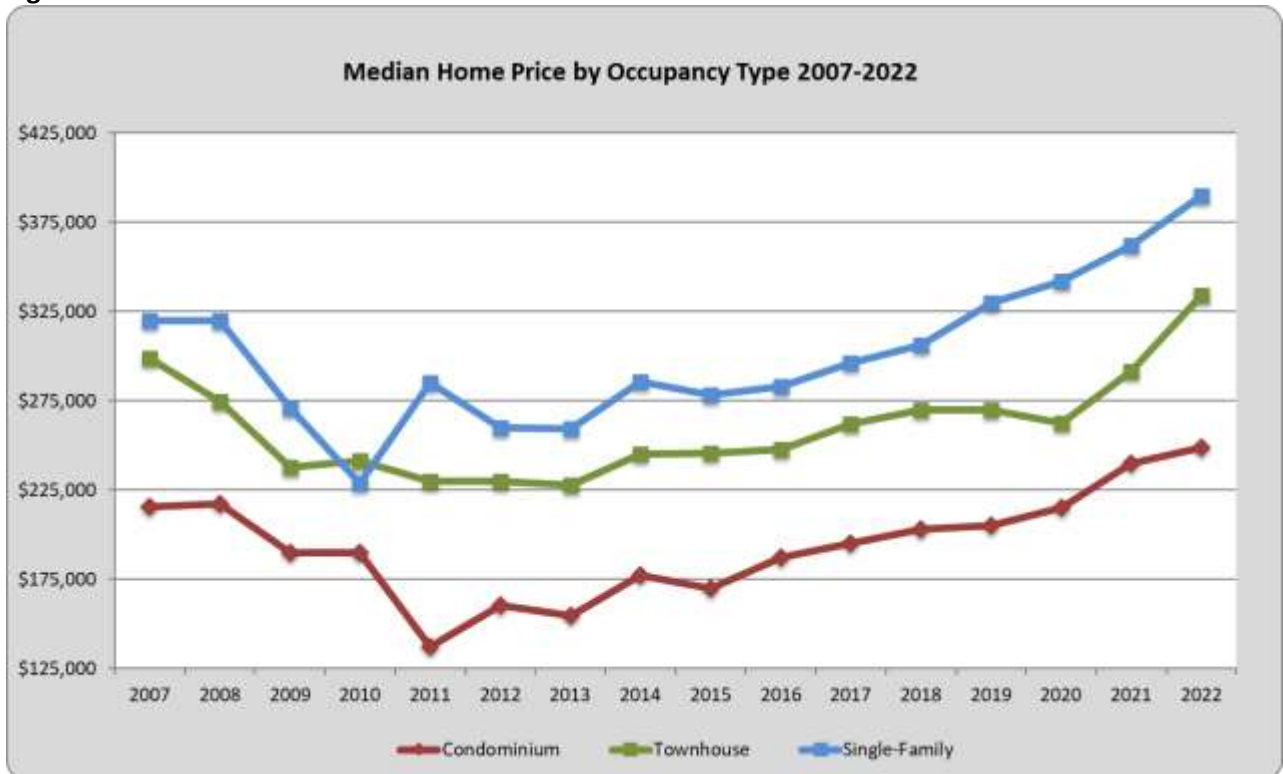
⁴ Two-unit or more conversions and single-family rentals identified in the Assessor data were added to the total number of rental units. However, staff cannot readily determine the rents charged for these units so they were only counted as part of the total rental units; none were counted as affordable.

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 323 single-family homes sold in 2022, only 9% were under the affordable price of \$245,139, compared to 43% of condos and 0% of townhomes.

Figure 2



IV. CONCLUSIONS

This report finds that 12.9% of St. Charles' housing stock is affordable. While significantly lower than last year's finding, this finding is consistent with findings from 2017-2021. This drop in affordability is due to rent increases and home values outpacing the rise in Area Median Income.

On the homeownership side, Staff expects affordability to continue to fall in the coming years if current housing market trends characterized by limited supply and high prices continue. In addition, St. Charles Township Assessor market values are determined based on the previous three years of sales data. Thus, the full impact of today's housing market is not yet reflected in the data. On the other hand, the relatively high interest rates imposed by the Federal Reserve over the past year may dampen demand and cause home prices to level off and decrease over time. Also not reflected in the data is the impact higher interest rates have on relative affordability; higher interest rates lead to increased monthly payments for home buyers, reducing "affordable" options for buyers and potentially causing more cost-burdened households.

On the rental side, affordability fell to 12.2%. This finding is based on actual current rents and unit counts, resulting in a more concrete finding than on the ownership side. A total of 66 new apartment units were added in the past year (Prairie Centre and 333 Lofts on 1st Street). The supply of market-rate units will continue to grow in the coming year; build-out carries on at Prairie Centre (approx. 350 units are left to construct) and construction is underway at The Springs at St. Charles (320 units). A decrease in the rental affordability rate in coming years is expected as a result of these new market-rate units.