

	AGENDA ITEM EXECUTIVE SUMMARY		Agenda Item number: 4e-III
	Title:	2024 Inclusionary Housing Fee	
	Presenter:	Ellen Johnson, Planner	
Meeting: Planning & Development Committee		Date: February 12, 2024	
Proposed Cost: N/A		Budgeted Amount: N/A	Not Budgeted: <input type="checkbox"/>
TIF District: None			
Executive Summary (if not budgeted, please explain):			
Background			
<p>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.</p>			
<p>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. These fees have been in place since 2021:</p> <ul style="list-style-type: none"> • 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) 			
<p>2024 Fee – The fee is calculated based on various downpayment percentages for an affordable home. The affordable home price used is \$158,663, which is the affordable home price for St. Charles identified by Illinois Housing Development Authority (IHDA) in the 2018 Report on Statewide Local Government Authority. It was noted that the intent would be for the fee to be recalculated when a new affordable home price is identified upon release of the 2023 Report.</p>			
<p>IHDA has provided Staff with details of the calculation used to determine St. Charles' updated affordable housing share. The affordable home price is \$209,817, up significantly from \$158,663 in 2018 due to increases in household income. Recalculating the fees based on the new affordable home price results in the following fees:</p> <ul style="list-style-type: none"> • Multi-Family Developments: \$52,454.19 (cost of a 25% downpayment for an affordable home priced at \$209,817) • Townhome Developments: \$36,717.93 (cost of a 17.5% downpayment) • Single-Family Developments: \$20,981.67 (cost of a 10% downpayment) 			
<p>The Housing Commission discussed the fee at their meeting on 1/11/24. Commissioners expressed a preference for updating the fees based on the new affordable home price. They also discussed the importance of requiring developments to provide affordable units as opposed to accepting fee in-lieu, particularly for large, multi-family projects.</p>			
Attachments (please list):			
IHO Fee Memo			
Recommendation/Suggested Action (briefly explain):			
Provide a recommendation on the 2024 Inclusionary Housing Fee			



MEMO

COMMUNITY DEVELOPMENT DEPARTMENT

DATE: February 2, 2024

TO: Chairman Paul Lencioni and the Members of the Planning & Development Committee

FROM: Ellen Johnson, Planner

RE: **2024 Inclusionary Housing Fee**

Staff is seeking direction from the Committee on setting the Inclusionary Housing fee In-lieu for calendar year 2024.

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. A Habitat for Humanity home has been approved for funding with construction expected this year.

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. In 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

In 2021, City Council for the first time instituted a three-tiered fee structure 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 and 2023.

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. It was discussed that the fee would be updated based on the new affordable home price identified by IHDA in its next report; IHDA releases the report every 5 years. IHDA released the 2023 Report in December 2023.

IV. 2024 IHO Fee

The three-tiered fee structure has been utilized for determining developer contributions for the past three 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.

IHDA's 2023 Report on Statewide Local Government Affordability released in December set an updated affordable home price for St. Charles: \$209,816.74, up from \$158,663 per the 2018 Report. The higher home price reflects increasing Area Median Income.

The table below shows the current fees and new fees based on the \$209,816.74 affordable home price. This is the fee required per required affordable unit (5-10% of total units in a development).

	Current (2021-2023)	Updated Fee for 2024
Multi-family <i>25% downpayment on affordable home</i>	\$39,665.75	\$52,454.19
Townhome <i>17.5% downpayment on affordable home</i>	\$27,766.03	\$36,717.93
Single-Family <i>10% downpayment on affordable home</i>	\$15,866.30	\$20,981.67

If it is determined that the current fee calculation should remain in place utilizing the updated affordable home price, the 2024 fees would be: **\$52,454.19 for multi-family, \$36,717.93 for townhomes and \$20,981.67 for single-family.**

Alternatively, the Committee could decide not to update the fee calculation and retain the current fees. Or, 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 on the next page shows the current IHO fees and the resulting developer contributions for various sized developments, followed by the updated fee for 2024. 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>

Current Fees:

<i>Multi-family</i>	\$39,665.75	\$1,983	\$198,329	\$396,658	\$991,644	\$1,983,288
<i>Townhomes</i>	\$27,766.03	\$1,388	\$138,830	\$277,660	\$694,151	\$1,388,302
<i>Single-Family</i>	\$15,866.30	\$793	\$79,332	\$158,663	\$396,658	\$793,315

Updated 2024 Fees:

<i>Multi-family</i>	\$52,454.25	\$2,623	\$262,271	\$524,542	\$1,311,355	\$2,622,709
<i>Townhomes</i>	\$36,717.98	\$1,836	\$183,590	\$367,179	\$917,948	\$1,835,896
<i>Single-Family</i>	\$20,981.70	\$1,049	\$104,908	\$209,817	\$524,542	\$1,049,084

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 Discussion

Housing Commission discussed the IHO fee for 2024 at their meeting on 1/11/24. The consensus among members was that the existing fee structure and fee calculation should remain in place, with the fees updated according to the new affordable home price per IHDA's 2023 Report.

VI. Attachments

- Inclusionary Housing Fee History
- Summary of Other IHOs in Illinois

Inclusionary Housing Fee 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 / required affordable unit
2019	\$39,665.75 / required affordable unit
2020	\$39,665.75 / required affordable unit
2021	\$39,665.75 / required affordable multi-family units \$27,766.03 / required affordable townhome units \$15,866.30 / required affordable single-family units

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.

In January 2019, based upon the Housing Commission's recommendation, City Council kept the previous methodology for establishing the fee, but recalculated it based on the new affordable home price for St. Charles determined by the Illinois Housing Development Authority in its 2018 Report on Statewide Local Government Affordability. The fee was increased to **\$39,665.75**, calculated as the cost of a 25% downpayment for one affordable unit priced at \$158,663.

In February 2020, City Council kept the previous year's fee of **\$39,665.75**, as recommended by the Housing Commission. IHDA is expected to release its next Report on Statewide Local Government Affordability in 2023. Unless the Council sees a need to change the fee and/or method for calculating the fee, the existing fee could remain in place until the updated affordable home price is determined by IHDA in 2023.

In October 2020, City Council set the fee for 2021. A new three-tiered fee structure was established 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 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 same fee remained in place for 2022 and 2023.

Other Inclusionary Housing Ordinances in Illinois (updated Jan 2024)

Highland Park

- Requirements apply to new developments, 5 units and larger
- 20% of units must be affordable
- Fee in-lieu only accepted for single-family developments under 20 units.
- Fee in-lieu = \$185,400 per unit; goes into Housing Trust Fund
- Demolition tax = \$10,000 per single-family home; goes into Housing Trust Fund
- 2023 AHPAA % affordable: 6.3%

Lake Forest

- Requirements apply to new developments 5 units and larger; requirements do not apply to single-family developments.
- 15% of units must be affordable
- Fee in-lieu is accepted
- Fee in-lieu = \$130,000 per unit;
- Demolition tax = \$10,000; goes into Housing Trust Fund
- 2023 AHPAA % affordable: 5.8%

Evanston

- Requirements apply to for-sale developments 25 units and larger.
- 10% of units must be affordable
- Fee in-lieu is accepted.
- Fee in-lieu = Rental: \$179,310-\$209,195 depending on zoning district; For-sale: \$268,964-\$313,792 depending on zoning district (*fees currently under consideration- Jan 2024*)
- 2023 AHPAA % affordable: 19.7%

Chicago

- Only required for developments that receive city financial assistance or involve city-owned land, or if a zoning change is granted that increased density or allows a residential use not previously allowed, or if a PUD within downtown area.
- Residential developments of 10 or more units
- 10% of units must be affordable
- Fee in lieu is accepted.
- Fee in lieu = between \$53,697 and \$375,878 per unit, depending on location, set aside, and tenure.
- 2023 AHPAA % affordable: 47.2%

Arlington Heights

- Affordable units only required in multi-family developments 10+ units
- Linkage fee for new single-family developments and teardowns (fee in lieu and demo fee): \$3,500 per market-rate unit
- For multi-family developments: 9 or fewer- pay fee of \$3,500 per market-rate unit
- For multi-family developments: 10+ units- provide 10% affordable units or pay \$75,000 per required affordable unit
- 2023 AHPAA % affordable: 19.8%

St. Charles

- Requirements apply to all new residential development
- 5% - 10% of units must be affordable, depending on size of development
- Fee in-lieu is accepted.
- Fee in-lieu = \$39,666 for multi-family; \$27,766 for townhome; \$15,866 for single-family
- 2023 AHPAA % affordable: 17.2%

Oak Park

**New IHO currently under consideration (as of Jan 2024). Would require 20% of units to be affordable; fee in-lieu to be accepted for no more than half of required affordable units. Would apply to all residential developments of 5+ units. Increase fee-in-lieu (proposed amount TBD). Current regulations:*

- Requirements apply to new rental developments of 24+ units
- TOD areas only
- 10% affordable to 60% AMI
- Fee in-lieu: \$100,000 per required affordable unit
- 2023 AHPAA % affordable: 23.4%

Northbrook

- Requirements apply to new developments over 5 units
- 15% affordable
- Single-family subdivisions with 6-19 units are not required to provide units; can pay a fee based on 15% of the number of lots.
- Fee in lieu: \$125,000/required affordable unit
- Demolition tax = \$10,000 per single-family home; goes into Housing Trust Fund
- 2023 AHPAA % affordable: 5.0%

Geneva

- Voluntary ordinance; not mandatory
- Provides incentives for creation of affordable housing- fee waiver, TIF funds available if in existing TIF district, City owned land contributed if available, density bonus not to exceed 115% base density
- To be eligible for incentives, 15% of units must be affordable
- 2023 AHPAA % affordable: 7.3%

Naperville

**Incentives for creating affordable housing currently under consideration (as of Jan 2024):*

- Voluntary ordinance; not mandatory
- Provides incentives for creation of 20% affordable housing within townhome/condo/apartment developments of 5+ units or larger- density bonus, parking decrease, exterior material exemption, reduction of park land/cash requirements, 50% reduction of entitlement and permitting fees
- 2023 AHPAA % affordable: 10.3%