



CITY OF
ST. CHARLES
ILLINOIS • 1834

AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item Number: 4f

Title:

2020 St. Charles Housing Affordability Analysis – Information Only

Presenter:

Ellen Johnson

Meeting: Planning & Development Committee

Date: December 14, 2020

Proposed Cost: \$

Budgeted Amount: \$

Not Budgeted:

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

Staff has prepared the St. Charles Housing Affordability Analysis for 2020. This report is prepared on an annual basis to assess the state of housing affordability in St. Charles.

“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 **21.8%** of St. Charles’ housing stock is considered affordable. 25.3% of owner-occupied units are affordable and 14% of rental units are affordable.

Overall affordability has fallen slightly from last year’s analysis, which found 23.4% of the housing stock to be affordable. Owner-occupied affordability remained almost constant from last year. Rental affordability decreased from 18% to 14% due to rising rents at a handful of apartment complexes and new construction of market-rate apartment units.

The Affordability Analysis is sometimes reviewed in conjunction with the Committee’s discussion regarding the Inclusionary Housing Fee In-lieu for the next year. However, the IHO Fee for 2021 was previously discussed by the Committee in October. The 2021 fee was set as follows:

- Multi-Family Developments: \$39,665.75 per required affordable unit (calculated as the cost of a 25% downpayment for one affordable unit)
- Townhome Developments: \$27,766.03 per required affordable unit (calculated as the cost of a 17.5% downpayment for one affordable unit)
- Single-Family Developments: \$15,866.30 per required affordable unit (calculated as the cost of a 10% downpayment for one affordable unit)

Attachments *(please list):*

2020 St. Charles Housing Affordability Analysis

Recommendation/Suggested Action *(briefly explain):*

Information Only – No action needed

Community & Economic Development
Community Development Division

Phone: (630) 377-4443



2020 St. Charles Housing Affordability Analysis
December 2020

I. BACKGROUND & PURPOSE

City staff has performed an analysis of St. Charles’ housing stock beginning in 2009 and in most years thereafter to assess the state of housing affordability in the community and to track basic housing market indicators. The analysis is also used to track compliance with the State of Illinois’ Affordable Housing Planning and Appeals Act (AHPAA) which requires communities to have a minimum affordable housing share of 10%.

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.

Table 1 lists staff’s findings of St. Charles’ affordable housing share since 2009.

Table 1

	2009	2010	2011	2013	2014	2017	2018	2019
Staff’s Findings – St. Charles’ Affordable Housing Share	16.3%	16.6%	18%	25.6%	23.1%	22.3%	23.7%	23.4%

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

In addition to staff’s annual affordability update, every five or so years the Illinois Housing Development Authority releases a listing of each community’s affordable housing share. This report is used by IHDA to determine compliance with the Affordable Housing Planning and Appeals Act and to identify communities with a low stock of affordable housing. 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 are 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 are not subject to developer appeals.

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 in compliance with AHPAA and is considered an Exempt Local Government. IHDA is expected to release the next update in 2023.

Table 2

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

Staff's finding of St. Charles' affordable housing share has been higher than 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. Staff has continued to use IHDA's original methodology in order to provide a consistent means of comparison. Reasons for the difference between staff's and IHDA's findings are related to the data 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.
- 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.

II. AFFORDABILITY IN ST. CHARLES – 2020 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 Owner-Occupied Home Price

In order to determine the number of affordable owner-occupied units, first the affordable home price was calculated. The affordable home price was determined by calculating the monthly mortgage payment a family of four earning 80% of the Area Median Income could afford (30% of income) and factoring in property taxes and insurance based on a formula.

Table 3 details the calculation used to determine the maximum affordable owner-occupied home price. The affordable home price of \$230,303 is up from \$225,339 in 2019. This increase is due to a 2% rise in Area Median Income.

Table 3

Chicago Metropolitan Statistical Area Median Income (four-person household) ¹	\$91,000
80% of AMI	\$72,800
30% of Annual Income	\$21,840
Affordable Monthly Payment	\$1,820
Owner-Occupied Housing Price Affordable to Family Earning 80% of AMI	\$230,303

¹ Source: IHDA's Schedule of Maximum Income Limits for Most of its Housing Programs – 7/1/2020

Affordable Rents

Affordable rents are determined by IHDA on a yearly basis. 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 (\$54,600). Since last year, the amount of rent considered affordable increased by \$20-40/month depending on bedroom size, again due to the increase in Area Median Income.

Table 4

Affordable Rental Units for Chicago Metro Area – 2020						
	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
Affordable Rent Limits for HH @ 60% AMI	\$955	\$1,023	\$1,228	\$1,419	\$1,584	\$1,748

Source: IHDA's 2020 Owner-Occupied and Rental Unit Affordability Charts

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 price of \$230,303, 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 2019 calendar year.

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

Table 5 breaks down the number of affordable housing units and total housing units by unit 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

Unit Type²	Affordable Units	Total Units	% Affordable
<i>Owner-Occupied Units</i>			
Single-Family	1,432	7,693	18.6%
Two-Family Duplex	7	50	14.0%
Condo	827	944	87.6%
Townhome	207	1,072	19.3%
Owner-Occupied Total	2,473	9,759	25.3%
<i>Rental Units</i>			
Rental Units	612	4,384	14.0%
COMBINED TOTAL			
Total Owner-Occupied & Rental Units	3,085	14,143	<u>21.8%</u>

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.

According to the above analysis, the percentage of affordable owner-occupied units remained fairly steady at 25.5% in 2019 to 25.3% in 2020. Although the affordable home price increased from \$225,339 to \$230,303 due to a 2% rise in Area Median Income, rising market values resulted in a slight decrease in affordable owner-occupied units.

Rental affordability decreased from 18.7% in 2019 to 14% in 2020, although the 2020 percentage is still higher than 2018's value of 13.7%. The decrease in affordable rentals from 2019 to 2020 was caused by rising rents at a few apartment complexes. Most significantly, Fox Run Apartments on Walnut Dr. (fronting Randall Rd. near Rt. 64) lost 160 affordable 1-bedroom apartments due to higher rental rates. The loss in affordable rental units from this and other complexes was partially off-set by 75 new affordable units constructed at Anthony Place, the senior affordable development within Prairie Center. An additional 48 non-affordable units were added to the rental stock with completion of another market-rate apartment building at Prairie Center.

In total, **21.8%** of housing units in St. Charles are considered affordable. This is a 6.8% decrease from the 2019 finding of 23.4% affordable, and is the lowest total percentage since the 2011 Affordability Analysis.

III. ST. CHARLES HOUSING MARKET TRENDS – 2019

Township Assessor sales data was used to analyze the price of homes sold in St. Charles in 2019. Figure 1 shows the median home sale price over the past 15 years. The median sale price peaked in 2006 at \$302,000 before dropping in 2010 to a low point of \$225,000. The 2019 median sale price of \$295,000 is a \$15,600 increase compared to 2018 and is the highest since the 2006 peak, continuing the trend of rising prices seen over the past five years.

In terms of affordability, the median sale price is about \$65,000 over the affordable home price. A total of 103 of the 466 homes sold in 2019, or 22%, were under the \$230,303 affordable price. This is in keeping with last year's figures.

Figure 1

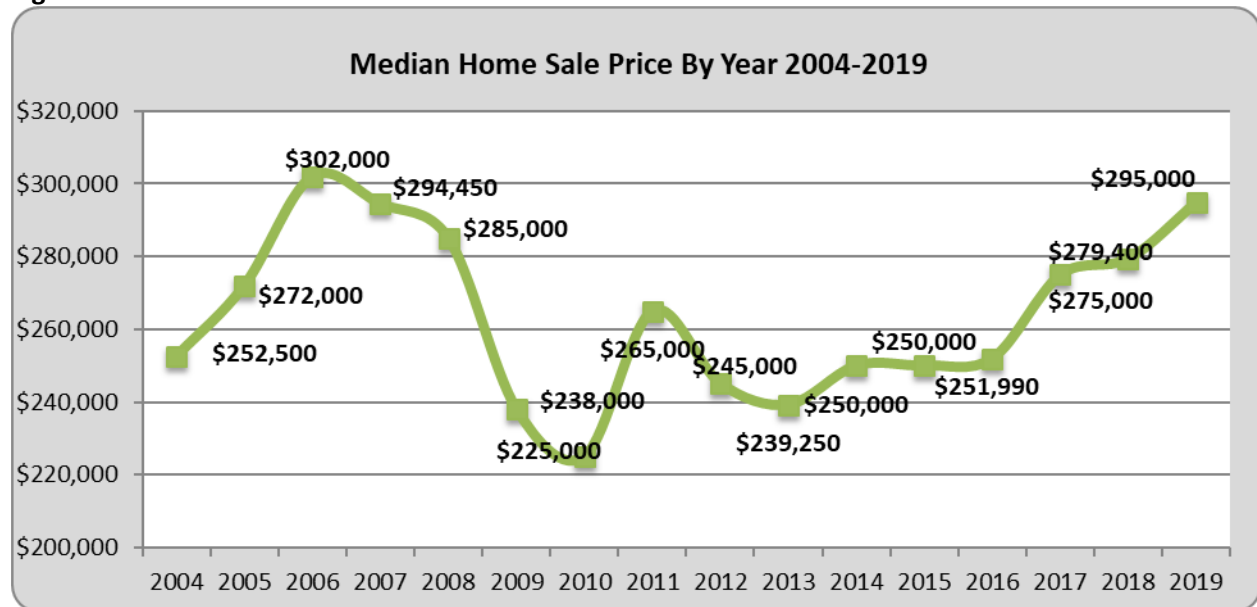
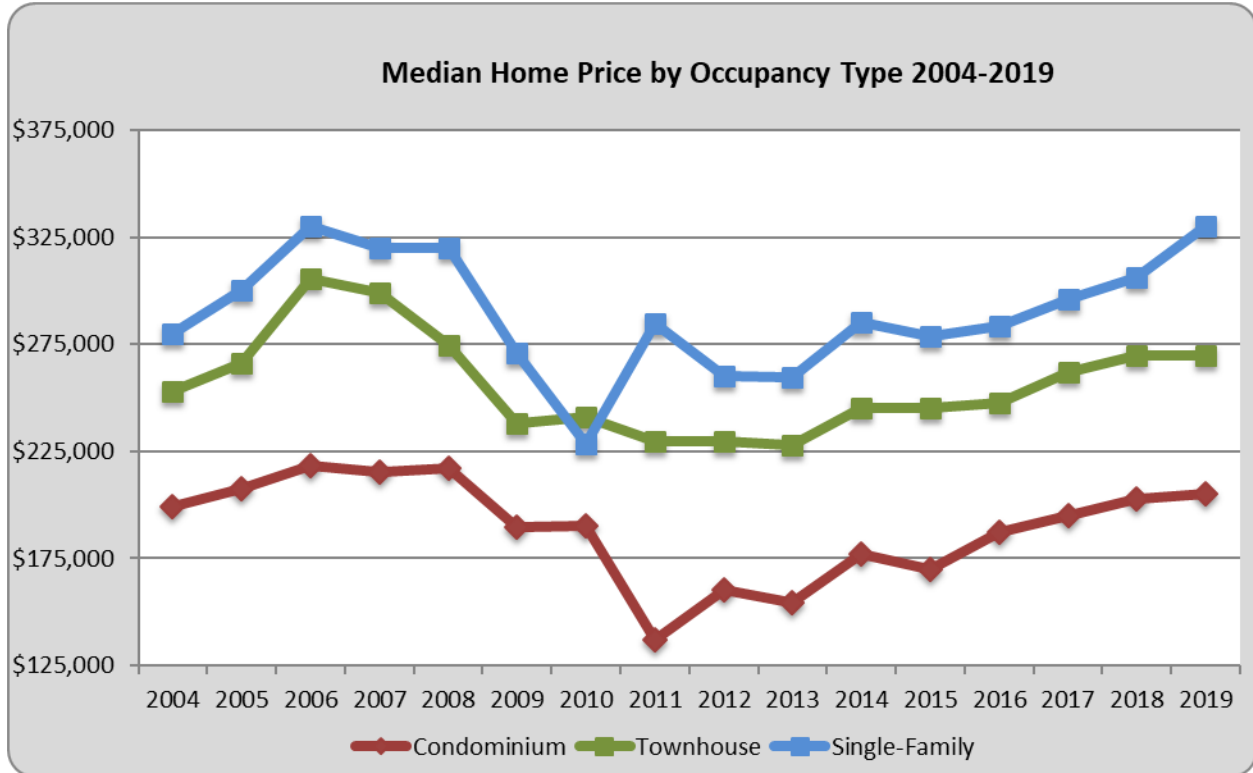


Figure 2 shows the median home sale price separated by unit type. This figure reflects a steady increase in the sale price of single-family homes, condos, and townhomes since 2015. Of the 369 single-family homes sold in 2019, 14% were under the affordable price of \$230,303, compared to 16% of townhomes and 88% of condominiums.

Figure 2



IV. CONCLUSIONS

St. Charles' affordable housing stock remains above 20% despite decreases in both owner-occupied and rental affordability over the past year. Additions to the affordable rental stock (Anthony Place) helped but did not completely off-set rising rents. Trends in rising home values and sale prices may indicate further loss of affordable owner-occupied homes in coming years, unless Area Median Income rises comparably. This may be unlikely due to the COVID-19 pandemic, the impact of which on the housing market remains to be seen. Decreases in Area Median Income as a result of the pandemic will likely result in a lower affordable home price and lower affordable rents. Whether the local housing market responds by lowering rents and home prices is unknown.