



AGENDA ITEM EXECUTIVE SUMMARY

Title:	Discussion Regarding Inclusionary Housing Ordinance Amendments (Chapter 17.18 of the Zoning Ordinance)
Presenter(s)	Rita Tungare Matthew O'Rourke

Please check appropriate box:

	Government Operations		Government Services
X	Planning & Development (8/13/12)		City Council
	Public Hearing		

Estimated Cost:	N/A	Budgeted:	YES		NO	
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If NO, please explain how item will be funded:

Executive Summary:

In 2011, there were requests for deviations or complete waivers to the provisions of the Inclusionary Housing Ordinance as part of proposed residential Planned Unit Developments (PUD). Since the Inclusionary Housing Ordinance is part of the Zoning Ordinance, it was determined by Legal Counsel that such deviations can be considered as part of a proposed PUD.

Since October of 2011, the Housing Commission has been discussing possible amendments to the Inclusionary Housing Ordinance to create criteria for evaluating future variation requests and potential alternatives for providing affordable units in St. Charles when a variance is requested.

The amendments will be subject to the public hearing process and need to receive recommendations from the Plan Commission, the Planning & Development Committee, and be formally approved by the City Council.

Additionally, Staff is providing a copy of the 2012 St. Charles Housing Market Affordability Snapshot for the Committee's review. Given the current state of the economy and the inventory of affordable housing, the Committee may wish to consider the merits of alternative options in lieu of establishing a process to consider deviations or exceptions. Examples of alternative options could be: repealing or suspending the requirements of the Inclusionary Housing Ordinance, lowering the percentage of required affordable units, reducing the required per unit fee-in-lieu amount, allowing a developer to pay 100% of their contribution as fee-in-lieu, etc.

Attachments: *(please list)*

Staff Memo dated 8/1/12
2012 St. Charles Housing Market Affordability Snapshot

Recommendation / Suggested Action *(briefly explain):*

Staff is presenting these draft amendments to the Committee for feedback and comments only.

<i>For office use only:</i>	<i>Agenda Item Number: 3d</i>
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Staff Memo

To: Chairman Cliff Carrignan
And the Members of the Planning and Development Committee

From: Matthew O'Rourke, Planner

Re: Proposed Amendments to the Inclusionary Housing Ordinance

Date: August 1, 2012

I. PURPOSE

In 2011, there were requests for deviations or complete waivers to the provisions of the Inclusionary Housing Ordinance as part of proposed residential Planned Unit Developments (PUD). Since the Inclusionary Housing Ordinance is located within the Zoning Ordinance it was determined by Legal Counsel that these deviations can be considered as part of a proposed PUD.

Since October of 2011, the Housing Commission has been discussing possible amendments to the Inclusionary Housing Ordinance to create criteria for evaluating future deviation requests and potential alternatives for providing affordable units in St. Charles.

The following is a detailed description of the proposed Inclusionary Housing Ordinance amendments as developed by the Housing Commission.

II. REVISED DRAFT ORDINANCE AMENDMENT

A. AMEND SECTION 17.04.400.B CONFORMANCE WITH CODES

This first portion of this amendment proposes to remove the entirety of **Chapter 17.18 Inclusionary Housing** as an eligible deviation through the Planned Unit Development (PUD) process. In reviewing the factors and findings used to determine the validity of a proposed PUD, it was determined that these factors do not readily apply to deviations to the inclusionary housing requirements. Therefore, the amendment proposes that it be stated in **Section 17.04.400.B Conformance with**

Codes that deviations from the Inclusionary Housing Ordinance are **not** permitted as part of a PUD request.

As an alternative, the Housing Commission is recommending that a new process, specifically for requests to deviate from the standards of **Chapter 17.18 Inclusionary Housing**, be created. This new process will list clear criteria and alternative options for developers to utilize that are specific to inclusionary housing.

B. SECTION 17.18.065 REQUEST TO UTILIZE ALTERNATIVE AFFORDABLE HOUSING PLAN

The following process and criteria are proposed to be added to **Chapter 17.18 Inclusionary Housing**. The new process states that the City Council will directly consider the appropriateness of an Alternative Affordable Housing Plan submitted by a developer. These proposals will be submitted to Staff and forwarded directly to City Council through the Planning and Development Committee. It should be noted that this proposed process will remove all Inclusionary Housing Ordinance deviation requests from the public hearing process required for PUDs.

Section 17.18.065 Alternative Affordable Housing Plan Approval

- A. As an alternative to compliance with the provisions of Section 17.18.040 or Section 17.18.050, the Developer may request the City Council to approve, concurrent with the approval of the overall development, one or more of the alternatives listed in Section 17.18.065.B. The City Council shall not approve an Alternative Affordable Housing Plan unless the Developer demonstrates and the City Council finds in the affirmative that the Alternate Affordable Housing Plan is justified based on one or more of the following criteria:**
- 1. That a demonstrated financial hardship exists that is not of the developer's own making. Items to be considered shall include but shall not be limited to:**
 - a. The financial hardship must be equal to or greater than 10% or more of the total project cost and purchase price, but cannot include any costs incurred as part of the normal and orderly development of the property.**
 - b. Environmentally sensitive or natural areas to be protected are equal to or greater than 20 % of the total development site area (not including stormwater retention/detention facilities or park sites related to the construction of the project).**
 - 2. The development site does not allow for the density bonus as stated in Section 17.18.060 due to limitations on development capacity: Items to be considered shall include but shall not be limited to:**
 - a. Insufficient water or sewer utility capacities**
 - b. Unique parcel configurations including: steep slopes above an 8% grade or irregular shaped parcels that create unbuildable areas equal to or greater than 20% of the development site.**

3. **The development will fulfill an alternative City Policy or goal such as redevelopment of a vacant, underutilized, or blighted parcel *that cannot* otherwise be readily redeveloped and comply with all other applicable requirements.**
4. **The creation of the Alternative Affordable Housing Plan represents an equal or greater opportunity to create Affordable Housing in the City. Examples of these greater opportunities shall include but shall not be limited to:**
 - a. **Providing units below the maximum affordability thresholds established by IDHA for rental or owner-occupied units. (Example: Pricing rental units at or below 50% of area median income).**
 - b. **Providing offsite affordable units in vacant or foreclosed homes.**
 - c. **Providing affordable units for a period of time longer than the seven year minimum affordable period stated in Section 17.18.090 Maximum Price of Affordable Units.**

C. 17.18.065.B ALTERNATIVE AFFORDABLE HOUSING PLAN

Along with the deviation request, developers will be required to submit a detailed Alternative Affordable Housing Plan that states how they plan to provide affordable units in St. Charles utilizing one or a combination of the following options:

17.18.065.B Alternative Affordable Housing Plan

For instances in which the Developer is requesting to utilize an Alternative Affordable Housing Plan, the Developer shall submit the proposed Alternative Affordable Housing Plan. This plan shall detail the Developer's course of action chosen to create Affordable Housing opportunities in St. Charles. This plan is required to be submitted in writing and must detail how the Alternative Affordable Housing Plan fulfills the criteria listed in Section 17.18.065.A.

One or more of the following options shall be utilized by the Developer:

1. **External Funding Sources- The Developer will apply for grants, tax credits, and/or any other applicable funding mechanism, each year that the project is under construction. These funds will be used to subsidize the costs associated with the construction of onsite or offsite Affordable Housing Units.**
2. **Purchase Offsite Units- The Developer shall purchase for-sale or foreclosure properties and then sell or rent them at the established Affordable Housing price.**
3. **Construction of a portion of the required Affordable Units onsite and any combination of the two options listed above.**

D. AMENDED SECTION 17.18.110 DEVELOPMENT APPLICATIONS

Staff has created a new Subsection 5 to be inserted into **Section 17.18.110 Development Applications** of the Inclusionary Housing Ordinance. This new section clearly identifies what items are required at the time the initial applications are submitted by a developer intending to utilize the proposed Alternative Affordable Housing Plan.

(Current Ordinance)

17.18.110 Development Applications

As part of the application for approval of a Residential Development, the Developer shall submit information describing how the Residential Development will comply with the requirements of this Chapter. The Director of Community Development may require any or all of the following to be submitted for review:

A. Developments

- 1. The number and rental/for sale status of Market-Rate Units and Affordable Units to be constructed including type of dwelling, number of bedrooms per unit, proposed pricing, and construction schedule, including anticipated timing of issuance of building permits and occupancy certificates.*
- 2. Documentation and plans regarding locations of Affordable Units and Market-Rate Units, and their exterior appearance, materials, and finishes.*
- 3. A description of the marketing plan that the Developer proposes to utilize and implement to promote the sale or rental of the Affordable Units within the development; and,*
- 4. Any proposal to pay fees in lieu of providing the required Affordable Unit, per section 17.18.050.*

(New Requirements per proposed amendment)

5. Alternative Affordable Housing Plan

- a. The Applicant shall submit a financial statement or pro-forma including the following:**
 - i. Purchase price of the property.**
 - ii. Identification of the financial hardship and cost estimates associated with absorbing and/or remediating the identified hardship.**
 - iii. All non-hardship development costs and expected profits.**
- b. Application for External Funding Sources**
 - i. An action plan clearly identifying the external funding sources that will be applied for during the construction phase and frequency with which the Developer plans to apply for each funding source. The Developer shall clearly demonstrate that the project is eligible for the funding source that will be utilized.**
 - ii. The Developer will provide a copy of all grant applications at the same time the application is submitted to the funding authority.**

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2011-12 St. Charles Housing Market
Affordability Snapshot

I. PURPOSE

Beginning in 2009, Staff decided to perform an annual detailed analysis of the St. Charles affordable housing stock. The emphasis of this report was to ascertain if a minimum of 10 % of the St. Charles housing stock met the **State of Illinois Affordable Housing Planning and Appeal Act's** criteria to be considered affordable. The 2009 update stated that St. Charles housing stock was at 16.3%. The following report is the St. Charles affordable housing update for 2011-12.

For this report, Staff utilized the same methodology, derived from the State of Illinois' 2004 *Report on Affordable Housing Planning and Appeals Act*.

II. IMPORTANT TERMS AND METHODOLOGY

Throughout this report there are references to affordable housing. The Illinois Housing and Development Authority (IHDA) defines affordable housing as the following:

IHDA Definitions of Affordable Housing and Eligible Households

Affordable Housing - means housing that has a sales price or rental amount that is within the means of a household that may occupy moderate-income or low-income housing. In the case of dwelling units for-sale, housing that is affordable means housing in which mortgage, amortization, taxes, insurance and condominium or association fees, if any, constitute no more than 30% of the gross annual household income for a household of the size that may occupy the unit.

Low-Income Housing - means housing that is affordable, according to the Federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved or marketed for occupancy by a household with a gross household income that does not exceed 50% of the area median household income.

Moderate-Income Housing - means housing that is affordable, according to the Federal Department of Housing and Urban Development, for either home ownership or rental, and that is occupied, reserved or marketed for occupancy by a household with a gross household income that does not exceed 80% of the area median household income.

Affordable Owner Occupied Homes - owner-occupied homes are considered affordable if they meet the definition of Moderate- Income Housing or 80% of the area median income.

Affordable Rental Homes – rental homes are consider affordable if they meet the definition of Moderate- Income Housing or 60% of the area median income.

The following methodology was used to determine the cost of affordable housing in St. Charles:

- The amount of monthly income a person can spend on an affordable unit was calculated using this formula: **(Area Median Income (AMI) x (.80) x (.30) / (12)**
 - The AMI used for St. Charles is the median income for the Chicago Metropolitan Statistical Area.
 - (.80) represents 80% of the median income, the maximum income still considered affordable by IHDA.
 - (.30) represents 30% of a household income, the percentage of income expected to be spent on housing according to IHDA.
 - / (12) is to adjust to a monthly income as opposed to yearly.
- This same method is used to determine affordable rental price except (.60) or 60% of AMI is used as opposed to 80% of AMI.

III. AFFORDABILITY IN ST. CHARLES – 2011-12 UPDATE

1. DETERMINING THE 2011-12 AFFORDABLE HOME PRICE & UNIT COUNT

The St. Charles Township Assessor’s data is always a year behind the current calendar year. This ensures that Staff is looking at a full calendar year of assessment and sales data as opposed to only a partial year of data. The data examined in this report is for the 2010 calendar year. St. Charles Township was not able to send us the data until recently. The income statistics are provided by a private vendor named Claritas, Inc. Those statistics were updated in 2011. Staff has combined the two data sets into the following report. This combined data is referenced as the 2010-11 calendar year.

Owner-Occupied Units

Table 1 details the data that was used to calculate the cost of affordable owner-occupied housing and the new maximum owner-occupied affordable price limit:

Table 1

Current Chicago Statistical Area Median Income	\$74,812
80% of AMI	\$59,850
30% of The Annual Income	\$17,955
Affordable Monthly Payment	\$1,496
Owner-Occupied Housing Cost Affordable to Family Earning 80% of AMI	\$187,450

This new affordable owner-occupied home price was used to determine the number of units that are at or below this price. Staff used the market price as listed by the St. Charles Township Assessor for the year ending on December 31, 2010.

Rental Units

The number of affordable rental units was arrived at using rental rates collected by Staff. These rates were then compared to the maximum allowed rent as established by the **Affordable Housing Planning and Appeal Act 2010 Owner-Occupied and Rental Affordability Charts** (attached to this memo) as updated by the Illinois Housing and

Development Authority (IHDA) in June of 2011. These charts set a maximum affordable rent based 60% of AMI and then is adjusted based on the number of bedrooms in the rental unit.

Two additional housing categories were identified in the Assessor data, three or more-family homes, and Single-Family Rentals. These units were added to the total amount of rental units in St. Charles. However, we cannot readily determine if any of these units are affordable, so they were only counted as part of the total rental units.

Calculating St. Charles' Affordable Housing Stock

The total percentage of affordable units in St. Charles is determined by:

- Adding the number of affordable owner-occupied and affordable rental units together
- The total number of affordable units was then divided by the total number of housing units
- The result is the percentage of affordable units in St. Charles

2. FINDINGS

Table 2 breaks down the number of estimated affordable housing units based on the type of ownership unit:

Table 2

Percent of Affordable Units by Ownership Type			
<i>Owner Occupied Units</i>			
Unit Type	Affordable Units	Total Units	% of Affordable Units per Each Ownership Category
Single- Family	706	7,576	9.32%
Two-Family & Duplex	0	15	0.00%
Condo	463	1,013	45.71%
Townhome	84	1,000	8.40%
Totals	1,253	9,604	13.05%
<i>Rental Units</i>			
Rental Units Including Single Family Rentals & Conversions	1,251	4,297	29.11%
<i>Owner Occupied and Rental Units Combined</i>			
Total Owner Occupied Units and Rental Units	2,504	13,901	18.01%

3. ST. CHARLES HOUSING MARKET TRENDS IN 2010-11

Housing Costs

The Township Assessor's sales data was used to determine the sales prices of all St. Charles owner-occupied homes in 2010-11. The City's GIS department has been tracking the median sale price of all homes each year. This analysis shows that the median sales price of homes in St. Charles peaked in 2006 at \$302,000. Since that time the median sales price of homes decreased to \$225,000 in 2010. **Chart 1** shows median home sales prices since 2000. **Chart 2** shows the median home sales prices broken by unit type.

Chart 1

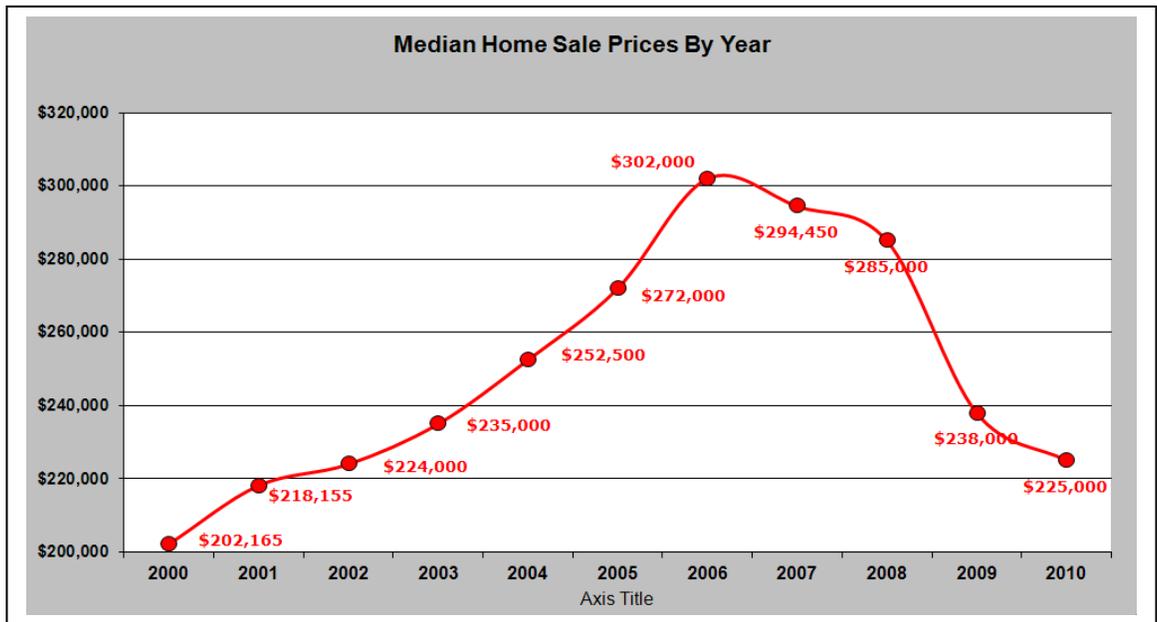
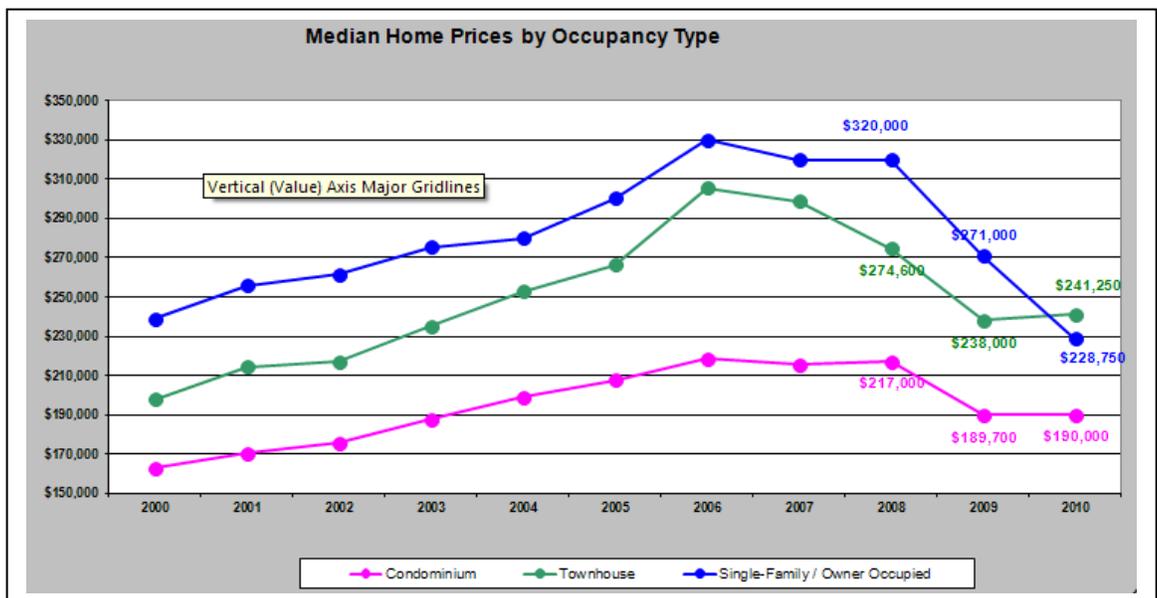


Chart 2



4. ST CHARLES INCOME TRENDS AND HOME AFFORDABILITY

Median Household Income in St. Charles

In 2005 the Metropolitan Planning Council (MPC) studied the St. Charles housing market. Their findings were summarized in the *Housing Needs Assessment for the City of St. Charles* report in August of 2005. That study predicted that the median cost of a home in St. Charles would increase 10% per year from \$242,600 in 2005 to \$400,000 by the year 2010. **Table 3** details the difference in the increase in the median home sale price to the median household income in St. Charles. The median home price in St. Charles has increased 11.3% since 2000 and decreased -25.5% since 2006.

The 2005 housing study also indicated that housing costs in St. Charles would greatly outpace income growth. Since 2000, the median household income in St. Charles increased from \$71,266 to \$75,800 or 6.36%. Median household income estimates peaked in 2009 at \$81,557. Median household income fell in the last year to approximately the same level as it was in 2005.

Table 3

	2000	2005	2008	2009	2010-11	% Change (2000 to 2010-11)
Affordable Housing Percentage	16.3%	10% (Estimate)	16.3%	16.61%	18.01%	+1.71%
Median Household Income	\$ 71,266*	\$75,674**	\$78,211**	\$81,557**	\$75,800**	+6.36%
Median Price of Homes Sold	\$202,165	\$272,000	\$285,000	\$238,000	\$225,000	+11.3%

* Source: US Census

** Source: Claritas, Inc.; Reports 2011¹

5. OWNER-OCCUPIED UNITS VS. RENTAL UNITS

a. Owner-Occupied Homes

Table 4 details the number of owner-occupied homes that are affordable to St. Charles households based on income cohort. **Table 5** further breaks down the type of owner-occupied homes that are affordable to each cohort.

Table 4 : Household Income Based on Cohort			
2011 Est. Households by Household Income	# Of Households	% Of Population by Cohort	% Of St. Charles Households Earning Maximum Cohort Income or Less
Income Less than \$15,000	623	5.02%	5.02%
Income \$15,000 - \$24,999	776	6.26%	11.28%
Income \$25,000 - \$34,999	823	6.63%	17.91%
Income \$35,000 to \$49,999	1,486	11.98%	29.89%
Income \$50,000 - \$59,800 (80% of AMI Cutoff)	958	7.72%	37.62%
Income \$59,900 - \$74,999	1,471	11.86%	49.48%
Income \$75,000 - \$99,999	2,003	16.15%	65.62%
Income \$100,000 - \$124,999	1,569	12.65%	78.27%
Income \$125,000 - \$149,999	861	6.94%	85.21%
Income \$150,000 - \$199,999	778	6.27%	91.49%
Income \$200,000 - \$499,999	882	7.11%	98.60%
Income \$500,000 and more	173	1.39%	1.00%
<i>Source: Claritas, Inc.; Reports 2011</i>			

Table 5: Number Of Ownership Units Affordable to Income Bracket							
Median Household Income	Affordable Home Price Using States Methodology	Condos	Duplex Two-Family	Single-Family	Townhome	Totals	% Of Homes Affordable to Income Cohort
\$14,999	\$39,042.24	0	0	0	0	0	0.00%
\$24,999	\$72,131.69	0	0	0	0	0	0.00%
\$34,999	\$105,221.14	0	0	3	0	3	0.03%
\$44,999	\$138,313.90	15	0	23	0	38	0.40%
\$49,999	\$154,855.31	35	0	126	0	161	1.68%
\$59,800 (80% of AMI Cutoff)	\$187,451.73	463	1	706	84	1,254	13.06%
\$74,999	\$237,578.93	967	4	2,571	498	4,040	42.07%
\$99,999	\$320,302.56	999	13	4,913	845	6,770	70.49%
\$149,999	\$485,749.80	1,011	13	6,375	962	8,361	87.06%
\$249,999	\$816,644.29	1,013	15	7,399	1,000	9,427	98.16%
\$500,000 And Above	\$1,643,880.51	1,013	15	7,576	1,000	9,604	100.00%

b. Rental Homes

In 2004 there were 2,689 total rental units in St. Charles. In 2010-11 there were a total of 4,297 rental units. In 2004, according to the *Report on Affordable Housing and Planning Appeal Act*, there were 1,276 affordable rental units. There are 1,251 estimated affordable rental units in 2010-11. This does indicate a slight decrease of 25 affordable rental units.

c. Increase in Total Number of Rental Units

This reports shows and increase in the total number of rental units within the City. This is due to the inclusion of the units located in the Cumberland Green development. In the past it was unclear if these units should be considered rental. Each tenant not only pays rent but belongs to a cooperative ownership of the property. After a review of the payment schedule for this development, Staff has determined that these units should be considered rental and has included them in the rental unit count.

IV. SUMMARY- HOUSING AND INCOME TRENDS

The City of St. Charles' total affordable housing stock has **increased from 16.3% to 18.01%** in the past year. This indicates an increase of 1.71% since 2004.

The following compares the City of St. Charles' housing and income data trends from 2009 to 2010-11:

Owner-Occupied Housing

- The total number of affordable owner-occupied units increased from 1,180 to 1,253. The percentage increase was from 11.97% to 13.01%.
- There was a decrease in the total number of owner-occupied units in St. Charles from 9,856 to 9,605.
 - There were 201 Single-Family conversions to rental in 2009, there are 482 such units in 2010-11.

Single-Family Homes

- The number of affordable Single-Family units in St. Charles decreased from 783 to 706 or 10.32% to 9.32%.
- The total number of owner-occupied Single-Family units decreased from 7,584 to 7,576 units.

Townhomes

- The number of affordable Townhome units in St. Charles increased from 14 to 84 or 1.36% to 8.40%.

Condominium

- The number of affordable Condominium units in St. Charles increased from 386 to 463 or 35.58% to 45.71%.

Rental Units

- The total number of affordable apartments in St. Charles increased from 1,080 to 1,251 in 2010-11. However, this increase is attributed to rental units that were not classified as apartments in years past, and not due to an increase in the actual supply of affordable units.
- There is an increase in total rental units from 3,789 in 2009 to 4,297 in 2010-11. This increase is attributed to the reclassification of apartment units (Cumberland Green) and the increase in Single-Family homes that have been converted into rental units.

Income Comparison

- The estimated median income in St. Charles has decreased from \$81,557 in 2009 to \$75,800 in 2010-11. This marks the first decrease in median household income since Staff began tracking this data.
- The number of households with an income at or below 80% of AMI increased from 34.35% to 37.62%.
- The overall trend in household income is that a greater percentage of households are concentrated in lower income brackets than were a year ago. **(See Table 4).**
- The percentage of affordable owner-occupied homes affordable to households earning 80% of AMI or less increased from 11.97% in 2009 to 13.06% in 2010-11. **(See Table 5).**

V. ATTACHMENTS

Illinois Housing and Development Authority, 2011 Owner-Occupied and Rental Affordability Charts.

SOURCES

¹ Source: Claritas, Inc.; Reports 2012