	AGENDA ITEM EXECUTIVE SUMMARY	
	Title:	Presentation of 2013 St. Charles Housing Market Affordability Analysis and recommendation to accept the determination that the City's affordable housing stock has reached 25%.
	Staff:	Matthew O'Rourke, Planner Rita Tungare, Director of Community Development

Please check appropriate box:

	Government Operations		Government Services
X	Planning & Development (9/9/13)		City Council

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

Executive Summary:

Background:

In 2008, the City Council approved the Inclusionary Housing Ordinance. This ordinance requires that new affordable units be created as part of new residential developments within the City of St. Charles. The amount of required affordable housing units and/or fee-in-lieu amount varies based on the percentage of the City's housing stock that is considered affordable in a given year.

2013 Report Summary:

Staff has prepared an annual update of the St. Charles Housing Market Affordability Analysis. This report is part of an ongoing effort to annually assess and benchmark the state of the St. Charles housing market in terms of housing affordability and sale price.

This year's annual update indicates that St. Charles' housing stock is 25.56% affordable. Based on this percentage, and the sliding scale established in Section 17.18.030.B of the Inclusionary Housing Ordinance, new residential projects are required to provide 0% affordable units.

Per Section 17.18.030.B of the Zoning Ordinance, since the City's total affordable housing stock has risen above 25%, the Community Development Director is authorized to suspend the affordable housing requirements of the ordinance until such a time that the City's affordable housing stock falls to 15%. Staff is looking for the confirmation from the Committee regarding this finding.

Attachments: *(please list)*

2013 St. Charles Housing Market Affordability Analysis

Recommendation / Suggested Action *(briefly explain):*

Recommendation to accept the determination that the City's affordable housing stock has reached 25%.

<i>For office use only:</i>	<i>Agenda Item Number: 3b</i>
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2013 St. Charles Housing Market
Affordability Analysis

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 2013.

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 – 2013 UPDATE

1. DETERMINING THE 2013 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 2012 calendar year. The income statistics are provided by a private company (ESRI Community Profile). Those statistics were updated in 2012. Staff has combined the two data sets into the following report.

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	\$73,625
80% of AMI	\$58,900
30% of The Annual Income	\$17,670
Affordable Monthly Payment	\$1,472
Owner-Occupied Housing Cost Affordable to Family Earning 80% of AMI	\$184,300

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, 2012.

Rental Units

The number of affordable rental units was derived by 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 2013 Owner-Occupied and Rental Affordability Charts** (attached to this memo) as updated by the Illinois Housing and Development Authority (IHDA) in June of 2013. 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.

Additional housing categories were identified in the Assessor data, two-unit or more conversions, 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	1,561	7,588	20.57%
Two-Family & Duplex	3	15	20.00%
Condo	799	1,023	78.10%
Townhome	224	1,064	21.05%
Totals	2,587	9,690	26.70%

<i>Rental Units</i>			
Rental Units Including Single Family Rentals & Conversions	989	4,299	23.01%

<i>Owner Occupied and Rental Units Combined</i>			
Total Owner Occupied Units and Rental Units	3,576	13,989	25.56%

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 2012. 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 and has rebounded slightly in 2011 and in 2012 is currently \$245,000. **Chart 1** shows median home sales prices since 2000. **Chart 2** shows the median home sales prices broken by unit type.

Chart 1

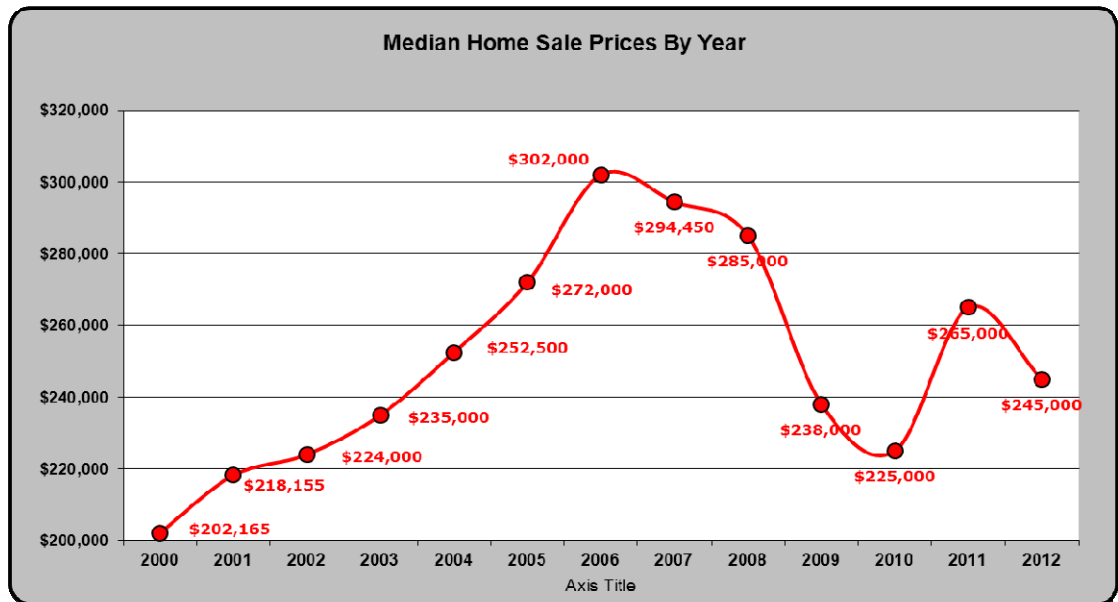
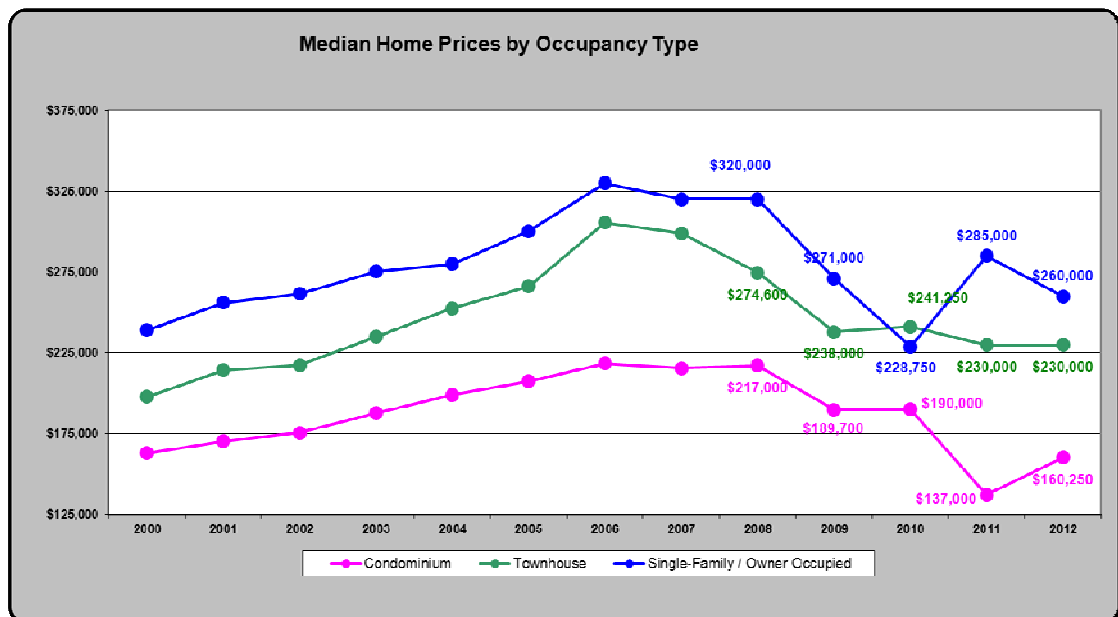


Chart 2



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 sale price in St. Charles has increased 21.1% since 2000 and decreased -18.8% 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 \$83,603 or 17.31%.

Table 3

	2000	2005	2008	2009	2010-11	2012	% Change (2000 to 2012)
Affordable Housing Percentage	16.3%	10% (Estimate)	16.3%	16.61%	18.01%	25.56%	+24.56%
Median Household Income	\$ 71,266 *	\$75,674 **	\$78,211 **	\$81,557 **	\$75,800 **	\$83,603 ***	+17.31%
Median Price of Homes Sold	\$202,165	\$272,000	\$285,000	\$238,000	\$225,000	\$245,000	+21.1%

* Source: US Census

** Source: Claritas, Inc.; Reports 2011 ¹

*** Source: ESRI Community Profile ²

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	652	5.20%	5.20%
Income \$15,000 - \$24,999	752	6.00%	11.20%
Income \$25,000 - \$34,999	765	6.10%	17.30%
Income \$35,000 to \$49,999	1178	9.40%	26.70%
Income \$50,000 - \$59,800 (80% of AMI Cutoff)	776	6.19%	32.89%
Income \$59,900 - \$74,999	1380	11.01%	43.90%
Income \$75,000 - \$99,999	1855	14.80%	58.70%
Income \$100,000 - \$124,999	2457	19.60%	78.30%
Income \$150,000 - \$199,999	1204	9.60%	87.90%
Income \$200,000 and above	1517	12.10%	100.00%
<i>Source: ESRI Community Profile</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	2	0	2	0.02%
\$34,999	\$105,221.14	15	0	9	0	24	0.25%
\$45,000	\$138,313.90	296	0	122	0	418	4.31%
\$49,999	\$154,855.31	504	0	443	39	986	10.18%
\$59,850 (%80 of AMI Cutoff)	\$184,308.23	803	3	1561	224	2591	26.74%
\$74,999	\$237,578.93	999	12	3509	652	5172	53.37%
\$99,999	\$320,302.56	1014	14	5441	937	7406	76.43%
\$149,999	\$485,749.80	1021	13	6690	1052	8776	90.57%
\$199,999	\$651,197.05	1023	15	7299	1064	9401	97.02%
\$500,000	\$1,643,884	1023	15	7588	1064	9690	100.00%

b. Rental Homes

In 2004 there were 2,689 total rental units in St. Charles. In 2012 there were a total of 4,299 rental units. In 2004, according to the *Report on Affordable Housing and Planning Appeal Act*, there were 1,276 affordable rental units. There are 989 estimated affordable rental units in 2012. This does indicate a decrease of 287 affordable rental units.

IV. SUMMARY- HOUSING AND INCOME TRENDS

The City of St. Charles' total affordable housing stock has **increased from 16.3% to 25.56%**. This indicates an increase of 9.26% since 2004.

The following compares the City of St. Charles' housing and income data trends from 2009 to 2012:

Owner-Occupied Housing

- The total number of affordable owner-occupied units increased from 1,180 to 2,857. The percentage increase was from 11.97% to 26.70%.
- There was a decrease in the total number of owner-occupied units in St. Charles from 9,856 to 9,690.
 - There were 201 Single-Family conversions to rental in 2009, there are 484 such units in 2012.

Single-Family Homes

- The number of affordable single-family units in St. Charles increased from 783 to 1,561 or 9.32% to 20.57%.
 - There were 706 affordable single-family units at the end of 2010.

Townhomes

- The number of affordable townhome units in St. Charles increased from 4 to 224 or 1.26% to 21.05%.
 - There were 84 affordable townhome units at the end of 2010.

Condominium

- The number of affordable condominium units in St. Charles increased from 386 to 799 or 35.58% to 78.10%.
 - There were 463 affordable condominium units at the end of 2010.

Rental Units

- The total number of affordable apartments in St. Charles decreased from 1,080 to 989 or 29.11% to 23.01%.
 - There were 1,251 affordable apartments at the end of 2010.

Income Comparison

- The estimated median income in St. Charles has decreased from \$81,557 in 2009 to \$75,800 in 2010-11. This report shows that the St. Charles median income increased from \$75,800 in 2010 to \$83,603 in 2012. It should be noted that the City has switch from Claritas, Inc. to ESRI Community Reports for this demographic data. This may account for a portion of this increase in in St. Charles' median income estimate.
- The number of households with an income at or below 80% of AMI decreased from 34.35% to 32.89%.
- The percentage of owner-occupied homes affordable to households earning 80% of AMI or less increased from 11.97% in 2009 to 26.74% in 2012. **(See Table 5).**

V. ATTACHMENTS

Illinois Housing and Development Authority, 2013 Owner-Occupied and Rental Affordability Charts.

SOURCES

¹ Source: Claritas, Inc.; Reports 2012

² Source: ESRI Community Profile