



## Agenda Item Summary

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### **Submitted By**

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### **Agenda Item Title**

#### **Inclusionary Housing**

### **Overview**

On September 4, 2018, the Village Board requested that staff research and submit information on the status of affordable housing units currently within the Village and develop recommendations, for an inclusionary housing ordinance, to be reviewed and considered based on the City of Evanston's model. On February 11, 2019, staff presented recommendations for an inclusionary housing ordinance. Village Board supported staff recommendation to adopt the Village's Comprehensive Plan map depicting Transit Oriented Development locations as ¼ mile from each CTA/Metra station with the exception of the Austin station on both the green and blue CTA line. The remaining recommendations will be reviewed.

### **Anticipated Future Actions/Commitments**

Presentation of information on affordable housing based on Board direction.

### **Report**

#### **INTRODUCTION**

Over the past several years, the Village has negotiated voluntary fees, paid by developers to support affordable housing activities within the Village. The fees were placed into the Village's affordable housing fund in order to leverage future affordable housing projects and services. Additionally, one developer did agree to provide five (5) affordable units in their housing project. On September 25, 2017, the Village Board discussed various options for continued contributions to the affordable housing fund including adoption of an inclusionary housing ordinance. (See Exhibit 1 - September 25, 2017 Powerpoint) As part of that Village Board meeting, Oak Park issued a Request for Funding Proposals (RFP) for affordable housing projects.

On July 30, 2018, the Village Board approved several affordable housing funding recommendations supported by staff and the Housing Programs Advisory Commission (HPAC). The funding recommendations included Housing Forward (rental assistance), Community Builders (Affordable housing project at 801 S. Oak Park Ave.) and Mercy Housing. Further, on September 4, 2018, the Village Board directed staff to prepare recommendations related to the creation of an inclusionary housing ordinance and present those recommendations at a study session.

#### **AFFORDABLE HOUSING DEFINITIONS**

**Affordable Housing** - Relates to what a person pays to buy or rent housing. Generally, housing is considered affordable to a particular household if they are paying no more than 30% of their income towards housing costs. If you include transportation costs in the mix with housing costs, the household should be paying no more than 35-40% of their income on both housing and transportation costs.

**Housing Affordability** - Relates to how much it costs to live in housing in any given community. These costs include items like property taxes, housing maintenance, utility costs, etc.

**Inclusionary Housing Ordinances** - Ordinances designed to increase and promote affordable housing at certain income levels by giving zoning bonuses to private developers to encourage new development of affordable units for a particular income level. It will not address housing affordability generally.

## AFFORDABLE HOUSING GOALS

We reviewed the Village's previously accepted affordable housing goals: 1.) Established Village Board Goals (2018); 2.) Comprehensive Plan - Envision Oak Park (2014); and 3.) Homes for a Changing Region Report (2012).

**Established Village Board Goals** (Board adopted February 5, 2018) - The Village Board adopted goals that include Oak Park working to maintain its current affordable housing stock and exploring new ways to advance additional affordable housing units.

**Comprehensive Plan - Envision Oak Park Goals** (Board adopted September 14, 2014) - The 2014 comprehensive plan update was funded by the U.S. Department of Housing and Urban Development (HUD) as part of a Sustainable Community Challenge Grant received by the Village on behalf of the West Cook County Housing Collaborative. The Sustainable Community Challenge Grant was a highly competitive national process. One of the goals of the grant was to identify transit oriented development locations that would support affordable housing. (See Exhibit 2 - Comprehensive Plan TOD graphic) In addition, "Chapter 7: Neighborhoods, Housing & Diversity" incorporates a vision for the Village which includes support for mixed income housing that is accessible, integrated and responsive to diverse populations.

**Homes for a Changing Region Report Goals** (Board adopted in 2012) - This report, prepared by the Chicago Metropolitan Agency for Planning, states that the Village should increase housing options for workforce and seniors through transit-oriented development that leverages the Village's Metra and CTA stations, reducing the need for residents to drive. The report also states that much like the ownership market in Oak Park, CMAP estimated that about 45% of households, making less than \$15,000, find themselves in rental housing they cannot afford. The report finds that Oak Park will, therefore, have an opportunity to create housing to meet the needs of these lower income households. Additional senior rental housing is a definite possibility.

The Homes for a Changing Region Report finds that transit oriented rental housing may represent a real opportunity for Oak Park. This report observation has proven correct given a majority of the most

recent apartment development since the report was authored.

The report further references housing demand by type of unit. The report indicates that between 2012 and 2030, Oak Park will need the following types of housing to meet demand: 250 additional single family units, 72 additional townhome units and 847 additional multifamily units. This demand can be accommodated by filling existing vacancies, redevelopment or new construction. (See Exhibit 3 - Homes for a Changing Region Oak Park Section)

## CURRENT HOUSING CONDITIONS IN OAK PARK

Affordable Housing Planning and Appeals Act (2003) - The Illinois General Assembly passed an Affordable Housing Planning and Appeal Act to address the lack of affordable housing within Illinois communities due to an increase in home values outpacing household incomes. The law sets forth a process of identifying communities who were underrepresented on affordable housing stock at 80% of the regional median household income for homebuyers and 60% of the regional median household income for renters. The law defines an “exempt local government (county or municipality)” if at least 10% of its total year-round housing units are affordable, as determined by the Illinois Housing Development Authority (IHDA).

Village of Oak Park Affordable Housing Supply (IHDA) - In 2013, the IHDA began publishing a list of exempt and non-exempt local governments. Every five (5) years, IHDA will publish a revised list. The most recent list was released by IHDA in December, 2018. (See Exhibit 4 - 2018 Report on Statewide Local Government Affordability for Oak Park) Based on IHDA’s analysis in 2013, the Village of Oak Park was exempt due to an affordable housing share of 18.4%, exceeding the State of Illinois 10% requirement. Based on the most recent 2018 IHDA list, Oak Park’s percentage of affordable housing increased to 22.6%, a more than 4% point improvement in just five years. IHDA’s calculations are based on a regional MSA (Metropolitan Statistical Area) perspective which uses a regional Area Median Income (AMI). (See Exhibit 5 - Area Median Income)

The affordable rental housing units do not take into consideration the Housing Choice Voucher households living within the Village. Currently, the Oak Park Housing Authority is helping approximately 500 housing choice voucher households live in market rate units by paying a portion of their rent based on the household’s income.

## OAK PARK STAKEHOLDER INPUT

Oak Park Association of Realtors - Staff met with real estate professionals from the Oak Park Area Association of Realtors to discuss their views on affordable housing. They commended the Village of Oak Park for its past efforts and current activities on affordable housing opportunities, including partnering with Community Builders and Mercy Housing. However, they did indicate that a blanket approach to Inclusionary Housing is not the best approach. The Realtors favored a more targeted approach, such as focusing on properties within a Transit-Oriented Development area. They were also in support of offering reduced application fees and/or zoning bonuses such as density, parking and

height to help off-set the initial expense associated with developments that include subsidized housing units.

The realtors provided a list of all condominiums that were for sale in 2018 with a total of 306 units ranging from 1 to 3 bedrooms - the majority of which were 1 and 2 bedroom units. Of the 306 units, 86 units are at or below IHDA's affordable homeowner value of \$113,913. This represents about 28% of the for-sale condominiums.

Oak Park Residence Corporation - Staff met with the Oak Park Residence Corporation to discuss their inventory of units. The Residence Corporation's rental units are similar in size, scale and price to the Village's existing rental stock excluding the new rental units being developed in the downtown area. Based on analysis of rents conducted by the Residence Corporation, 100% of the units in their portfolio are affordable to persons earning below 80% of Area Median Income assuming the maximum number of occupants are living in each unit. Residence Corporation believes their portfolio is representative of the Oak Park rental community.

Attorney Nick Brunick - Staff met and received feedback from Attorney Brunick, an Oak Park resident and long-time affordable housing advocate. Attorney Brunick was the Director of Affordable Housing for the Business and Professional People for the Public Interest (BPI). In that capacity, Mr. Brunick led an effort that lead to the adoption of the State of Illinois Affordable Planning and Appeals Act. He is an expert in inclusionary housing ordinances. Mr. Brunick was generally supportive of staff's recommendations.

Private Developers - Staff discussed our inclusionary housing ordinance recommendations with current and prospective developers. Overall, developers expressed a preference for providing a fee in-lieu-of option. Developers state that the staff recommendations for density, parking and height bonuses could not be made significant enough to offset the cost of providing on-site affordable housing units. Therefore, large-scale developments would elect to participate in an option that allowed payments to the Village in-lieu-of providing on-site affordable housing units. However, developers of smaller housing projects could find staff's recommended bonuses helpful enough to consider incorporating affordable units in their projects.

Oak Park Economic Development Corporation - The OPEDC participated in interviews of developers and reviewed staff's inclusionary housing ordinance recommendations throughout the process. In addition, the OPEDC is supportive of staff's recommended \$50,000 -\$100,000 per unit fee and also opines that the inclusionary housing ordinance will cause a corresponding reduction in land values. (See Exhibit 6 - OPEDC Letter)

Other Community Outreach - Of the five (5) communities in Illinois that have adopted an inclusionary housing ordinance, all have done so either within their local zoning ordinance or by creating a standalone document. (See Exhibit 7 - 2019 Comparisons) Evanston, Lake Forest and Chicago have standalone inclusionary housing ordinances with references in their zoning ordinance. Highland Park and St. Charles have incorporated inclusionary housing regulations within their existing zoning ordinances. Since the Village Board asked staff to consider using the City of Evanston as a model, the following focuses on the comparison between Oak Park and Evanston.

In 2015, Evanston adopted its first inclusionary housing ordinance. Under that ordinance, they were not receiving as many on-site affordable units as they hoped. In their 2018 update, Evanston revised the fee in-lieu-of provision by eliminating the singular option for a fee in-lieu-of payment for all required affordable units and created a requirement where developers have to provide either a combination of affordable units and funds or just affordable units.

In order to better understand some similarities and differences between Oak Park and Evanston, the following information compares the two communities relative to size, population, density and availability of affordable housing units. (Exhibit 4-2018 Statewide-AHPAA Listing)

Evanston Population = 74,756

Oak Park Population = 52,524

Evanston square miles = 7.8

Oak Park square miles = 4.7

Evanston density per square mile = 9,584

Oak Park density per square mile = 11,173

Evanston Affordable Housing

(2013) = 15.4% - IHDA calculation (used American Community Survey-5 year estimates)

(2018) = 17.5% - IHDA calculation (used American Community Survey-5 year estimates)

Oak Park Affordable Housing

(2013) = 18.4% - IHDA calculation (used American Community Survey-5 year estimates)

(2018) = 22.6% - IHDA calculation (used American Community Survey-5 year estimates) (Total units - 21,327, Affordable rental units - 3694, Affordable Owner- Occupied units - 1119, Total affordable units - 4,814)

Does not include 500 Housing Choice Voucher households

In summary, Oak Park is smaller in population and physical size with a greater population density per square mile. And yet, Oak Park has a greater percentage of affordable housing than does Evanston.

#### STAFF RECOMMENDATIONS FOR INCLUSIONARY HOUSING ORDINANCE

The Village of Oak Park should be commended for implementing many affordable housing initiatives over the years. (See Exhibit 1- September 25, 2017 powerpoint for the list of those programs) Additionally, as evidenced by the planning documents referenced above, the Village has engaged in extensive affordable housing planning activities. Staff believes that Oak Park's total of 22.6% affordable housing is reflective of our communities extensive planning and proactive policy initiation.

More recently, the Village negotiated contributions from developers to continue Oak Park's established priority of supporting additional affordable housing programs and projects.

Today, the market now views Oak Park favorably and the time for an even-more directed inclusionary housing approach has arrived.

Staff has created six recommendations related to the potential development of a Village of Oak Park Inclusionary Housing Ordinance.

1. Develop a standalone inclusionary housing ordinance - Staff recommends that the ordinance apply to both new construction “by-right” and “planned development” of 25 units or more. The ordinance would require between 5-10% of the housing units at affordability levels of 80% AMI for rental and 120% AMI for owner occupied.
2. Allow a fee to be paid by developers in-lieu-of their creation of on-site affordable housing units - A fee in-lieu-of option of between \$50,000-\$100,000 per unit allows the Village to leverage resources by either supporting existing rental units, such as the funding to Housing Forward, or increase the chances of additional state and federal funding for small stand alone projects such as the Grove Apartments and Community Builders.
3. Establish specific transit oriented inclusionary housing development areas - Staff recommends targeting specific areas for transit oriented affordable housing projects that are within ¼ mile from CTA or Metra stations, per Oak Park’s Comprehensive Plan.

Staff subscribes to the idea that a blanket approach across the Village is not the best tactic due to a low number of development opportunities that exist outside of our commercial districts. More recently, Oak Park’s highest residential densities have occurred in commercial districts located within a ¼ mile from CTA and Metra stations. These ¼ mile areas have been identified as Transit Oriented Development (TOD) areas by the comprehensive plan.

For illustrative purposes, attached are two TOD radius maps; one depicting a ¼ mile radius (Exhibit 2) and the other a ½ mile radius (Exhibit 2a) from CTA and Metra stations. Staff does not believe that either the North Avenue or Roosevelt Road business corridors could support an inclusionary housing ordinance. (See Exhibits 8 and 8a - Ehlers Reports) Staff has also included an Oak Park map depicting the census tracts designated by HUD as low-moderate income. (Exhibit 9- CDBG Map)

4. Create affordable housing development bonuses - Staff recommends that the ordinance include development bonuses (Density, Parking & Height) as a trade-off for building on-site affordable housing units. To incentivize developers to provide affordable housing units, staff supports the use of zoning relief with bonuses which may help defray initial expenses associated with constructing affordable housing units. These could include the following: 1.) Density Bonus - where affordable units are exempt from density calculations; 2.) Parking Bonus - where no on-site parking is required for on-site affordable units; and 3.) Height Bonus - where on-site affordable units used to calculate exemptions from height requirement. Staff believes that these density bonuses could encourage smaller in-fill development to actually include units within the development.
5. Reduce permit fees for affordable units - Staff recommends allowing building permit fees to be reduced when developers build on-site affordable housing units. We believe this reduction would

further incentivize the development of units in new developments. Staff is recommending that the fee reduction equal the percent of on-site affordable housing being built.

6. Limit the inclusionary housing requirement to new development of rental apartments and townhomes - Due to Oak Park's abundance of affordable for-sale condominiums, staff agrees with the local realtors that the community does not need additional affordable condo units at this time. If the Village begins to collect fees in-lieu of units, the funds collected could be used to establish a down payment assistance program to help finance existing units or even support troubled smaller condominium buildings. Given the fact that the Village is built out, staff recommends that single family homes not be included in the ordinance. As stated above, staff does recommend that an Oak Park inclusionary housing ordinance should only apply to new rental apartment and townhome developments.

At the February 11, 2018, the Village Board supported staff recommendation to adopt the Village's Comprehensive Plan map depicting Transit Oriented Development locations as ¼ mile from each CTA/Metra station with the exception of the Austin station on both the green and blue CTA line.

### **Alternatives**

Request additional information or research.