

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
APRIL 22, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Ad Hoc Committee on Housing Report to Council	Resolution Ordinances ✓ Motion Discussion Only	Tom Dabareiner, AICP Community Development Director

SYNOPSIS

A motion is requested to receive the recommendation of the Ad Hoc Housing Committee and direct further public dialogue be taken as part of the Comprehensive Plan and Strategic Plan processes in 2008 and 2009.

The Ad Hoc Committee on Housing was formed by the Village Council in August 2007 to determine if Downers Grove has a shortage or looming shortage of attainable housing and, if so, what strategies or programs could the Village Council consider to address the situation. The committee held six meetings and by a vote of 6 to 3, has recommended to Council that there is no shortage or looming shortage of attainable housing in Downers Grove.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for 2007-2012 identified *Preservation of the Residential and Neighborhood Character*.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval of a motion on the May 6, 2008 consent agenda to receive the recommendation of the Ad Hoc Housing Committee and direct further public dialogue be taken as part of the Comprehensive Plan and Strategic Plan processes in 2008 and 2009.

BACKGROUND

The Village Council took public comment on March 25, 2008, on this item.

The Ad Hoc Committee on Housing was created by resolution on August 7, 2007. The resolution is attached. The powers and duties of the committee as stated in the resolution are as follows:

1. *Define “attainable” and “middle income” housing as it relates to the Village*
 Definitions of “attainable housing” and “middle income” are contained within the glossary at the conclusion of this report. The committee defined attainable, middle income, and workforce housing as terms used to represent available housing for those making more than 80 percent but less than 120 percent of median income.
2. *Determine whether the Village has a shortage or a looming shortage of “attainable” or “middle income” housing*

Based on the available data, the committee, by a vote of 6 to 3, recommended to the Council that the Village does not have a shortage or a looming shortage of “attainable” or “middle-income” housing stock. The committee did not find or believe there is a gap between middle income affordability and housing availability within the Village. The committee was decidedly split on the question of a gap. The majority believed there is no gap in income and housing values or that the apparent gap is not a relevant policy matter. The minority believe there is a gap in middle income and median-priced housing in Downers Grove and the Village should act to prevent or counteract the shortage.

3. *Provide the Council with specific information about the current status of housing stock and how the same compares to surrounding municipalities*

The Anderson Economic Group (AEG) completed a residential market study of Downers Grove, with special emphasis on neighborhood sustainability. The AEG report contains information about the current housing stock in Downers Grove and provides comparisons to surrounding municipalities within Downers Grove’s Primary Trade Area (PTA).

Committee members provided additional housing data from the DuPage County Assessors Office, the Multiple Listing Service (MLS), an independent real estate agent, Fannie Mae and Freddie Mac. Additional information pertaining to workforce housing programs was provided by the Illinois Housing Development Authority (IHDA), the DuPage Homeownership Center (DHOC), and the Community Housing Association of DuPage (CHAD). Data from all sources are attached.

4. *Provide analysis as to how the Village’s available housing stock comports with any applicable State requirements for “affordable housing”*

Approximately 21 percent of the Village’s housing units are considered affordable, according to State law. Communities considered to have an affordable housing problem typically have less than 10 percent of their housing units available to low income residents.

5. *Consider potential community solutions if the Committee determines there is a shortage of “attainable” or “middle income” housing*

The committee voted that there is not a shortage of attainable or middle income housing.

6. *Prepare a report and recommendations for submission to the Village Council on or before January 22, 2008*

The staff report is attached hereto. Though the committee determined there is no shortage of “affordable,” “middle income” or “attainable housing” at its February 2008 meeting, members discussed potential community solutions during a previous meeting that could be considered by the Village Council. The solutions are detailed later in this report.

7. *Perform any additional duties and tasks as the Village Council may from time to time direct*

The Village Council did not direct the committee to perform additional duties and tasks besides those outlined above.

Residential Market Study

To provide the committee with an independent housing analysis, the Village contracted with the Anderson Economic Group (AEG) to complete a Residential Market Study. AEG is a nationally recognized firm that provides consulting services in market assessment, feasibility studies, and community and regional economic analyses. AEG’s methodology began by examining the dynamics within Downers Grove and surrounding communities to develop a PTA. AEG gathered data from committee members, the Bureau of Economic Analysis, Bureau of Labor Statistics, the Urban Land Institute, and proprietary sources. Based on the data, AEG analyzed for-sale units, conducted a supply and demand analysis, studied comparables

in Glen Ellyn and Naperville and qualified their results through site assessments and market tours. The draft report presented by AEG discussed a large quantity of data, information and recommendations for the committee to review. The recommendations included establishing an overlay zoning district, rezoning three parcels, and planning for new developments in selected areas.

The report was prepared for informational purposes only. A copy of the report in its entirety has been attached.

Chronological Meeting Summaries

09/10/07 The committee's first meeting was held in September. The meeting consisted of introductions, procedures and regulations, committee topics and goals and developing a common vocabulary. Staff explained that the first few meetings would have a fact finding mission while later meetings would delve into discussions and, if a problem was found, potential solutions. AEG provided staff with some initial data, including demographics, PTA delineation and income and housing values, which was presented to the committee. Staff noted the significant amount of data that would be presented to the committee from various sources which may conflict with one another. Staff noted that while the amount of data and its differences may be overwhelming, the decision on whether there is a shortage or looming shortage of "attainable" housing may in fact come down to an individual's personal beliefs.

10/08/07 In October staff presented additional information from AEG. The information compared income brackets to home value brackets and appeared to identify a gap between the two brackets. Downers Grove, Glen Ellyn, and Naperville homes were compared based on the number of bedrooms and bathrooms available, price per square foot, and for sale prices. Staff provided an introduction to potential strategies to address the issue of attainable housing based on an American Planning Association report.

11/12/07 The November meeting provided the committee with information from housing advocates and home builders. Representatives from the Illinois Housing Development Authority (IHDA), the DuPage Homeownership Center (DHOC), and the Community Housing Association of DuPage (CHAD) briefed the committee on their programs. Home builders, Matthies Builders Inc. and R.A. Faganel Builders, provided the committee with their perspectives.

12/10/07 The Draft Residential Market Study was provided to the committee prior to the December meeting. During the December meeting, staff presented the study's findings and recommendations. The committee began discussions concerning the possibility of an income-housing gap. Discussion points included the number of houses available in the market, the average sale price of homes in the Village, the high cost of land, and what other communities are undertaking.

01/07/08 The committee developed the following issue statement during its January meeting:
Working families earning between \$65,000 and \$125,000 have difficulty finding and purchasing housing valued between \$175,000 and \$325,000 in Downers Grove. The proper maintenance and preservation of existing houses in this price range is integral to maintaining attainable housing throughout the community.

Although this statement was initially unanimously adopted, there was disagreement regarding the intent of this statement and one member requested that her vote of approval be changed to a vote of denial. Five committee members believed this statement indicated there is a gap between middle income affordability and housing availability within the Village. Four committee members stated by agreeing to this statement, they did not believe there is a statistical income and housing gap or did not believe the gap should be cause for the creation of a Village Council policy regarding housing.

Based on the committee's understanding and approval of the statement, potential solutions to the perceived income and housing gap were discussed. Potential solutions included developer incentives, homebuyer incentives, regulatory changes, partnerships with housing organizations, and taxes and are detailed below.

02/11/08 The final meeting was held in February. Two committee members independent of the committee prepared resolutions for discussion, both of which are attached. Resolution A found there was an income-housing gap while Resolution B found there was not an income-housing gap. Discussion ensued over both resolutions. The committee approved a motion that stated:

The committee has found that there is no shortage or looming shortage of "attainable" or "middle income" housing in the Village.

Potential Community Solutions

The following potential solutions were discussed by the committee at its January meeting.

Developer Incentives

Fee reductions and waivers – The Village could reduce or waive permit fees if a project is designed to include attainable housing. Village fees contribute to builder costs which are ultimately passed on to the consumer. A reduction in fees could benefit the homeowner.

A review of nine teardown residential projects from June and July 2007 found the median Village fee for demolition was \$645 and the median Village fee for new residential construction was \$6,944. These fees include driveway and curb fees, stormwater fees, water connection fees and building fees. While it would be possible to reduce some of these fees, many of these fees cannot be eliminated or reduced without a corresponding increase in other Village revenues as these fees offset the cost of providing permit review and inspection services. The Downers Grove Sanitary District and DuPage County assess additional fees associated with these projects. The median Sanitary District fee was \$142, and the median DuPage County fee was \$593.

Improved permitting process – The Village could review building permit timelines and work to expedite applications that include an attainable housing component. It should be noted that the Village has a standing practice to complete first reviews within 10 business days and issue permits within 30 days. These standards are similar to national standards, and therefore it may be difficult to further reduce review and issuance timelines. Depending on the complexity of the proposed development, the Village may or may not be able to reduce the review period.

Homebuyer incentives

Homebuyer assistance – The Village could begin a program that offers a grant or low-interest loan to first time homebuyers who purchase a home in the Village. The program could provide funding to cover some or all of the closing costs or down payment. The program could encourage people working in the community to live in the community as well. The source of revenues for these grant funds were not identified.

Homeowner renovation and maintenance assistance – Downers Grove could begin a program to assist Village homeowners by providing a grant or low-interest loan to assist in covering a portion of the costs of an addition or home improvement. The program could provide assistance for energy efficient improvements, additions, and interior remodels. This program could encourage residents to remain in their current Downers Grove house as their family size grows rather than move to another community. This program has the potential to incrementally increase home sizes and values. The source of revenues for these grant funds were not identified.

Regulatory Changes

Density bonuses – The Village could enact zoning modifications which would allow higher density developments if a percentage of the development were earmarked for attainable housing. It is important that the attainable houses remain attainable throughout their entire life span. Deed restrictions can be placed on the property to ensure long term attainability.

Design charrette – A charrette encompasses a group of individuals brainstorming to create solutions to a presented challenge. An attainable housing charrette can be used as a tool to create community buy-in to develop attainable housing. The charrette should include all interested parties, including design professionals, home builders, advocates and community members. The charrette could develop conceptual plans for acceptable types of mixed-use attainable housing development. Ideas regarding architectural style, unit sizes, costs and density can be brought to the forefront and discussed in an open forum.

Mixed-use neighborhoods – Mixed-use developments integrate a variety of land uses including entertainment, commercial, residential and retail into a single development. The Village's zoning ordinance allows mixed-use developments as a Special Use in the downtown business, downtown transition, and general services and highway business zoning districts. The Village and Economic Development Corporation could encourage mixed-use development when significant pieces of commercial property are being redeveloped.

Neighborhood conservation districts/overlay zoning districts – The intent of a conservation district is to conserve areas that retain certain desirable characteristics, stabilize and improve property values, encourage the rehabilitation of existing housing stock, and promote new construction that is compatible with the area. An overlay district is an area where certain additional requirements, such as a conservation district, are superimposed on an existing zoning district.

A conservation district could be used as an overlay district to limit the sizes of new or renovated homes within a specific area. The district could be set-up so that any new house can only be up to 20 percent larger than the average size of the surrounding homes. The implementation of this has the potential to limit the ability to tear down a smaller home and replace it with a significantly larger home.

Relaxation of subdivision regulations – The Village could examine the possibility of relaxing subdivision regulations for developments that have an attainable housing component. For example, the Village could allow smaller single family lots if attainable housing is provided. Setback and lot coverage requirements could also be relaxed for attainable housing developments.

Rezoning – Three locations were identified within the Village that have the potential to be rezoned to residential districts. The sites are located along the railroad tracks and could provide opportunities for attainable housing. The committee also believes the Village should look for other rezoning opportunities throughout the Village where attainable housing could be developed.

Transition zoning around downtown – The Village currently has a downtown transition zoning district surrounding the downtown business district. The transition zone allows single family, attached single family, and two-family dwellings. The Village could examine the potential to expand this district farther from the downtown core.

Partnerships with housing organizations

IHDA – IHDA has three programs which it offers to first-time homebuyers, including 30-year mortgage programs, down payment and closing cost assistance, and mortgage credit certificates. These programs have a household income level maximum of \$83,260, which would only provide assistance to a portion of the families the committee identified in the issue statement. The Village could cede its bond cap authority to IHDA to allow IHDA to implement its programs within the Village. IHDA would use this funding to target projects in Downers Grove for a year, after which this funding could be used in other municipalities.

Based on a review of mortgage rates on March 12, 2008, staff found that the average interest rate for a traditional, 30-year fixed-rate mortgage was 6.37 while IHDA's 30-year rate was 6.65. IHDA loans do not respond as quickly to market conditions as the Federal Housing Authority or Conventional loan programs do.

CHAD – The Village could partner with CHAD to develop a community housing trust fund. The fund could provide opportunities for first-time homebuyers. However, CHAD programs target lower income levels than the Village is currently exploring for attainable housing programs. For this partnership to work, the Village and CHAD would have to develop guidelines specific to Downers Grove income target groups. It has yet to be explored if CHAD would agree to such an arrangement. At least one home within Downers Grove is partially owned by CHAD.

To note: Both IHDA and CHAD can function without the Village's stewardship or oversight. Policies that could be considered may relate to a statement of preference for IHDA and CHAD as a way to address affordable housing within the Village.

Taxes

Teardown tax – Numerous Illinois municipalities utilize a tear down tax, including Evanston which charges \$10,000 per teardown. In 2007, there were 59 private residential teardowns in Downers Grove. A \$10,000 tax on these teardowns would generate \$590,000. These taxes could be used to fund a community housing trust fund or other proposed programs. However, a teardown tax could apply equally to properties redeveloped for expensive or attainable housing and, unless they are waived for certain markets or areas, the tax could defeat the purpose of providing attainable housing.

There are constitutional concerns that arise with a teardown tax. In early January 2008, the City of Evanston's teardown tax was challenged by a lawsuit in the U.S. District Court. The lawsuit claims the teardown tax amounts to a "taking."

Transfer tax – A real estate transfer tax has the potential to generate funding for an attainable housing program. Based on 2006 sales data where 631 homes were sold at an average price of \$385,000, a transfer tax of \$7.50 per \$1,000 would generate \$1,822,000. The taxes collected could fund a housing trust fund or other proposed programs.

Additional Staff Background

Staff believes it is also noteworthy that the data prepared by AEG identifies a differential between income levels and housing values as shown in Figures 1 and 2 in the attached March 25, 2008, draft staff report. The data may not be unique to Downers Grove as many communities throughout the country are dealing with issues of income and housing disparity. The AEG data also identifies a PTA where potential homebuyers looking in Downers Grove may also look for housing. Depending on individual preferences, homebuyers may find attainable housing with the desired amenities in a community other than Downers Grove proper (e.g. unincorporated Downers Grove or communities immediately adjacent to Downers Grove). Staff recommends that consideration be given to whether or not it is a core service of the Village

to ensure that attainable housing with the desired amenities is provided within Downers Grove proper when attainable housing opportunities are available within close proximity in the PTA.

It is also relevant that residential property comprises over 70 percent of the Village's property tax base. Due to this fact, discussions relative to the Village's entire housing stock should and will play a significant role in the Comprehensive Plan process, which is a priority enumerated in the Strategic Plan. A Comprehensive Plan is a document that provides a long-range guide to manage growth, development and redevelopment in a community for a period of about 20 years. It includes analysis, recommendations and proposals for the community's population, economy, housing, transportation, community facilities, environmental resources and land use. A Comprehensive Plan focuses on the physical layout of various land uses and the compatibility of activities anticipated on the land. It provides a sound basis for any subsequent regulations, policies and programs intended to help achieve the goals laid out in the Comprehensive Plan. The Village's current Comprehensive Plan has not been updated since the 1960s.

Glossary

- Affordable housing – when no more than 30 percent of monthly household income is devoted to all housing costs. Affordable housing is typically used to represent those making less than 80 percent of median income.
- Attainable or workforce housing – a term used to represent available housing for those making more than 80 percent but less than 120 percent of median income
- Market rate housing – attainable housing that also represents the typically desired size and characteristics
- Median income – a value representing a point where half of the incomes are above and half are below. This is also a way to measure an average.
- Middle income – usually 80 percent to 120 percent of median income though no official U.S. Census definition exists
- Primary trade area – the core customer base for local real estate markets, the region of influence for a development site, and competitive market area for similar land uses. A variety of factors, including housing characteristics, socioeconomic factors, commuting times and community appeal, determine the primary trade area.