This chapter provides a framework for municipalities to use when creating a housing plan: determining housing goals, assessing their unique market demand, and identifying the type and locations of different housing products. What a community wants, needs and can reasonably attain may not necessarily be the same things.

A housing plan, and the public process that goes into creating one, can resolve some of these divergences, establish a common ground, and put a community on the path to success.

Over the past 10 years, the State of Illinois and numerous municipalities have recognized the need for a diverse housing stock that meets the needs of owners and renters, young and old, low, middle and upper-income households, as well as members of the community with special needs. The key goal for some cities and towns is to create housing that is affordable to the workforce. For others, it may be to rehabilitate existing, deteriorating properties. Other communities will find they need more homes priced at the higher end of the market to improve neighborhoods and enable residents to “move up” within the community as their incomes increase.

Riverwalk in Rolling Meadows was part of a effort to redevelop and beautify the community’s downtown.

**WHAT TO GAIN FROM THIS CHAPTER**

1. Understand how housing fits into local comprehensive planning.
2. Learn the basics of writing a housing plan to create or preserve a diverse housing stock:
   - Assess the local housing market, including local regulatory conditions.
   - Determine housing needs and goals.
   - Identify appropriate sites for different housing types.
   - Decide on a strategy or action plan.
   - Learn what to look for in a market study.
   - Learn where to obtain current information on housing stock, demographic trends, and other important data.
A Housing Plan

Getting Started

This workbook demonstrates a range of options so that any community can diversify its housing stock appropriately. The unfortunate reality in many communities is a shortage of homes affordable to the people who work there. Because this is the most immediate need, and often the most challenging, many of the tools, tips and resources in this book address affordable, workforce housing. However, whatever a community’s housing needs, the first step is always a good plan.

A housing plan assesses market and regulatory conditions, outlines community goals, identifies site opportunities, and outlines specific

The danger of devising a stand-alone housing plan, independent of a comprehensive plan, is that the resulting goals and actions might not relate to other aspects of the community’s development.

HOUSING AS PART OF THE COMPREHENSIVE PLAN

Planning 1-2-3 outlined the steps a municipality must take to create a local comprehensive plan, which is defined as “the vision of what the community wants to become and the steps needed to meet the goal.” The five recommended elements of a comprehensive plan – land use, natural resources, economic development, transportation, and housing – are interrelated and inseparable, and comprise the fabric of all communities. Planning for one element without planning for the others can lead to undesired consequences such as the rapid loss of open space, an unbalanced economy, or a spatial mismatch between where people can find jobs and where they can find homes. Planning comprehensively can help to avoid these consequences.
strategies and action steps to achieve a community’s vision for housing.

A municipality may already have a comprehensive plan that outlines broad goals and objectives, as well as specific action items for implementation. Some communities may have completed neighborhood or sub-area plans that highlight localized housing issues. These planning statements become the starting point for community action. If no plan exists, the community needs to start at the beginning, and if it is outdated, the community must update it. See Planning 1-2-3 for more details on how housing fits into a comprehensive plan.

For municipalities that already have a comprehensive plan, it may be time to revisit the housing element to ensure it is consistent with current community values and needs. While comprehensive plans are designed for long-term use, the individual elements, such as housing, may need more frequent review. The same can be said for stand-alone housing plans, which also become outdated more quickly as a result of market and demographic shifts. The housing market can vary widely from year to year. Reviewing the market assessment every five years or so can mitigate this situation. Municipal staff can initiate this process, but it is essential that public input be incorporated. The adopted element or new housing plan should be a consensus document against which individual projects can be evaluated.

CLARIFYING TERMS

“Workforce” and “affordable” housing are used throughout this workbook, sometimes interchangeably, and can be defined in many different ways depending on community context and goals.

“Workforce” housing simply means housing that workers within a community can afford without straining their finances (that is, spending no more than 30 to 35 percent of income on housing). As a result, the cost of workforce housing varies depending on the location.

“Affordable” housing is the term used by state and federal agencies such as the Illinois Housing Development Authority (IHDA) and U.S. Dept. of Housing and Urban Development (HUD). Generally, a family earning between 60 and 80 percent of the Area Median Income (AMI) is termed “moderate income,” while families earning below 60 percent and 50 percent of AMI are termed “low income” and “very low income” respectively. These are the income groups targeted for “affordable” housing. IHDA and HUD establish affordable home prices and rents based on these income levels. The advantage of using these terms in your community is that they make it substantially easier to access state and federal funds to lower housing costs and support well-designed and well-managed properties.

Neither “workforce” nor “affordable” necessarily mean “subsidized housing.” Smaller lot sizes, higher densities, lower development costs, and other factors all contribute to affordability. In communities where land is expensive or development sluggish, subsidies may be required to create or preserve affordable options, but they are not always necessary.

For current measures of Area Median Income in Illinois, see the Illinois Housing Development Authority’s Web site at www.ihda.org.
FOCUS ON ARLINGTON HEIGHTS
ASSESSING DEMAND FOR MULTIFAMILY HOUSING

Since 1998, it has been the “policy of the Village of Arlington Heights to promote adequate housing for all the community’s people; to create and/or maintain sound viable neighborhoods; to meet the needs for housing by increasing the number of housing units for low and moderate-income families and individuals; and to expand housing opportunities for all members of the community.”

In Arlington Heights, the village’s Plan Commission Planned Unit Development application requires the petitioner to submit an “Affordable Multifamily Housing Assessment” in which the petitioner provides an assessment of the affordability of the proposed development, information concerning the inclusion of affordable units, or other information related to the development’s responsiveness to the village’s Affordable Multifamily Housing Policy, which states:

Inclusion of housing units to be made available at affordable rates will be included in the review and consideration of new multifamily residential Planned Unit Development applications and amendments to existing Planned Unit Developments, in accordance with the intent, requirements and procedures for Planned Unit Developments, as stipulated in the Village Code, Chapter 28, Section 9. (Policy approved by the Village Board of Trustees on Dec. 7, 1998)

Timber Court, a mixed-income, multifamily development in Arlington Heights, includes 21 affordable units that will remain so in perpetuity. These units, which are indistinguishable from the development’s other 87 market-rate homes, add needed diversity to the local housing stock.
FOCUS ON ST. CHARLES
DEVELOPING GOALS AND A PLAN

In 2004, the City of St. Charles developed a Housing Action Plan in response to concerns about the dwindling supply of homes for area employees. The city was already engaged in some housing efforts, including a small employer-assisted housing program, but it recognized a need to do more. Working with the Metropolitan Planning Council (MPC), St. Charles formed a task force of real estate, finance, and planning experts that provided recommendations addressing these issues.

MPC’s St. Charles Task Force outlined three goals:

1. Preserve the existing affordable housing stock.
2. Develop programs that will assist in accessing and linking new opportunities at the local, state and federal level.
3. Encourage and channel market forces to build new homes that meet the Metropolitan Mayors Caucus Housing Endorsement Criteria, adopted by St. Charles in 2002.

To develop an effective housing action plan, the city undertook an assessment of its:

• Land-use policies
• Mix of housing types
• Dispersal of affordable housing
• Construction of homes that are affordably priced and meet Metropolitan Mayors Caucus Housing Endorsement Criteria
• Organizational capacity to implement recommendations
• Market demand for new and existing homes
• Affordability of workforce housing

Once St. Charles understood these issues, it developed a series of implementation actions, including inclusionary zoning, a zoning overlay district, and housing trust fund, along with a review of various tools and programs that could be used to meet the city’s goals. As of the writing of this book, St. Charles had established both an inclusionary zoning ordinance and a housing trust fund.

St. Charles carefully assessed its mix of housing types – which includes condominiums above downtown retail, senior housing, and detached, single-family homes – before determining an action plan.
1. Assess the Local Market

A housing needs assessment of the local market does more than quantify how many and what types of homes exist. A housing assessment also indicates any regulatory or market factors that will influence housing development, as well as potential locations for specific housing types. Moreover, a housing needs assessment indicates what the market can support.

A community’s vision for housing should be backed by market reality. The same product type, unit sizes, prices and amenities will not work in all locations within a municipality or in all municipalities. Conversely, just because a project did not work elsewhere does not mean the concept cannot succeed in an alternate location.

Municipalities should undertake a housing assessment that incorporates:

- An understanding of the local housing market, including supply and demand factors.
- Housing needs for various populations, including singles, seniors, families, single-parent households, empty nesters, and people with disabilities.
- Potential locations suitable for each type of housing, looking at appropriate densities, rent and price points, land availability and prices, presence or absence of infrastructure, cost of providing infrastructure, and market niches to be served at different locations.
- An evaluation of possible regulatory factors that could support or limit the feasibility of different types of housing, such as maximum density, building height and setbacks, minimum lot and house sizes, high parking ratios, maximum number of unrelated people in a unit, and overly strict building codes.
- Environmentally sensitive land.
- Impact of residential development on stormwater management and utility infrastructure.
- Regional context, including proximity to transit, jobs, institutions, and impact on congestion.

In addition, the plan should include recommendations for specific tools and programs that could be used to further the community’s goals. Throughout this workbook are examples of plans and tools that have worked effectively in communities across the northeastern Illinois region.

IMPORTANT TIP

Find the Relevant Data

Most of the information required for a market study, and for determining your community’s housing trends more generally, is available from online sources. Much of it is available at no charge. The Appendix includes many low-cost options for more customized data needs. Additionally, there is no substitute for “pounding the pavement” to gain an understanding of individual sites and surrounding neighborhoods. Walk around your community, take pictures, talk to people; you will discover a lot that is not available online or in the paper. See the Appendix for a more extensive list of web links and resources.

IMPORTANT TIP

Market Assessment

The housing market waxes and wanes. A market assessment from five years ago may no longer be accurate, and could lead you astray. As the market changes, be sure to adjust your expectations, plans and priorities accordingly. For instance, while the market may not be favorable for single-family homes, it may be a good time to build rental stock or focus on rehabilitation.
As the region’s population changes, more and more people are looking for homes within walking distance of transit, retail, schools, jobs and recreation. In Palatine (left) and La Grange (right), downtown housing development lowers congestion and supports local retailers.

**IMPORTANT TIP**

**Look Downtown for Housing Opportunities**

As you assess appropriate sites for particular housing types, remember to look downtown. By boosting the population of your community’s central area, local retailers will have a larger, more consistent base of customer support, and the downtown will be a more vibrant, active area. If your community has a centrally located rail station, you may also be able to reduce congestion by linking homes to transit options.

Current trends in housing suggest both young professionals and empty-nesters are looking for centrally located homes in downtown settings close to transit, stores and entertainment. Identifying opportunities for condominium, townhome and rental development at a variety of price points can help your community attract and retain these important demographic groups.

Furthermore, both groups are looking for communities that host a range of uses – homes and restaurants, offices and parks, etc. Mixed-use developments in mixed-use neighborhoods can rejuvenate a downtown, boost retail sales, and be a major attraction for potential residents.
2. Determine Your Goals

Having assessed the housing market, a community should use this information to set realistic housing goals. A community also must evaluate its plans for the future when setting housing goals. Municipal officials should take into account how homes meet the needs of current residents, those working there, and those expected to move into the area in coming years.

To meet the needs of their community, officials should use findings from the market assessment and ask:

- What is the employment base in the community, how much do the jobs pay, and what prices or rents can those employees afford?
- Can local workers afford to live in the community?
- Are there housing options for seniors who want to move out of their single-family houses into smaller homes?
- Is the median home price outpacing income growth?
- As residents’ incomes increase, can they move into higher cost housing if they choose?

The condition of the community’s housing also should be considered when setting goals. Are there neighborhoods where homes need maintenance or rehabilitation to be preserved as safe, quality options? Are there areas where teardowns are occurring and changing the character of the neighborhood? Conducting such an inventory can include hiring a professional consultant, the Chicago Metropolitan Agency for Planning’s Full Circle project, or a door-to-door visual survey by a group of residents.

Communities without enough affordable housing options need to quantify, by type, the number of affordable homes needed, as well as a means of meeting these goals. Municipalities that currently have adequate supplies in some niches still may need to identify ways to encourage development of more workforce housing to meet anticipated future demand. For some, the plan may focus on increasing homeownership for moderate-income households, or encouraging different housing types not currently found in the community, such as condominiums, townhouses or duplexes. They also could choose to prioritize maintaining and preserving the housing in the community that is currently affordable. Most communities will find they need more rental opportunities to have a truly diverse housing stock. The plan should identify sites that could be developed or redeveloped for different housing types.

Jim and Marilyn Combs live in Lake Forest’s Senior Cottages, the first affordable development in the city.
Housing goals need to be realistic and attainable, but that does not mean they cannot also be ambitious. Goals are as diverse as communities themselves:

- Policy goals are centered on the adoption of new ordinances or standards, such as inclusionary zoning.
- Numeric goals are quantifiable targets such as a 20 percent increase in a municipality’s affordable housing stock.
- Monetary goals might include a target number of dollars to be invested in rehabilitation, or the creation of a housing trust fund of some predetermined amount.
- Programmatic goals entail the creation of specific initiatives, such as employer-assisted housing, rehabilitation program, or housing trust fund.

For each goal, the community should define a timeframe for completion, name the parties responsible, and identify any necessary resources or partners. Goals should reflect need, as well as market reality. A municipality aiming to build more high-end homes will need to consider what the local market can absorb and then decide on a feasible number to pursue, perhaps focusing on sites in its downtown or other prominent locations. Likewise, a municipality with a shortage of rental opportunities for its workforce or post-college residents will need to consider land prices, possible community resistance, and developer limitations. Setting goals without accounting for obstacles to success, or setting the bar for success too high, can lead to disappointment, frustration and failure.

BUILDING COMMUNITY ACCEPTANCE

For communities that require more workforce housing to diversify their stock, community acceptance begins during the planning process. A good model for housing goals has been provided by the Metropolitan Mayors Caucus in the form of its Housing Endorsement Criteria (see sidebar on page 4). Several communities in the Chicago region have adopted these criteria, and others have used them as a starting point for discussion.

For more on community acceptance, see Chapter 6.

PREPARING FOR DEVELOPMENT

Municipalities need to set the stage for developers and area residents in order to get the “right project” for a given location. At a minimum, the following steps will facilitate this process:

1. Prepare a detailed list of development requirements, public meetings, and a time line for project review and approval.
2. Meet with the developer team (could include architects, planners, engineers, lawyers and others) early to lay out the process and give feedback on the potential development.
3. Have developers meet with neighbors to explain the project, listen to concerns, and, where possible, incorporate changes into plans that are formally submitted.
4. Have developers obtain third-party market studies and prepare financial pro formas to make sure their projects will be feasible.
FOCUS ON CHICAGO
GREEN PERMIT PROGRAM

The Chicago Dept. of Construction and Permits has developed an expedited permitting process for projects that incorporate innovative “green” building strategies, providing developers and owners with an incentive to include environmentally friendly and energy-efficient technologies in their building designs. The program maintains a “Green Menu” of items that enhance sustainability, expand affordability, revitalize economic development, and increase accessibility. These items include transit-oriented development and on-site generation of at least 50 percent of the building’s heat and power use. In exchange, permits can be processed in as little as 15 business days, greatly reducing development costs.

FOCUS ON ELGIN
HOME REHABILITATION GRANTS

To assist residents in rehabilitating their homes and to preserve the historic character of targeted neighborhoods, Elgin offers two rehabilitation grants. A 50/50 matching grant is available to all residents in designated historic districts, and are typically for aesthetic enhancements. The 75/25 matching grant specifically targets low and moderate-income families, and is more often used for maintenance. Elgin allocates $100,000 a year to the grants, and an individual property may receive up to $10,000 twice over a five-year span. Since the program’s inception, Elgin was awarded approximately 240 grants, at a total cost of $4.25 million.

IMPORTANT TIP
Use Incentives to Reach Your Goals

An increasing number of housing programs, whether aimed at affordability or something else, rely on incentives, rather than regulation or subsidies. Offering developers some benefit for helping to meet your community’s goals plays to their interests and yours, often reducing costs for the municipality.
3. Identify Appropriate Sites for Different Housing Types

As part of the planning process, a community should prioritize geographic areas for certain types of housing. In general, large-lot, single-family housing has the potential to generate more per capita property tax and may appeal to larger families or families seeking more space. Conversely, denser multifamily housing may be more appealing to young professionals, empty-nesters, or working families, and will likely require less of an investment in infrastructure (the same amount of road or sewer will serve a larger number of people) and generate more sales tax per acre for the community.

As with most things, it is a trade-off that should be assessed against the community’s goals. Both planners and developers often speak of “highest and best use,” which is simply a way of saying any given site has a use or a mix of uses that will most efficiently meet community goals. “Highest and best use” will vary depending on the market, site, and community goals. If a community decides it wants high-end homes next to its train station, but a market study suggests they will not sell, then the community has set itself on a path toward failure. Community goals need to be feasible given market realities; in few places is this as true as in prioritizing areas for specific housing types. A housing plan with clearly delineated geographic preferences for housing types, design and densities will give developers an indication of what a community wants and set them on a path to meet your goals.

Additionally, a community may own land, either in scattered sites or large parcels, it wants to develop or have developed. Owning land can be risky if the market is poor for development, but it does give the community a great deal of leverage in the development process. If the market is slow, it is often advisable to develop housing in phases, using the profits from one phase to develop the next. This is true for scattered-site housing development and larger parcels. Having land control makes it possible for communities to link development, i.e. offering a developer additional incentives at one site in exchange for development of other, perhaps more marginal, sites. Again, how a community chooses to develop its land holdings should be determined by community goals that are feasible given current or anticipated market conditions.

Different types of housing – from mixed-use condos, to single-family homes, to multi-family buildings – are best suited to different sites. In general, a higher density of homes closer to transit assets and a community’s downtown will maximize municipal benefits.
IMPORTANT TIP
Reduce Housing Costs by Reducing Transportation Expenses

The true cost of housing includes transportation costs. A so-called “affordable” home becomes dramatically less so if the owner has to drive 40 miles each way to work every day. According to the Center for Neighborhood Technology’s Housing and Transportation Affordability Index, in a significant portion of the Chicago region, combined housing and transportation costs exceed 45 percent of area median income.

By stimulating housing development near job centers and transit assets, and vice versa, municipalities can reduce total costs for their residents. Providing incentives to spur – and revising zoning codes to allow – mixed-use and higher density development near economic centers and transit can be a cost-effective way to achieve community affordability goals.

For more on the Housing and Transportation Affordability Index, go to www.htaindex.org.
4. Conduct a Market Study

A market study for a specific development is typically conducted by a third-party consultant and paid for by the developer to show the depth of demand, pricing and absorption of a specific project at a specific location. It is also used for planning and refining the project, public approval, and financing.

The findings of a market study will either bolster or weaken a development proposal. While market studies are not typically written by municipal staff, understanding the components of a reliable market study builds confidence in the marketability of a particular development, as well as certainty the homes will fit in with community goals.

Financing is central to any development, and lenders (which may include the municipality if it is awarding incentives) need assurance the proposed deal, as designed and underwritten, is marketable. Lenders also need to know the cash flow from the development can support the requested loan. A market study will either build lender confidence or signal the proposed development may not be the best fit.

Public officials need to know a development will lease up or sell out in a timely fashion, enhance the immediate neighborhood and greater community, and add to the tax base. To this end, public officials may require changes to the project, and grant or deny zoning changes and public incentives. If a developer requests public incentives, the municipality must determine if the project is not financially feasible but for the level of incentive requested. If the project can not go forward without the incentive, it has passed the “but for test” and may warrant public investment.

UNDERSTANDING MARKET STUDIES

Market studies can be citywide, on a neighborhood scale, or site specific. Citywide and neighborhood studies are usually commissioned and paid for by the municipality, and can be done by municipal staff or outside consultants. A citywide assessment as part of the housing plan will focus primarily on the need for and feasibility of different housing types, and the overall demand for these different products. A neighborhood study will focus on housing demand, prices and types in one part of the city.

For more on what to look for in a market study, see Appendix A, page 111.
5. Develop Strategies and an Action Plan

Once goals are set and the community has a better understanding of what is and is not feasible, it is important to set some specific strategies for reaching those goals. Community participation in establishing an action plan is just as important as community participation in setting goals. In addition to deciding on an action, a community will need to determine the time frame and responsible party for the action. This lends predictability, accountability and clarity to your plan. The remainder of this book discusses various strategies that might work in your community, as well as potential partners to help carry out those actions.

Some specific strategies include:

- Establishing a land trust to preserve existing housing.
- Working with local employers to create employer-assisted housing (EAH) programs (see page 36).
- Zoning for planned residential development, denser housing, mixed-use development, bonus provisions, or preservation.
- Donating land for developments that will include affordable homes.
- Building relationships and working with a range of partners, from market-rate developers to nonprofit service agencies, to tap local experience and resources.

EXAMPLE ACTION STEPS

Assessment Finding
Growing senior population, insufficient senior housing options

Goal
Create 50 senior homes within five years

Strategy
Partner with experienced developer to rehabilitate city-owned property for senior housing
A community’s zoning code needs to complement its housing goals. This may mean allowing for mixed-use, as in downtown Arlington Heights (right), or for the densely packed single-family homes of Park Forest’s reinvigorated downtown (left).
What’s Next?

The chapters that follow outline numerous strategies for implementing your housing action plan, depending on whether your community is focused on new construction, preservation, or property management.

Once an action plan is in place, it is time to work with developers and property owners to make sure their plans are consistent with the community vision, and will benefit the municipality, neighborhood, and future residents, as well as the developer. However, taking the next step – be it preservation of existing housing or construction of new homes – often can be challenging.

Cooperation between the public, private, and nonprofit sectors will make it easier and more efficient for a community to realize its goal. Depending on the specific development, market conditions, or municipal capacity, a community is likely to find cooperation is necessary to build or preserve homes that enhance a community. Understanding the roles of the various players in housing development and what assets they bring to the table can increase the chances that a mutually advantageous partnership takes shape.