



HOMES FOR A CHANGING REGION



CHICAGO METROPOLIS 2020 AND THE METROPOLITAN MAYORS CAUCUS



September 2005

Homes for a Changing Region traces the impact that population growth through the year 2030 is likely to have on the housing market in the six-county Chicago metropolitan region. It focuses on two fast growing population segments, Latinos and senior citizens, and compares their housing preferences to the housing being produced and planned in the region. It also reviews current trends in the pricing of new and existing homes and considers the impact that home pricing may have on moderate and low income families. The analysis shows that current trends in development will produce a housing mismatch by type and price point if left unchanged. The report includes recommendations for broadening housing choice in the region to better meet the needs of those who are coming.

This report is a collaboration between two regional organizations, Chicago Metropolis 2020 and the Metropolitan Mayors Caucus.

Chicago Metropolis 2020 was formed in 1999 by The Commercial Club of Chicago to promote healthy economic growth in the six-county Chicago metropolitan region. Its 2002 report on affordable housing in the region pointed out that as many as 730,000 families – 25% of the total number of families living in the six-county metropolitan area – were dealing with financial hardship because they were paying more than 30% of their gross income for housing and housing-related costs.

The Metropolitan Mayors Caucus represents the 272 communities in the six-county Chicago region. The Caucus is a forum for the region's municipal leaders to work together to develop consensus regarding the variety of challenges and opportunities they face. The Caucus addresses a number of issues, including economic development, transportation, clean air, education and housing.

We encourage public and private sector decision makers to review and consider our proposals for creating more housing options across the region.

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INTRODUCTION

The Chicago region's population is growing older and more diverse. Its housing needs are changing. Regional leaders must make sure that the type of housing being planned and built is the housing that families will want and be able to afford.



An adequate and broadly distributed supply of workforce housing is essential for any region that wishes to be competitive in today's world economy. The metropolitan Chicago region has a talented and diversified labor supply, an ideal location for the production and distribution of goods and services, and many research and educational resources, but it has a significant shortage of affordable workforce housing, especially in areas with strong employment growth. According to the most recent Census, over 730,000 families – 25% of all the families in the six-county metropolitan region – are financially stretched because they pay more than 30% of their gross income for housing and housing-related expenses.

In each of the last few years, more than 30,000 new dwelling units have been built in the region. Communities, most notably those in the rapidly expanding outskirts of the region, are planning for future growth and laying the groundwork – via zoning, subdivision design, and transportation planning – for regional expansion. Are these communities correctly anticipating the needs of the region's growing population? Are they taking appropriate action to reduce the current shortage of workforce housing and to create housing to serve the diverse needs of future residents and workers?

In this forward-looking report, Chicago Metropolis 2020 and the Metropolitan Mayors Caucus analyze demographic projections for the Chicago metropolitan region from 2000 to 2030 and compare these projections with current trends in residential construction and community planning. A mismatch is forecast between the kind of housing likely to be needed by the region's growing population and the kind of housing being planned.

Communities can successfully address the region's housing challenges by:

- *Committing themselves to create, whenever possible, a range of housing, by type and price point, which serves the needs of current and future residents.*
- *Encouraging citizen participation in the planning for new housing and development.*
- *Developing long-term, not short-term, housing strategies, strategies which provide residents with a “big picture” of what future development will bring.*
- *Reviewing and revising zoning codes so that a variety of housing, fitting the character of their communities, can be built.*
- *Supporting regional action programs such as integrated land use and transportation planning, housing trust funds, first-time homeowner assistance programs, and housing rehabilitation programs.*

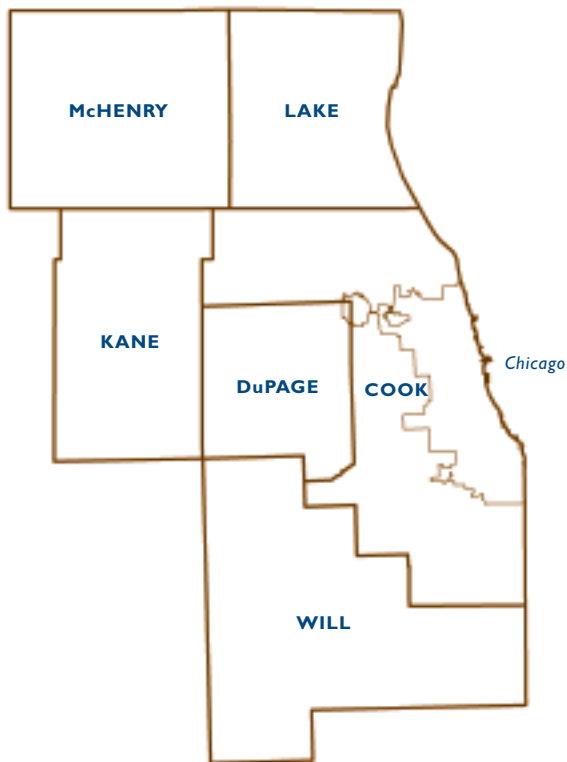
Municipalities in other regions have already taken these steps and made notable progress. A number of communities in the Chicago region – communities such as Arlington Heights, Bolingbrook, Justice and Wilmette – have done the same. Their success can be duplicated in every community across the region.



An “affordable” dwelling unit is one that can be owned or rented by a family allocating no more than 30% of its gross income for housing and housing-related costs. The 30% figure is used by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau when reporting on housing conditions. It is also used by private lenders.



The Sunset Woods development in Highland Park is home to 60 affordable condos and apartments for seniors over the age of 62. Sunset Woods was a collaboration between the non-profit, for-profit and public sectors.



WHILE THE METROPOLITAN AREA IS EXPANDING INTO ADJACENT AREAS SUCH AS KENDALL COUNTY, THE SIX COUNTIES OF NORTHEASTERN ILLINOIS – COOK, DuPAGE, KANE, LAKE, McHENRY AND WILL – ARE THE FOCUS OF THIS ASSESSMENT.

LEGEND

-  **COUNTIES**
-  **CITY of CHICAGO**



THE CHANGING FACE OF THE REGION

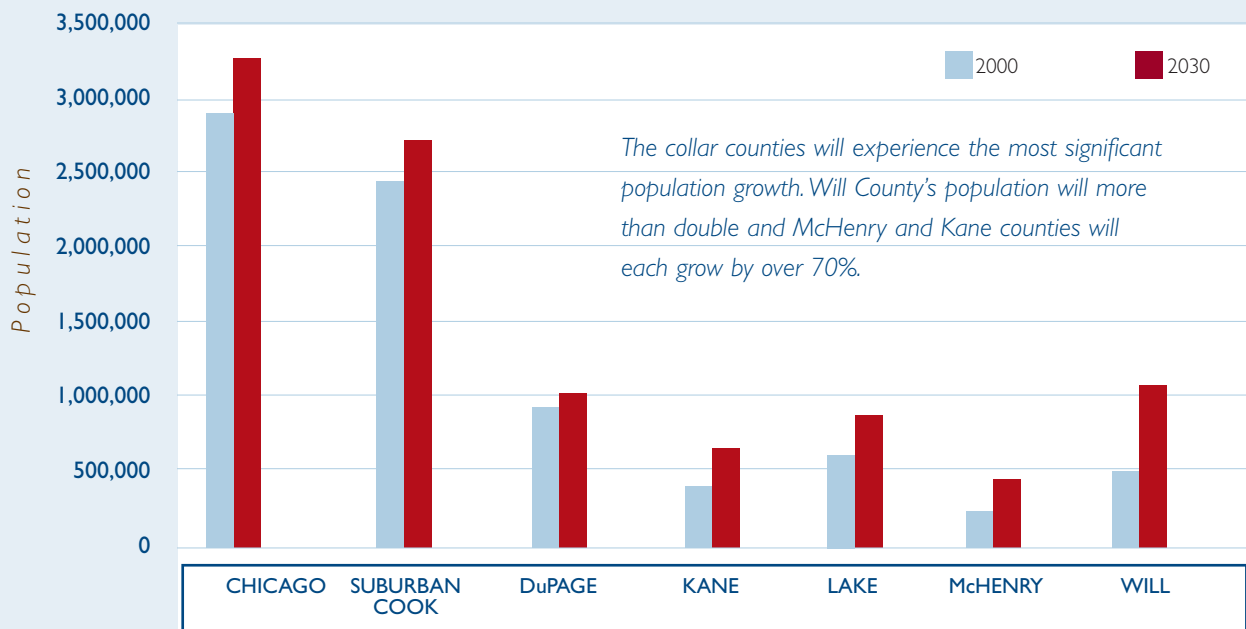
The housing preferences of the region's fastest growing population segments differ from the preferences of past home buyers and renters. There will be a greater demand for smaller, more compact homes and town homes as well as apartments in larger complexes.



Regional population in 2030, as projected by the Northeastern Illinois Planning Commission (NIPC), will increase by 24% to 10 million from its 2000 base of 8.1 million. This large population increase will result from 4.3 million births and 2.1 million deaths as well as the emigration of

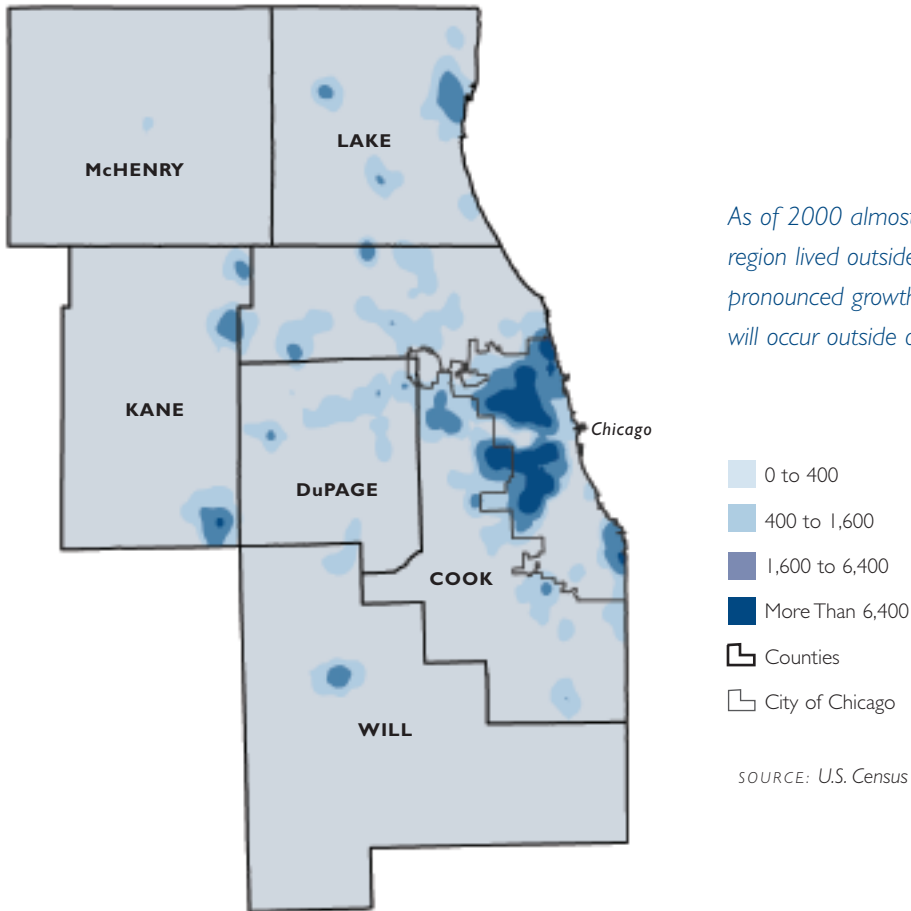
300,000 people (the net migration figure is very difficult to estimate because of undocumented immigration). As might be expected, the most significant growth will occur in the metropolitan region's outer counties.

CHICAGO REGION'S POPULATION TRENDS 2000 - 2030



Source: U.S. Census Bureau 2000, Northeastern Illinois Planning Commission

LATINO POPULATION DENSITY (people per square mile)



As of 2000 almost half of all Latinos in the region lived outside of Chicago. The most pronounced growth in Latinos through 2030 will occur outside of Cook County.

- 0 to 400
- 400 to 1,600
- 1,600 to 6,400
- More Than 6,400
- Counties
- City of Chicago

SOURCE: U.S. Census Bureau 2000

Numerical growth, however, only tells part of the story. The ethnic and age composition of the region's population is projected to be distinctly different in 2030 compared to its make up in 2000.

POPULATION TRENDS

Latinos

Latinos, who represented 17% of the region's population in 2000, are projected to account for 33% of its population in 2030. Fully 89% of the region's population growth between 2000 and 2030 will be Latino. Both of these figures may actually be higher as the result of undocumented immigration.

Significantly, Latino population growth will not be limited to one part of the region. Latino population growth will impact all six counties with the most pronounced percentage growth occurring outside of Cook County.



Asian Americans

The Asian American population will also grow significantly, increasing its share of regional population from 4.7% to a range of 7% to 10%.

African Americans

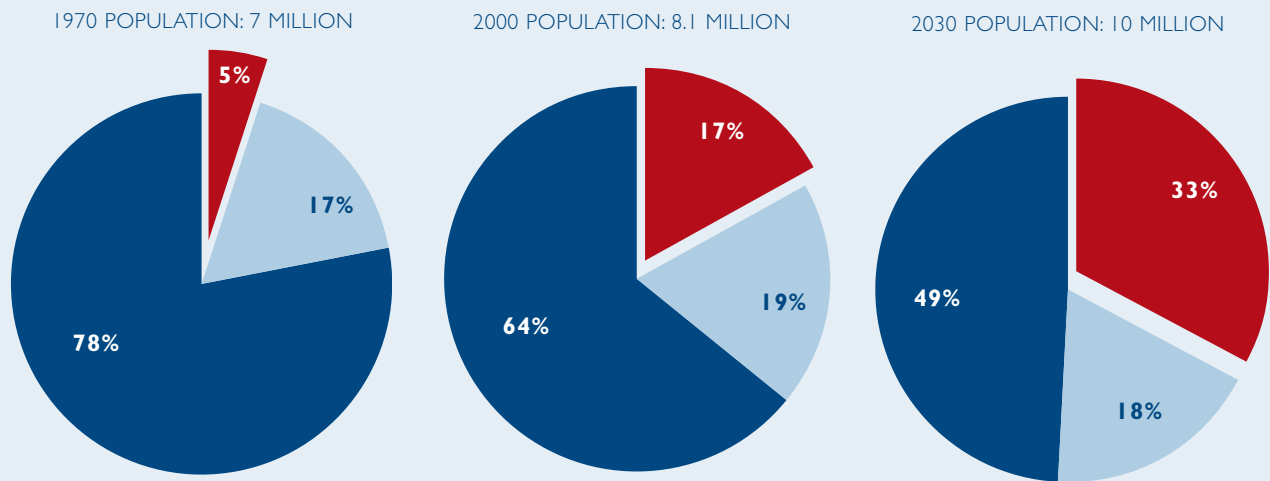
African Americans are projected to account for the remaining population growth though their share of the region’s population is expected to remain stable. Unlike Latino population growth, African American population growth is not likely to be widely dispersed. Some modest progress in racial integration is likely to occur, similar to that documented in the 2002 study published by the Institute for Metropolitan Affairs.¹

¹ See *Race and Residence in the Chicago Metropolitan Area: 1980 to 2000*. A detailed discussion of race and housing is beyond the scope of this report. Needless to say, racial prejudice has a major impact on population dispersion in the Chicago metropolitan area. It also has a major impact on economic and educational opportunity for African Americans as documented by the Leadership Council’s report, *The Segregation of Opportunities*.



HomeTown Aurora is an economically diverse community with a mixed-use town center and community space including parks and playgrounds.

CHICAGO REGION’S POPULATION BY RACE & ETHNICITY



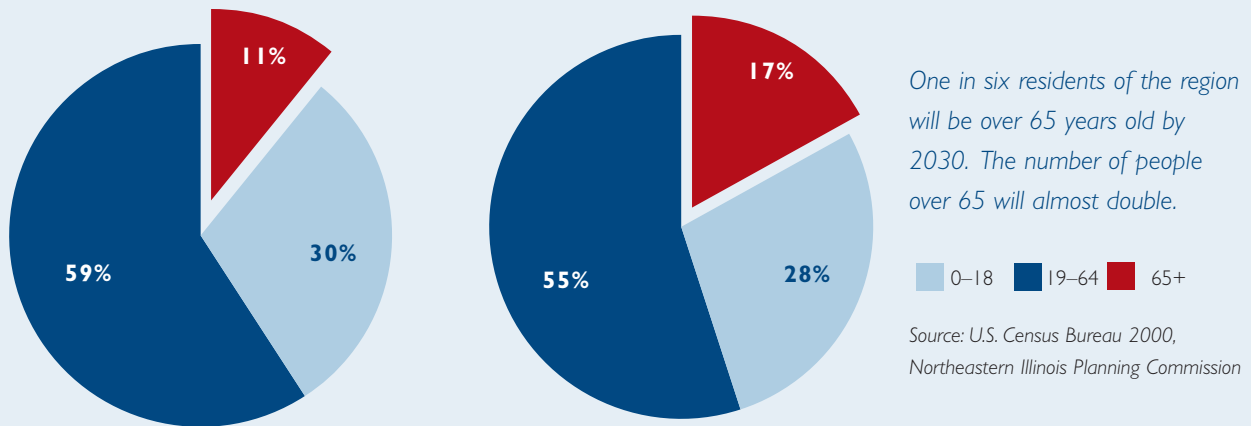
The region’s population will continue to be more diverse. Virtually all of the population increase through 2030 will be Latino.

■ White/Asian/Other ■ African American ■ Latino

CHICAGO REGION'S POPULATION BY AGE

2000 POPULATION: 8.1 MILLION

2030 POPULATION: 10 MILLION

**Seniors**

The age profile of the region's population will also be decidedly different than it is today. Improvements in health services and living standards have allowed people to live longer than ever before. Residents over 65 are projected to account for 17% of the region's population in 2030 versus the 11% they represented in 2000. On an incremental basis, residents 65 and older will account for almost half of the region's population increase between 2000 and 2030.

What do these projections imply for future housing demand?

On a basic level the Chicago region will need to create approximately 720,000 additional housing units by 2030 to accommodate its 1.9 million new residents. If the region expects to eliminate current overcrowding (estimated in the 2000 Census to affect nearly 86,000 households) and keep vacancy rates at normal levels, it will need to build even more units, 814,000 total or 27,000 per year, over the thirty-year period. Builders in the region are already putting up 30,000 new homes or apartments per year, so building 27,000 new dwellings annually is certainly possible, even when factoring in teardowns.

What may prove to be far more challenging is the production of housing units that meet the demands of the region's changing population.

THE SHIFTING DEMAND FOR HOUSING

Latinos, African Americans and residents over 65 will account for most of the region's population growth over the next 25 years. Understanding the types of housing chosen by these groups today will help in projecting how housing demand will shift by 2030.

Latino Housing Patterns

Latinos, as a group, tend to have higher fertility rates, live in larger households, and concentrate in urban communities throughout the metropolitan region. Roughly 35% of Latino households have five or more members. This is twice the rate of similar size households among African Americans and Asian Americans and four times the rate of White households.

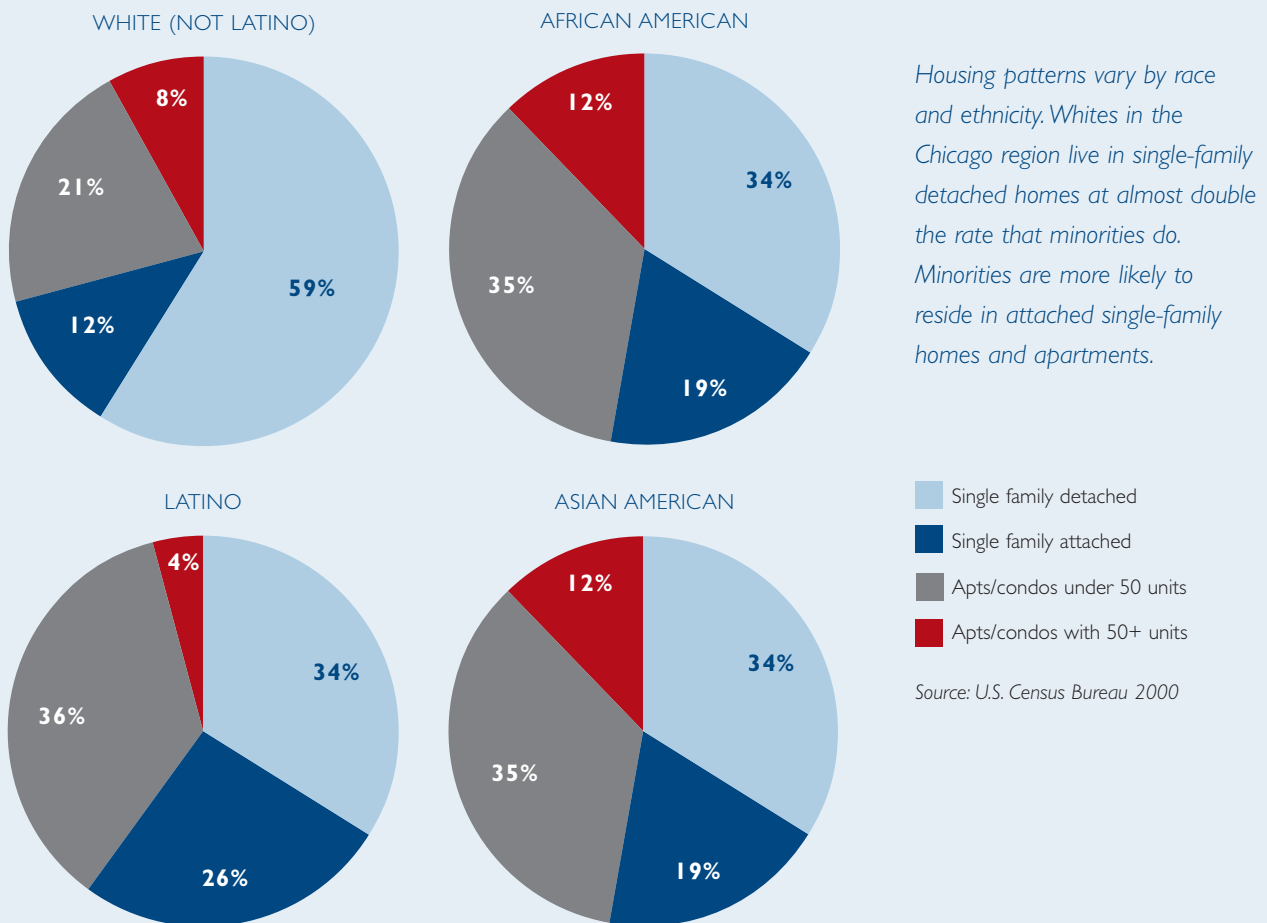
The Latino home ownership rate of 49% is below the regional average of 64%, despite the fact that in the 1990s Latinos became home owners at a faster rate than other ethnic groups. A significant percentage of Latinos live in apartment buildings, duplexes and town homes. Only 34% currently live in single-family detached homes.

African American Housing Patterns

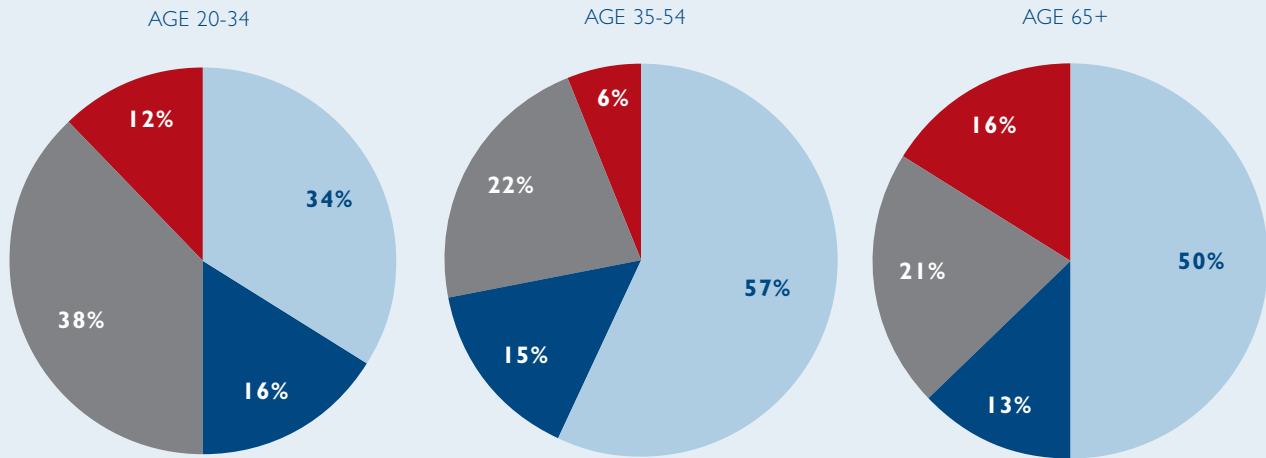
African Americans share many of the same characteristics as Latinos. A majority of African Americans in the region live in attached housing or apartment complexes, while only one-third live in single-family detached homes.

Asian Americans display the same housing patterns as African Americans.

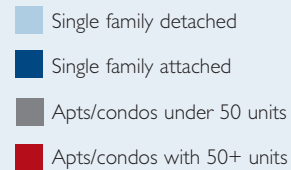
CHICAGO REGION'S HOUSING PATTERNS BY RACE AND ETHNICITY



CHICAGO REGION'S HOUSING PATTERNS BY AGE



Housing patterns also change with age. People over 65 begin shifting from detached single-family homes to apartments/condominiums.



Source: U.S. Census Bureau 2000, Fregonese Calthorpe Associates

Senior Housing Patterns

People over 65 increasingly want to live in more compact communities, including those with apartment buildings of 50 or more units, small apartment complexes, duplexes, town homes, and in small homes designed to be relatively maintenance-free. A 2002 report published by the National Association of Home Builders indicates that 31% of home buyers 55 and older would seriously consider buying town homes, duplexes and multi-family condo units.² Today only 15% of homeowners 55 and older live in such housing.

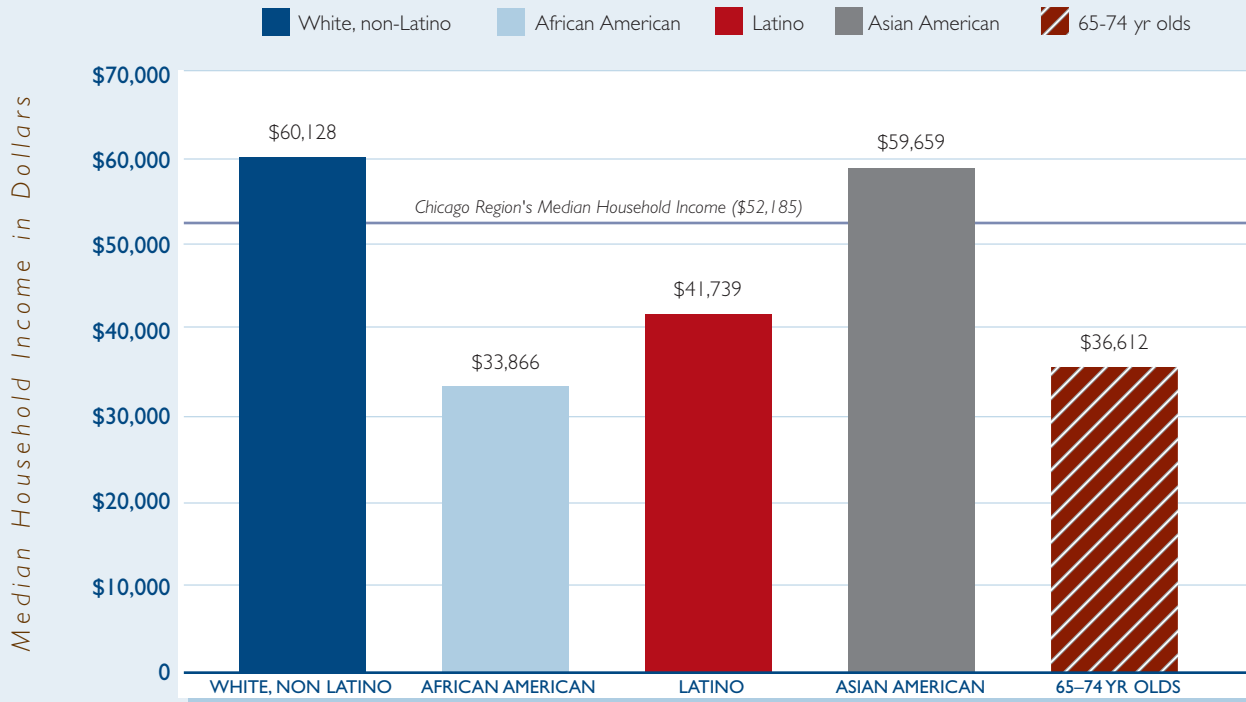
The amenities most frequently cited as most important by buyers 55 and older are walking and jogging trails, access to public transportation, outdoor spaces, and an outdoor pool. The same study suggests home buyers are willing to trade home and lot size for more affordability and increased amenities. Buyers over 75 show even greater interest in smaller units with more amenities and in multi-family units.

The housing preferences of senior citizens should come as no surprise. They often have to live on a fixed retirement income, face deteriorating health and increased medical costs, and want to live near key service providers. They wish to minimize home maintenance and prefer single story residences.

The fact that the housing patterns of Latinos, African Americans and senior citizens differ significantly from housing choices of the past implies that housing demand will shift as the region's population diversifies and ages. In general, the pattern will shift toward denser housing with higher demand for rental units, entry level single-family housing, and apartments and condos in large complexes.

² See "Boomers on the Horizon: Housing Preferences of the 55+ Market" written by Margaret Wylde.

CHICAGO REGION'S MEDIAN HOUSEHOLD INCOME



Source: U.S. Census Bureau 2000

The fastest growing segments of the region's population – Latinos, African Americans and those over 65 – have median household incomes well below the area median household income.

Median Household Income

There is one other factor that must be carefully considered when reviewing regional population projections – income. The fastest growing segments of the region's population – Latinos, African Americans and those over 65 – on average have lower median income levels than the general population. Figures from the last four Censuses indicate that all three groups had median household incomes well below the area median income. This report assumes each group will still have below average income by 2030.

Combining necessary annual housing growth – 27,000 units per year – with demographic and income projections leads to a fairly obvious conclusion – **a significant percentage of the housing units that are going to be added to the region's supply, perhaps 40% to 50%, will have to be in a price range that is affordable to working families and seniors. In numerical terms 40% to 50% of 27,000 units translates into 10,800 to 13,500 affordable units per year, assuming families do not double or triple up in a single dwelling unit.**

How can these needed units be added to the region's housing stock? They may come from older housing which, as it ages, trickles down and becomes more affordable. They may come from rehabbed housing which is preserved as opposed to being torn down. They can also be created as new town homes, duplexes, apartments or small single-family homes. Current trends in home construction and community planning, however, make new construction the least likely source of additional affordable housing in the region.



HOME CONSTRUCTION TODAY

Rising land costs, impact fees, buyers' preferences for housing with more amenities and high demand for housing have caused a rapid escalation in home prices.



If population trends are calling for a significant increase in the availability of smaller, more compact and affordable housing in the future, what are current trends in home construction?

Builders build the housing that buyers want and can afford so long as communities and the market let them build this kind of housing on a profitable basis.

What do buyers want today? The National Association of Home Builders' 2004 housing report indicates that, in general, buyers want houses which are sizeable – over 2,100 square feet – and include three or more bedrooms, two or more bathrooms, large kitchens with adjacent family rooms, laundry rooms, dining rooms, central air conditioning, and garages with spaces for two or more cars.

What buyers want and what they can afford, of course, can differ. Over fifty years ago, homebuyers' preferences in terms of home features were, on the average, far more modest than they are today. A typical home in America in 1950 was less than 1,000 square feet, had one story, two or fewer bedrooms, one to one and a half bathrooms, no central air conditioning and, at most, a one-car garage. That home could be purchased for under \$100,000 in today's dollars. As features were added, home prices increased, so that by 2002 the average home in America exceeded 2,200 square feet and cost \$228,600.

H O M E S I Z E A N D P R I C E , 1 9 5 0 – 2 0 0 2

YEAR	AVERAGE HOME SIZE	AVERAGE HOME PRICE IN CURRENT DOLLARS	AVERAGE HOME PRICE IN CONSTANT 2002 DOLLARS
1950	983 sq. ft.	\$11,000	\$82,110
1970	1,500 sq. ft.	\$26,000	\$120,550
1990	2,080 sq. ft.	\$122,900	\$169,101
2002	2,230 sq. ft.	\$228,600	\$228,600

Source: National Association of Home Builders, 2004 Housing Facts, Figures & Trends

“Feature creep,” the addition of amenities, accounted for nearly half the price increase between 1990 and 2002 alone. Other factors, though, have increased the cost of new dwelling units, whether they are single-family homes, town homes, condominiums or apartments:

- *Land costs have jumped in recent years from \$20,000 per developed acre to as high as \$60,000 to \$80,000 per acre in high growth suburban housing markets.*
- *Zoning rules often allow only four or six dwelling units per acre. If four homes are built per acre, this translates into \$15,000 to \$20,000 of land cost per home; if six homes are built per acre, the land cost per home is still significant: \$10,000 to \$13,300.*



The City of Elgin’s aggressive 50/50 Historic Architectural Rehabilitation Grant Program helps residents to rehab their homes.

- *Impact fees have increased sharply and now range from \$15,000 to \$25,000 per home in key housing markets. Communities, commonly limited in terms of the taxes they can assess, look to developers to provide the funds needed to build new schools, parks and other necessary public amenities.*
- *Lengthy permitting processes, often caused by community opposition to development – especially development that includes small single-family homes, town homes and apartment units – have delayed housing construction. Residents often express concern about the impact the children of new residents will have on school costs. They also worry about increased congestion and the possibility that moderately priced housing will weaken property values and bring “undesirable” elements into their communities.*
- *Construction materials, most notably lumber, have substantially increased in price in recent years.*



WHAT IMPACT DO MULTI-FAMILY DWELLINGS HAVE ON A COMMUNITY?

“The presence of multi-family buildings does not reduce home price appreciation in the neighborhood. Between 1997 and 1999, single-family house price appreciation was, in fact, slightly higher if multi-family buildings were in the vicinity... Multi-family housing places fewer demands on municipal services than other types of homes. Households who live in multi-family buildings have fewer school-aged children, save infrastructure costs with their higher density of homes, demand less water service and appear to generate no difference in crime frequency once demographic differences are taken into account.”

— *National Association of Home Builders, 2004 Housing Facts, Figures & Trends*

When all these factors are taken into account, the ongoing escalation in home prices becomes very understandable. Builders face property and impact fee costs which can run \$30,000 to \$45,000 or more per home before construction begins. Once permitting, construction, and financing costs are factored in, home sale pricing between \$225,000 and \$400,000 becomes necessary for a builder wishing to earn a fair profit. These homes are attracting buyers, primarily from nearby suburban areas, looking to move up to larger homes in more affluent neighborhoods. The pricing of these homes and their size appeal to existing residents concerned about protecting and increasing the value of their own homes. In expanding cities like Aurora, Elgin, Joliet and Waukegan, cities which already have significant numbers of affordable dwelling units, homes in the \$300,000 to \$400,000 range balance the cities' overall housing supply and provide existing residents the opportunity to move to better housing without leaving the community.



In this Addison neighborhood, duplexes, like this one, can be found alongside single-family homes. Mixing housing types can provide more housing options within a community.

Policies that work against more compact and affordable housing types further compound the problem of escalating home prices. Leading developers in the region indicate that a market exists for compact one-to-three bedroom homes with 1,100 to 1,600 square feet of space and an attached garage. Demand also exists for moderately-priced apartments and town homes. But these types of housing are not being built in significant numbers because of the barriers that exist to the construction of a full range of housing options across the region.

State tax policy places a heavy burden on property taxes to finance school costs, thereby discouraging communities from building affordable workforce housing, which does not generate as much property tax income as larger homes.

Suburban zoning codes generally do not allow the kind of housing density needed to bring per unit land costs down to a level that will allow for the construction of workforce housing. Many suburban jurisdictions insist that minimum home lots be 7,000 to 10,000 square feet, permitting no more than three or four homes per acre.

As a result, building smaller, more compact and affordable homes becomes challenging for a builder. Unless land costs are very low and impact fees are moderate, detached single-family homes cannot be built and sold in the Chicago area for less than \$200,000. Town homes and attached housing can be built and sold for \$140,000 to \$190,000, but impact fees again can drive up the price. Many communities do not want significant numbers of town homes or attached homes built in developments and set up zoning or permitting barriers to their construction.

Rental housing, when it is built, which is infrequent in this region compared to others, is typically aimed at upper income families or senior citizens. New moderate and low-cost rental housing for families is a rarity in the suburbs and is limited mainly to a few developments in the City of Chicago and surrounding communities. All moderately priced rental housing, including senior housing, requires government subsidies to make it economically attractive for developers. It also requires layers of construction financing which are not easy to arrange. Most developers avoid rental construction because of the known difficulties in getting it financed, permitted and built.



The Highland Park Illinois Community Land Trust owns these six affordable town homes in Highland Park. In this community, where the median home value is almost \$430,000, these town homes sold for no more than \$140,000.



THE HOUSING MISMATCH

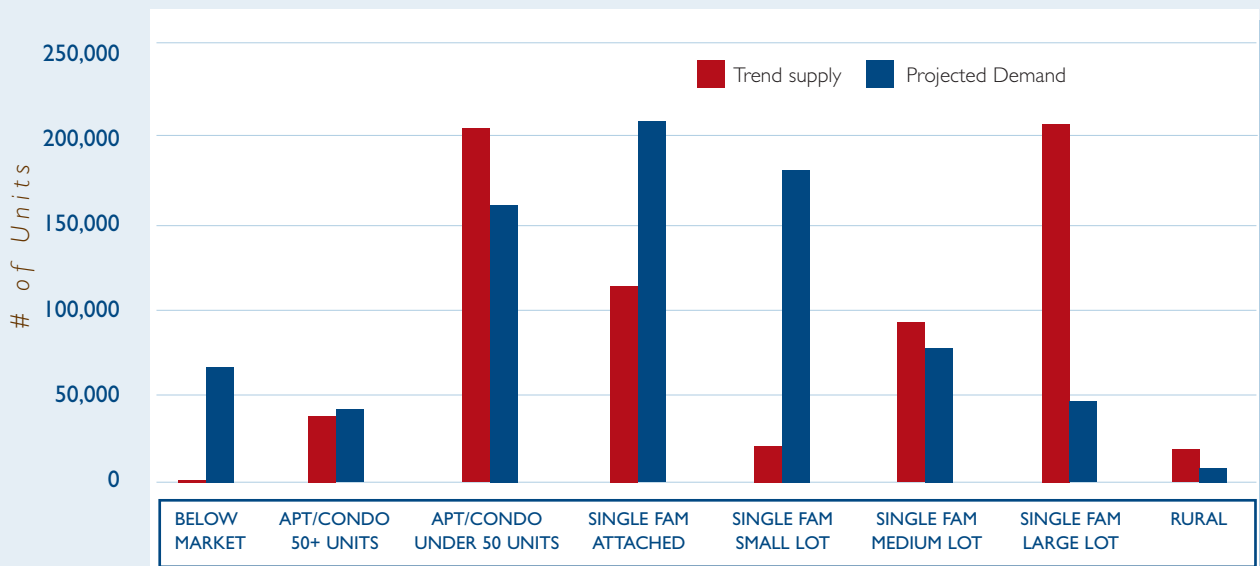
Projection and trend data suggest that excessive numbers of large lot single-family homes and an inadequate supply of affordable small lot single-family homes, town homes and apartments are being planned. An additional 140,000 families – over and above the 730,000 families currently stressed by excessive housing costs – will pay more than they can afford for housing.



Matching a population-based and income-based projection of new housing needed in the Chicago metropolitan area (projected housing demand) against trend housing supply, based on current planning and zoning trends, reveals significant disparities. Projection and trend data (see the

Metropolitan Chicago Housing Model, page 24) suggest that excessive numbers of large lot single-family homes and an inadequate supply of affordable small lot single-family homes, town homes and apartments are being planned. Significantly, no private-sector-generated low income housing is being planned.

CHICAGO REGION'S HOUSING TYPE MISMATCH 2000-2030



Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

Trends in zoning and construction suggest large lot single-family homes and high-end condos and apartments will be oversupplied in the region if current planning trends remain unchanged. An inadequate supply of small lot single-family homes, town homes and duplexes is being planned to meet future demand.

TREND SUPPLY AND PROJECTED DEMAND CHICAGO REGION, 2000-2030

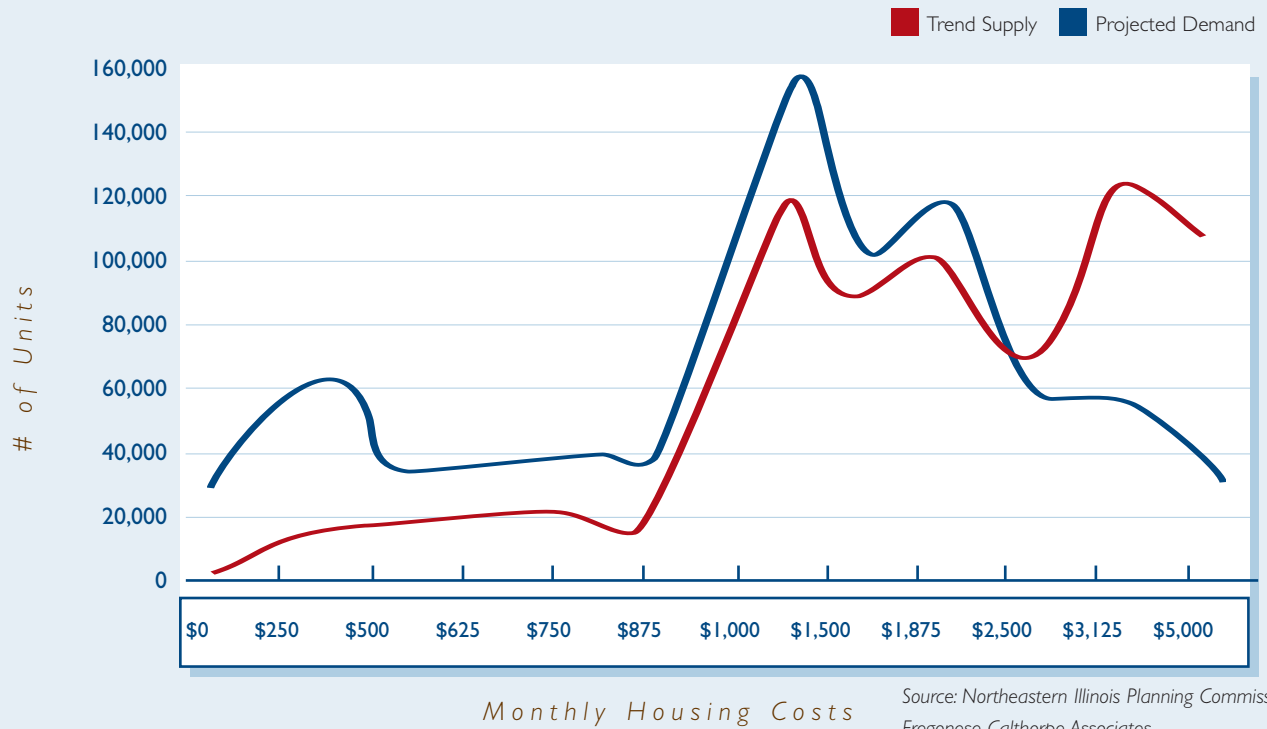
	UNITS/ACRE	TREND SUPPLY (UNITS)	PROJECTED DEMAND (UNITS)
BELOW MARKET	25	<100	71,000
APT/CONDO 50 + UNITS	50	43,000	45,000
APT/CONDO UNDER 50 UNITS	25	206,000	166,000
SINGLE FAMILY ATTACHED	10-14	121,000	209,000
SINGLE FAMILY SMALL LOT	8	24,000	185,000
SINGLE FAMILY MED LOT	5	95,000	81,000
SINGLE FAMILY LARGE LOT	2.5	212,000	49,000
RURAL	0.5	19,000	8,000
TOTAL UNITS		720,000	814,000

Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

The housing type mismatch will affect some counties – Kane, Lake, McHenry, and Will – more than others – Cook and DuPage. The housing mismatch will be most severe in the counties that are expecting the largest percentage increases in population and that also have the highest percentage of households residing in detached single-family housing. Kane, Lake, McHenry and Will counties are each forecasted to significantly oversupply large lot single-family housing and to significantly undersupply moderately priced apartments or condos as well as townhouses and duplexes and small lot detached housing.

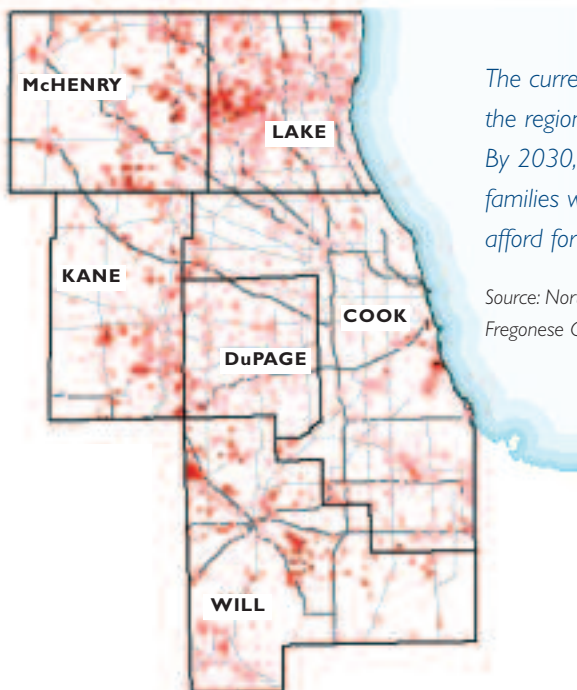
The forecasted mismatch relates to more than housing type. It is also reflected in projections for affordability. Estimates indicate that an additional 140,000 families – over and above the 730,000 families currently stressed by excessive housing costs – will pay more than they can afford for housing because the housing they can afford will not be built.

CHICAGO REGION'S HOUSING AFFORDABILITY MISMATCH 2000-2030



The mismatch in housing affordability is most evident at monthly housing costs of \$2,500 and above where a significant oversupply of expensive housing is forecast. The Trend Supply scenario undersupplies midrange to lower cost housing such as apartments, duplexes, town homes and small lot single-family homes.

TREND SUPPLY DISTRIBUTION OF UNAFFORDABLE HOUSING



The current shortage of affordable housing in the region will get worse, not better, in the future. By 2030, projections indicate that 870,000 families will be paying more than they can afford for housing.

Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

THE METROPOLITAN CHICAGO HOUSING MODEL

To gauge how great the housing supply/demand mismatch will be, the Metropolitan Chicago Housing Model was created. The Metropolitan Chicago Housing Model consists of two scenarios: the Trend Supply Scenario and the Projected Demand Scenario.

Using the Northeastern Illinois Planning Commission's 2030 forecast of household growth, current trends in housing construction and the type of housing allowed under present zoning regulations, a Trend Supply Scenario was developed for the region that demonstrates how many units of housing will be built if current trends remain unchanged. These numbers were converted to housing types using a GIS model that estimates housing types by the density of the housing permitted by present zoning. This produced a distribution of future households by monthly housing cost.

The Projected Demand Scenario is an ideal distribution that would ensure that future households find housing that meets their needs and income levels. It adjusts for forecasted income and takes into consideration ethnicity and age distribution shifts in the population and the implications of these shifts for housing demand. This Scenario projects 814,000 new homes for the region vs. the 720,000 homes in the Trend Supply Scenario because it factors in the elimination of current overcrowding in the region as well as appropriate vacancy rates (six percent for rental units, two percent for owner-occupied units).

Another key difference between the Trend Supply and Projected Demand scenarios is that the first focuses on single-family large lot houses, condos and apartments, while the second highlights town homes and single-family homes on small lots as additional options. The Projected Demand Scenario provides greater choice in the housing market and uses land more efficiently – consuming almost 60,000 fewer acres than the Trend Supply.

Both scenarios of the Metropolitan Chicago Housing Model are based on the following set of assumptions:

1. *No future household will spend more than 30% of its income on rent. That is the housing cost threshold recommended by the U.S. Department of Housing and Urban Development (HUD).*
2. *Housing costs around the region vary by geographic area. Housing costs were calculated for 14 sub zones by Tracy Cross and Associates, a real estate market analysis firm.*
3. *Cost of housing units by type was determined by estimating a range for different types of housing for the city of Chicago and then adjusting costs according to the different sub zones using the previously developed cost factors.*

The Metropolitan Chicago Housing Model does not take into account other issues affecting the housing market such as interest rates, savings rates, economic conditions, industry changes, technology changes, construction costs and tax policies.

EXISTING HOUSING AS AN ALTERNATIVE?

New housing, of course, is not the only alternative to a growing population seeking housing to meet its needs. The Chicago metropolitan region has a sizeable and diverse market for existing homes. Census figures in 2000 revealed that nearly half (49%) of the region’s 2.9 million dwelling units were single-family homes, with the percentage increasing to 60%-80% in the collar counties. Roughly one-sixth of all homes in the region were attached single-family units, and a little more than one-third were apartments or condominiums.

Trends in this market, however, are not favorable for moderate and average income families looking to buy a home. The average price of an existing single-family home in the metropolitan area reached \$245,200 by the middle of 2004, a 40% increase over the average price in 2000.

Prices of homes in all price brackets are increasing faster than average income. In this kind of market it is unlikely that a meaningful number of existing homes will trickle or filter down in price so that they become affordable to moderate income families. Research in this area suggests that as many homes may filter up in price as filter down.³

What moderate and average income families face, then, is a very challenging housing market. New single-family homes are expensive. New compact dwelling units – town homes, attached homes, and apartments – are in short supply, and existing homes are rapidly increasing in price. How have market forces responded to these realities?

³ See Watson and Eggers, "Rental Market Dynamics: Is Affordable Housing For the Poor an Endangered Species?" and Lyons and Hardy, "The Crisis in Housing: Thinking the Unthinkable."

Prices of homes in all price brackets are increasing faster than average income. In this kind of market it is unlikely that a meaningful number of existing homes will trickle or filter down in price so that they become affordable to moderate income families.

MEDIAN PRICE OF EXISTING FAMILY HOMES IN SELECTED AREAS

YEAR	2000	2001	2002	2003	2004 2Q	%CHANGE 2000–2004 2Q
CITY OR AREA						
AURORA	156,000	170,000	178,200	191,800	209,400	34.2
CHICAGO	141,600	162,000	174,300	191,900	220,440	55.6
ELGIN	152,000	168,500	180,500	196,500	217,300	43.0
FOX VALLEY	240,700	250,600	264,900	285,100	291,000	20.9
LAKE COUNTY	171,000	179,300	196,000	211,000	229,900	34.4
MCHENRY COUNTY	174,100	184,900	203,800	221,000	235,800	35.4
NORTHWEST	237,600	258,000	277,600	296,700	331,800	39.6
SOUTH & SW	122,900	131,300	138,200	147,500	156,000	26.9
WESTERN SUBURBS	209,000	227,300	248,900	272,000	295,600	41.4
CHICAGOLAND PMSA	175,700	189,900	207,100	224,400	245,200	40.0

PMSA includes the region’s six counties plus DeKalb, Grundy, and Kendall counties.

Source: Illinois Housing Statistics, Illinois Association of Realtors



MARKET FORCES RESPOND

Historically low interest rates, coupled with highly flexible no-money-down mortgage products, are allowing many families to buy homes they could not afford in the past. What will happen when interest rates rise and the current housing “bubble” bursts?



Traditional rules of thumb in the housing market, based on historically normal mortgage interest rates, suggest that a family can reasonably afford to buy a home that is two to three times its total yearly income depending on its outstanding debt load. A family with a total income of \$69,700 (HUD's 2005 estimate for median family income in the region) could, therefore, afford to buy a home priced at \$174,000 to \$209,000. A more moderate income family, one with total income of \$57,700, could afford a \$144,000 to \$173,000 home. An even lower income working family, one with a modest amount of debt and a yearly income of \$45,900, could afford a dwelling unit costing \$137,700.

These are not traditional times. A combination of factors is allowing families to buy homes which in years past were out of their price range. Interest rates are lower than they have been in decades. Lending practices are far more flexible than they have been in the past. Down payment requirements, which once were 20% of purchase price, are now minimal if they exist at all. Mortgage products are highly flexible. There are all kinds of adjustable rate mortgages, interest-only mortgages with principal payment deferred for up to 84 months, and other balloon-type arrangements with larger monthly payments deferred. Credit screening is either more accurate, thanks to the sophisticated "point" systems now widely used, or more lax, and lenders are broadening their marketing efforts, spurred on by new Freddie Mac programs such as "Home Possible," by flexible Fannie Mae programs and, perhaps, by the Community Reinvestment Act.



Building homes on small and medium size lots can create a more balanced housing stock for a neighborhood and contribute to a sense of community as in HomeTown Aurora.

These factors have created a market in which families are extending themselves to buy homes that are priced as high as four to four and a half times their yearly income:

- *Average income families with \$70,000 in yearly income are now buying homes costing \$280,000 to \$315,000.*
- *Moderate income families with \$60,000 in yearly income are now buying homes costing \$240,000 to \$260,000.*
- *Lower income working families with \$45,000 in yearly income are now buying homes and town homes costing \$180,000 to \$200,000.*

What about even lower income working families, those whose incomes may only be \$30,000 to \$35,000 per year? They can adapt to the market in a number of ways. They may decide to cut back on other budget needs and spend 40%-50% of their income to buy a home in a “better” neighborhood with better schools. They can gamble that their income will increase in the near future and take out a mortgage with larger monthly payments deferred. They may even renew an old American tradition and double up with another working family, often related to them in some way, and jointly buy a \$250,000 to \$300,000 home. Reports of families doubling up are on the rise in Chicago’s growing suburban communities, even those who focus their marketing efforts on attracting upscale families.

All of these buying practices may work in today's housing market, but what will happen when interest rates increase, as they almost certainly will, and the economy softens? Many of today's home buyers, already financially stretched by historical standards, will be squeezed, some of them severely. Foreclosures could sharply increase. Home prices could stagnate and start dropping. Whether the overall market will rebalance at a lower level, one that will accommodate the economic capabilities of the Chicago area's growing population, is an open question.

What will happen, under these circumstances, to the market for new homes? If zoning and planning policies continue to favor the construction of larger lot homes and discourage the construction of a diverse housing stock that includes moderately priced dwelling units, how will enough new affordable homes be built in the region? To the extent that zoning and planning policies are flexible and are designed to meet a variety of future market needs, various mixes of new home construction will be possible.

If zoning and planning policies continue to favor the construction of larger lot homes and discourage the construction of a diverse housing stock that includes moderately priced dwelling units, how will enough new affordable homes be built in the region?





FEDERAL GOVERNMENT'S ROLE IN HOUSING

The impact of federal government housing subsidy programs aimed at low and moderate income families in the region has been modest at best. Federal funding for housing has been declining for two decades and is expected to continue to decline.



What role is the federal government, the largest provider of public funding for housing, likely to play in the future development of the region’s housing market, especially in those sectors of the market which serve the needs of moderate and lower income working families?

Through direct construction subsidies, tax credits, below-market-rate loan programs, and support of the vast Federal Housing Administration mortgage program, the federal government has played a role in the construction of millions of housing units since the passage of the Housing Acts of 1937 and 1949.

CDBG AND HOME FUNDING, CHICAGO METROPOLITAN REGION, 2003 (ALL “UNITS” SHOWN WERE PARTIALLY SUBSIDIZED)

	CDBG PROGRAM				HOME PROGRAM			
	HOUSING REHAB \$ (MILLIONS)	UNITS	NEW CONSTRUCTION \$ (MILLIONS)	UNITS	HOUSING REHAB \$ (MILLIONS)	UNITS	NEW CONSTRUCTION \$ (MILLIONS)	UNITS
COOK COUNTY	\$10.33	1,321	\$10.30	193	\$5.71	1,680	\$38.65	800
DUPAGE COUNTY	\$1.36	72	\$1.18	40	\$0.50	44	\$0.75	50
KANE COUNTY	\$0.95	113	—	—	\$0.26	10	\$2.16	39
LAKE COUNTY	\$1.24	55	—	—	\$0.38	16	\$0.77	103
MCHENRY COUNTY	\$0.45	22	\$0.02	1	\$0.60	32	\$2.66	42
WILL COUNTY	\$0.04	18	—	—	\$0.30	50	\$0.48	7
SIX-COUNTY REGION	\$14.37	1,601	\$11.50	234	\$7.75	1,832	\$45.47	1,041

Note: This table only shows CDBG and HOME funding for housing rehab and new construction. CDBG and HOME funding for homeownership assistance, emergency repairs, inspections and other programs is not shown.

Source: U.S. Department of Housing and Urban Development, Chicago Metropolis 2020

Federal government direct subsidy support for housing rehabilitation and construction, often perceived as significant is, in fact, modest in nature.

Over the past 25 years, housing choice vouchers have replaced large-scale government controlled construction programs. Government-controlled housing, when it is built, is likely to be senior citizen housing, not housing for larger families. Direct subsidy programs, coupled with tax credits and low interest loans, are now designed to assist private and not-for-profit developers in building moderate income housing. Other subsidy programs are aimed at rehab organizations that preserve older housing and make it usable by lower income families. A modest amount of government support is directed at programs which offer down payment assistance to first-time home buyers.



Federal government housing subsidies primarily benefit upper income taxpayers. The mortgage interest deduction alone reduces government revenue by \$70 billion per year. The federal tax deduction for property taxes reduces revenue by another \$16.7 billion, and the tax-free treatment of capital gains on home sales costs \$18 billion. Nearly 80% of the benefits from these deductions go to the top 20% of all taxpayers. Two former HUD Secretaries – Jack Kemp and Henry Cisneros – have joined others in suggesting that some of these tax-credit benefits be transferred to lower income families to make homeownership easier for them.

*– James Hagerty, “Housing Sector Seeks No Tax Remodeling,” **Wall Street Journal**, January 31, 2005*

The common perception is that federal government direct subsidy programs have a major impact on the development of affordable housing for moderate and low income families. A careful review of regional data related to these programs, summarized in the Chicago Metropolis 2020 report, *Measuring the Impact of CDBG and HOME Funding on Affordable Housing in the Chicago Metropolitan Area*, tells a different story. Direct subsidy programs are, in fact, modest in nature. The two main subsidy programs, the Community Development Block Grant (CDBG) program and the Home Investment Partnership (HOME) program, contributed to the rehabilitation of 3,433 housing units and the new construction of 1,275 housing units in 2003. While total CDBG and HOME funding for these and other housing-related programs totaled over \$108 million the same year, the amount of capital involved was very small compared to private capital invested in housing.

Two other federal government programs, the tax-exempt bond program and the low income housing tax credit program, help create and support the purchase of thousands of housing units each year in northeastern Illinois, but the exact number of units affected is difficult to estimate because of overlap between the two programs. A final group of federal government programs worth noting are those that provide assistance to first-time home buyers. A variety of such programs exist in the region benefiting almost 400 families each year.

In sum, federal funding for housing has been declining for two decades and will most likely continue to do so. The impact of funding cuts will most directly affect the subsidized housing market, a market segment that has historically depended on both private sector and government support.



Round Lake Beach's Home Acquisition and Rehabilitation Program rehabs blighted homes and then sells them to income-qualified applicants. Some of the funding for this initiative comes from Lake County's HOME funds.



RECOMMENDATIONS FOR CREATING MORE HOUSING OPTIONS

Many communities throughout the region are taking action now to create a balanced supply of housing – one that meets the size, feature and income needs of all their residents – in the future. If more communities follow their lead, the housing supply/demand mismatch projected here will be significantly reduced.



Projections indicate that there is likely to be a serious future mismatch between housing supply and demand in the six-county Chicago metropolitan region. Current market financing programs are not likely to make up for it, and government subsidy programs are too small to solve it. What can be done, then, to address it?

The answer seems fairly straightforward – creative leadership on the part of local governments and their citizenry, coupled with the active support of private sector developers and their substantial resources. The kind of leadership needed has already been seen in the Chicago metropolitan area in cities like Chicago and communities such as Highland Park, Oak Park, Riverdale and Round Lake Beach. These locales have carefully analyzed their housing needs with the help of experts, created action plans which address local concerns, and implemented them. They have preserved the character of their communities while improving their long-term viability. They have shown that housing options can be broadened while property values are going up.

LOCAL STRATEGIES

What can a community do to have its own success story?

Planning Proposals

Involve citizens in the planning process, right from the start. Rather than jumping into development projects, successful communities create housing commissions to carefully study the local housing market, zoning rules, and construction regulations and to consider ways to provide housing options for all types of residents who live or want to live in the community. No one is shut out of their deliberations. A broad range of input is encouraged.

Focus on the “big picture” as opposed to a focus on one specific development proposal. The big picture is one which shows how the community plans to develop housing over a multi-year period and how it will look when projected development is complete. Residents who review such long-term housing plans quickly realize that such developments improve the look of their communities and, when center city redevelopment is involved, increase the liveliness of their downtown areas.

Formulate a comprehensive development plan which includes a commitment to create a wide range of housing options. Housing strategies should be one part of a broader community development plan, one that includes economic development, transportation, land use, recreation, environmental, public service, educational and other elements. Successful communities have such plans and update them regularly.

The increased availability of workforce housing would enable hard working and dedicated people – including public servants such as police officers, fire fighters, school teachers, and nurses – to live in the communities they serve. The social and economic benefits of having these hard-working citizens live in the communities where they work is self-evident. Removing affordable housing barriers could reduce development costs by up to 35%; then, millions of hard-working American families would be able to buy or rent suitable housing that they otherwise could not afford.

– U.S. Department of Housing and Urban Development's Advisory Commission on Regulatory Barriers to Affordable Housing, February 2005



Zoning Proposals

Carefully review zoning codes to identify opportunities to create a wide range of housing. Instead of focusing on large lot single-family homes alone, a community can increase housing choices by reducing lot size requirements in certain areas, especially near commercial areas and transit stops, without significantly changing the character of the community. Parking requirements can be eased to allow more housing units to be built in a given area. Increased housing density can make a community more interesting, save money on infrastructure and service delivery costs, and be a boon to central area retail development near train stations. Increased density does not automatically translate into an added financial burden for schools. The Kane County Planning Department estimates that 45 attached housing units add the same number of children to school rolls as do ten single-family homes.



This development in Rolling Meadows includes 30 units (out of 154 total) for low to moderate income seniors. The village is using tax increment financing to cover the gap between market and affordable selling prices.

Create mixed-income neighborhoods that do not segregate families by their income level. Mixed-income design is becoming a common feature in communities across the U.S. Experience has shown that expensive single-family homes can be successfully located on the same block as multi-family units.

Building Code Proposals

Review building code requirements that exceed those which appear in model building codes, and consider selectively modifying them to lower construction costs. Municipalities should question why add-ons to the model code are included in their own code since they drive up the cost of housing.

Implement a consistent code-enforcement process. Setting and adhering to clear standards and streamlining property inspections enable property owners to better comply with local codes and help to prevent questions of discrimination.

Funding and Resource-Related Proposals

Consider, when possible, the creation of local funding streams dedicated to the development of workforce housing. Several regional communities have established tear down taxes as a source of revenue. Home rule communities can consider a real estate transfer tax which can be added to the 0.5% transfer tax levied by all six regional counties and the 0.5% State transfer tax. Other communities receive direct payments from builders in lieu of their including affordable housing within selected neighborhood developments.

Take advantage of untapped physical resources. Communities with a slow real estate market can recapture and renovate deteriorated tax-delinquent properties. One noteworthy program, the City of Chicago's Troubled Buildings Initiative, works with partners to substantially rehabilitate apartment buildings with multiple code violations and turn them into marketable rental properties. Municipalities could implement similar programs and turn blighted properties into positive neighborhood attributes.

Judiciously use public resources to accomplish housing goals. While federal and state government tax credits, low-interest loans and subsidy funding are limited in scope, they can provide some help in implementing balanced housing strategies. Successful communities get maximum use out of the government support that is available.

Other Municipal Actions

Use a wide range of options to broaden housing opportunities. There are many ways communities can increase housing choice. Older, deteriorating homes can be rehabilitated and preserved. Home sharing programs, a very viable alternative for certain senior citizens, can be created. New senior housing can be developed which can meet the rental needs of long-term residents who want to stay in their communities. Infill housing can sharply reduce the need for impact fees that make new construction so expensive. Downtown mixed-use developments can strengthen local business districts while providing transit-accessible apartments/condominiums that can include a percentage of housing within the price range of working families. Land trusts, financed from local revenue streams, can purchase land which can be used to create workforce housing. Growing communities with available land can insist that a certain percentage of new housing units be affordable to working families.

Specifically ask developers to offer moderately priced homes which will appeal to larger families, the disabled and senior citizens. Homes with four to five bedrooms or with auxiliary apartments may be especially appealing to multi-generation families. Homes that are "visitable" or wheelchair accessible on the first floor will appeal to physically disabled residents and senior citizens. Bolingbrook requires that all new single-family homes be "visitable."

Approve proposed developments in phases. This allows local officials to take stock of what works and how the development is fitting into the community.

REGIONAL STRATEGIES

The region's 272 communities and six counties should also give serious thought to increased regional cooperation and planning when it comes to affordable housing development. Both the U.S. Department of Housing and Urban Development and the American Planning Association have called for such cooperation. What can leaders do to create and preserve affordable housing on a regional level?

Develop strategies that are part of a regional comprehensive plan, one which integrates housing development with economic development, other land uses and transportation planning. Too often communities create development plans without fully considering the impact their plans will have on regional economic development and regional infrastructure such as rail and road networks.

SPECIFIC COMMUNITY STRATEGIES TO BROADEN HOUSING CHOICE

A high growth community, one whose population was projected to double or triple (or more) by 2030, could plan that for every 1,000 units built, 150 would be attractive or affordable to moderate and average income working families. This could be accomplished through the creation of a diverse housing stock including town homes, attached housing units and moderate-sized homes. It could also plan to build a number of senior housing developments.

A large satellite city, one whose population was projected to increase by 30,000 to 50,000 residents, could plan for new housing including a few thousand moderately-priced town homes and attached housing units as well as about 500 senior units. It could encourage infill development through the construction of 200 – 300 compact, moderately priced housing units in city areas that have already been urbanized. The community could also expand its housing rehabilitation programs to preserve an additional 30 homes per year (potentially saving 900 housing units, ideal for working families, over a thirty-year period).

A landlocked established community, one whose population was projected to grow by 5,000 – 10,000 residents, could plan to build new units including town homes, attached homes or compact apartment units within the price range of a moderate-income working family. Many communities like this are built-out, or close to it, and are focusing on redevelopment, their downtowns, and transit-oriented projects for future development. These types of projects are well-suited to town homes and moderate-density buildings that can include units affordable to the workforce. This type of community could also increase its housing rehabilitation program so that an additional five to ten homes were preserved each year (potentially saving 150 to 300 additional homes over a thirty-year period).

A slow growth community with a large number of lower-priced dwelling units could begin to create a true mix of housing options by substantially increasing its housing rehabilitation program to upgrade existing properties and by encouraging the construction of new, more upscale single-family homes on vacant lots. With the aid of government funding, it could also aggressively act to restore deteriorated rental housing complexes.

Prepare sub-regional housing plans that would involve groups of municipalities. Local officials could work together to determine the affordable housing needs of their sub-region and then establish goals for member communities to meet. Several jurisdictions nationwide – among them metropolitan Minneapolis/St. Paul and Portland as well as the states of California, New Jersey, and New Hampshire – have such allocation programs. With a considerable amount of input and discussion, such a program might be put into effect in northeastern Illinois.

Create housing trust funds via new revenue streams such as an increase in real estate transfer taxes at the county or state level. Vermont has such a program as do King County (Seattle), Washington; Sacramento, California; and Montgomery County (Dayton), Ohio.

Expand regional first-time homeowner assistance programs. First-time homeowner loan and grant programs already exist, but they are not well coordinated from a regional point of view. More communities could get involved in such programs and more bond cap money could be earmarked for them.

Support sub-regional housing rehabilitation, especially in the collar counties which need to expand their rehab capacity. Strong rehab organizations are needed in each collar county to serve the growing need for housing rehab in older communities.

STATE STRATEGIES

The State of Illinois can:

Provide funding for housing planning. Encouraging communities to create a housing plan as part of their Comprehensive Plans would ensure that municipalities were thinking about the housing needs of their current and future residents. The first step toward this goal was achieved with the Local Planning Technical Assistance Act in 2002; however, this law will not have an impact until it is funded. In addition, housing planning would help communities to monitor their affordability levels per the Affordable Housing Planning and Appeal Act.

Offer expanded incentives for private development. By offering tax credits to developers working to create or preserve workforce housing, the state could increase private involvement in this market. The affordable rental market could especially benefit from an incentive system.

Subsidize land acquisition and infrastructure. Impact fees and the price of land conspire to make much of the region's new housing unaffordable before ground is even broken. If the state subsidized some of these costs, builders who were willing to make a certain percentage of a development affordable could access these funds.

Reform the school funding process. The Illinois education system depends heavily on property taxes as a source of funding. As a result, local officials experience pressure to bring in homes that will generate the most tax revenue. Until this over-reliance on property taxes is addressed, communities will have little incentive to add affordable housing, especially at below-market levels.

Over the last few years, many communities in our region as well as the State of Illinois have taken action to address affordable housing issues (see Appendix A). Progress, where it has occurred, has been impressive. If public and private sector policy makers actively support communities that are taking positive action to create a balance in their housing options, that progress will continue and hopefully accelerate.

CONCLUSIONS: THE COST OF BUSINESS AS USUAL

There is some chance, of course, that constructive action to broaden choice in the housing market will not occur over the next 25 years. The current shortage of affordable workforce housing will worsen and the metropolitan area will pay a very steep price for inaction:

- *More than 2.3 million people, living in 870,000 households and representing 23% of the region's projected population, will have to unnecessarily cut back on food, clothing, medical and other expenses because they are paying too much money for housing and housing-related costs.*
- *Regional commuting times, already second longest in the nation, will increase as will air pollution. Longer commutes also mean employees on the job will be more stressed and parents will have less time to spend with their children.*
- *The Chicago region will be a less desirable place for new and expanding businesses. Faced with an inability to find and retain a quality workforce, employers will locate their operations in other more competitive locations.*
- *The region will consume an additional 60,000 acres under the Trend Supply Scenario than if the more compact and varied housing types proposed under the Projected Demand Scenario are built.*

None of these are acceptable outcomes for a region that wishes to be attractive to its residents and competitive on a worldwide basis. The choice between letting current development patterns continue and taking constructive action on housing seems clear.



The Village of Bolingbrook requires that all new single-family homes be visitable. This home features a sloped entryway to ensure accessibility.

APPENDIX A:

CURRENT DEVELOPMENTS

Many positive steps have been taken in the last few years at the state and local level to create more housing choices for working families in the Chicago metropolitan region.

CURRENT DEVELOPMENTS IN AFFORDABLE HOUSING

Over the last few years, there have been a number of positive developments that should create more housing choices for working families:

The State of Illinois, which previously did not have any formal comprehensive affordable housing plan, issued in January 2005 a very detailed plan which promises to make better use of State housing and housing-related resources, streamline the affordable housing finance process and provide better coordination of State entities which can have an impact on housing for its neediest citizens. The plan includes the establishment of a Development Coordination Committee, which brings together, for the first time, a number of state agencies to discuss how their combined efforts and resources can encourage the creation and preservation of affordable housing.

The Illinois Legislature, which previously did not have any committees focused on housing issues, now has a House Committee on Housing and Urban Development and a Senate Committee on Housing and Community Affairs. The creation of the House Committee and a series of hearings held statewide in the fall of 2002 led to the passage of seven housing-related bills in the 2003, 2004 and 2005 General Assembly sessions, including:

- *The Illinois Housing Initiative Act, which mandated the creation of a task force to develop an annual housing plan for the state and the pooling of available state and federal resources to address the housing and supportive services needs of underserved low-income residents. Governor Rod Blagojevich subsequently vetoed the bill but then issued his own Executive Order which contained all the key provisions of the bill and created a State Housing Task Force.*
- *The Rental Housing Support Program, which offers over \$30 million per year in subsidies to landlords to provide affordable rental housing to low-income tenants. It also funds grants from the Illinois Housing Development Authority to developers of affordable rental housing.*
- *The Affordable Housing Planning and Appeal Act, which requires communities in Illinois that lack a sufficient amount of affordable housing to create housing action plans.*
- *The renewal of the Donations Tax Credit Program, which provides state tax credits for those contributing to affordable housing projects and employer assisted housing programs.*
- *The Housing Opportunity Tax Incentive Act, which amends the state property tax code to provide a property tax rebate to owners who rent to Housing Choice Voucher holders in low-poverty areas.*
- *The Federally Assisted Housing Preservation Act, which requires the owner of an assisted housing development to give twelve months, instead of six months, notice of the owner's intent to sell or otherwise dispose of the assisted housing. It also requires that the owner offer the property for sale to a tenant association within sixty days after the association has complied with the provisions of the Act.*
- *The Renters' Right to Repair Act, which allows a tenant to make certain repairs and deduct the cost of the repair from the rent, subject to specified limitations.*

Suburban communities in the metropolitan Chicago area have taken steps to create more balanced and affordable housing options in the region. Here are some examples:

- **Barrington** approved a 50-unit senior housing development in 2004. Forty-two of the 50 rental units will be affordable to seniors with up to 60% of the area median income, and the remaining 8 units will be rented at the market rate. The building's developer, Alden Realty Group, financed the project using Low-Income Housing Tax Credits. This development will accept Housing Choice Vouchers.
- **Bellwood** instituted an employer assisted rental housing program when the village acquired a few properties. The village serves as the landlord to municipal employees and charges affordable rents – approximately \$600-\$700 per month for two-bedroom apartments. This policy allows the village to control and maintain some of its housing stock while providing employees with an affordable residence in the community in which they work.
- **Bolingbrook** amended its municipal code to require that all new single-family and attached single-family homes be “visitable” or accessible to persons with disabilities using wheelchairs. Among other things, the amended code now requires that at least one entryway have a step-free entrance from a parking area or public way, electrical wall switches be no more than 48” above a finished floor, electrical wall receptacles be not less than 15” above a finished floor and that bathrooms be designed to accommodate grab bars at a later date. As the region’s population ages, “visitable” features will be increasingly demanded by homeowners.
- **Elgin** approved an ambitious Far West Area Growth Management and Land Use Strategy, which adheres to Smart Growth principles and calls for new neighborhoods to have a mix of housing types, including higher density housing near commercial and employment centers, transit routes and community facilities.
- **Highland Park** continued its regional leadership in affordable housing in 2003 by adopting an inclusionary zoning ordinance which mandates that 20% of all units be affordable in new and substantially renovated structures of five or more units. Highland Park also created a community land trust to own and preserve property for affordable housing.
- **Justice** approved an ordinance which limits single-family homes to 3,500 square feet or less. This encourages the development of town homes and smaller single-family homes.
- **Mount Prospect** systematized its code enforcement process in order to address fair housing issues and maintain its housing stock. The village created a checklist to be used during property maintenance inspections. The use of this checklist ensures that the community conducts consistent inspections and allows property owners and managers to prepare for the inspections. In addition, the village inspects all units over a five-year period. Finally, Mount Prospect has created a landlord-tenant ordinance to address the responsibilities of both parties. The village requires landlords to provide the ordinance to tenants with their lease.
- **Riverdale** established an employer assisted housing program for its own employees, and also has made a determined effort to enlist public and private support for its troubled Pacesetter neighborhood. Riverdale participated in the Technical Assistance Panel (TAP) program run by the Urban Land Institute and the Campaign for Sensible Growth. This TAP developed an action plan for Pacesetter. Since then, Riverdale has benefited from a number of strategies to improve Pacesetter, including tapping into Illinois Department of Commerce and Economic Opportunity funds and holding a design charrette supported by the Richard H. Driehaus Foundation.

- **Round Lake Beach** introduced an innovative housing rehabilitation effort. Through the Home Acquisition and Rehabilitation Program (H.A.R.P.), the village works to maintain and improve its housing stock while keeping affordability in mind as well. The village uses a line of low-interest credit from a local bank, along with a grant from Lake County, to finance the purchase and rehab of qualifying homes. Once the house is rehabbed, the village sells it and uses the proceeds to pay back the bank. Any residual funds are placed in a revolving account to be used for the next home. When the home (and its land) is sold, it comes with a five-year deed restriction. The home must remain affordable, according to U.S. Department of Housing and Urban Development standards, for five years.
- **St. Charles** began working with developers to encourage them to include affordable units in their projects. The city currently has a few projects at various stages in the pipeline in which negotiating with developers has yielded a potential increase in the community's workforce housing stock:
 - In one annexation agreement, the city negotiated a fee of \$1.5 million which can be used for any public purpose. The city may decide to use this as the basis of a housing trust fund.
 - The city may offer a density bonus to a developer working on part of a 55-acre site in St. Charles. If the developer adds affordable units to the project, he could receive more density than the site currently allows. On four of these 55 acres, another developer is in the process of seeking approval for 48 accessible affordable rental units.
 - As word of St. Charles' commitment to a range of housing spreads, developers are beginning to include affordable units on their own, hoping to increase their chances of city approval. Recently, a developer voluntarily proposed that 60 of 360 units in a potential project (yet to be reviewed or approved by the city) be affordable.
- **Tinley Park** created a novel subdivision improvement program which will allow owners of smaller post-World War II homes to upgrade and expand them using pre-approved architectural designs supplied by the City at a very modest cost. This program helps to keep residents in their homes (and in the community) and also prevents teardowns.
- **Wilmette** passed an Affordable Housing Plan in December of 2004 which adopts four methods of encouraging developers to include affordable housing units in new multi-family buildings. These methods include requiring a developer applying for any special use permit, building permit or any other authorization regarding multi-unit buildings in certain districts to abide by a 60-day waiting period before submitting the application to the village. During this waiting period, the developer must meet with the Director of Community Development to discuss including affordable housing units in the project.
- **Woodridge** created a "lifestyle center" with its Seven Bridges Regional Planned Unit Development. This development was designed as an "urban village," incorporating residential, open space, commercial and entertainment uses within its 400 acres. The residential component of Seven Bridges includes single-family homes, town homes, a condominium building and rental apartments. Retail businesses and offices, along with a movie theater, ice rink, restaurants and a proposed hotel, make up the non-residential portion of the development. Planners included walking and biking paths throughout the development to provide a way

for residents and visitors to travel around the development without using their cars. The final phase of the development, known as Main Street, is currently under construction and will complete the retail, restaurant, and condominium components. According to Mayor William Murphy, this final phase of Seven Bridges “completes the vision established by the Village Board in 1987 to further advance the Village’s goal of promoting quality development that contributes to a strong, diverse tax base, provides a variety of quality housing options, and contributes to a higher-quality of life for all Woodridge residents, so that the Village of Woodridge continues to be a great place in which to live, work and play.”

The City of Chicago has continued to show leadership in the creation of affordable housing by successfully completing its 1999-2003 Affordable Housing Plan and launching an even more ambitious 2004-2008 five-year plan. It passed a new Affordable Requirements Ordinance which mandates that all new developments receiving financial assistance from the City make 20% of their units affordable. It created the Chicago Partnership for Affordable Neighborhoods to create incentives for affordable housing development in neighborhoods throughout the City. It also completely revised its Zoning rules and now includes density bonuses for affordable housing. Finally, its new Building and Zoning Codes have special provisions which encourage the development of accessible housing for disabled citizens.

Regional employers have gotten involved with employer assisted housing (EAH) programs. Thanks to the leadership of the Metropolitan Planning Council, 31 regional employers are now providing down payment assistance to workers at their places of business who wish to move nearer to work. Both the City of Chicago and the State of Illinois are actively encouraging businesses to participate in EAH programs. Over the last five years nearly 300 families have benefited from EAH programs, and that number may increase by 200 families per year.

LIST OF EMPLOYERS WITH EMPLOYER ASSISTED HOUSING PROGRAMS

Advocate Bethany Hospital	Medela Corporation
AIM Inc. (DuPage)	Mellish and Murray
Allstate Corporation	Metropolitan Planning Council
Bank One/JP Morgan Chase	National Interfaith Committee for Worker Justice
Charter One Bank	Northwest Community Healthcare
Chicago Public Schools	Robinson Engineering
City of Evanston	Rosenthal Brothers
City of North Chicago	St. James Hospital
City of St. Charles	Seaquist Perfect
DeLaSalle Institute	System Sensor
Draper and Kramer	The Walsh Group
First Midwest Bank	University of Chicago
Illinois Institute of Technology	University of Chicago Hospitals
Illinois College of Optometry	Village of Riverdale
MB Financial Bank	Wheaton Franciscan Services
MB Real Estate	



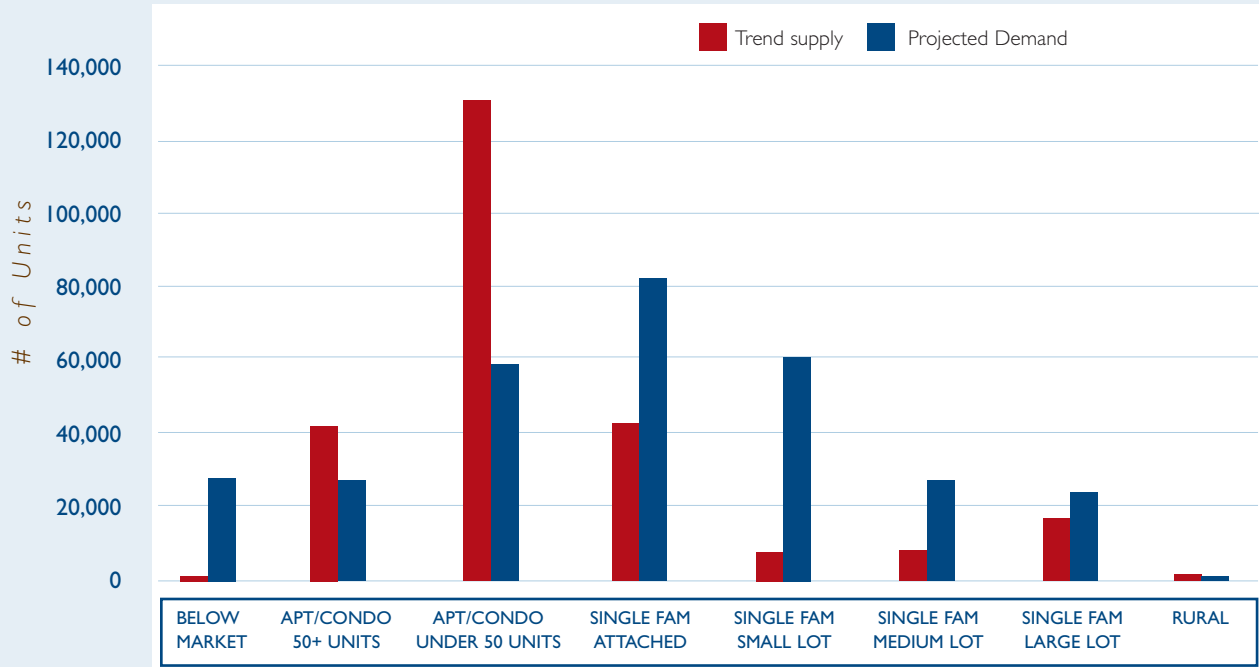
Photo by Terry Evans

APPENDIX B:

HOUSING MISMATCH CHARTS

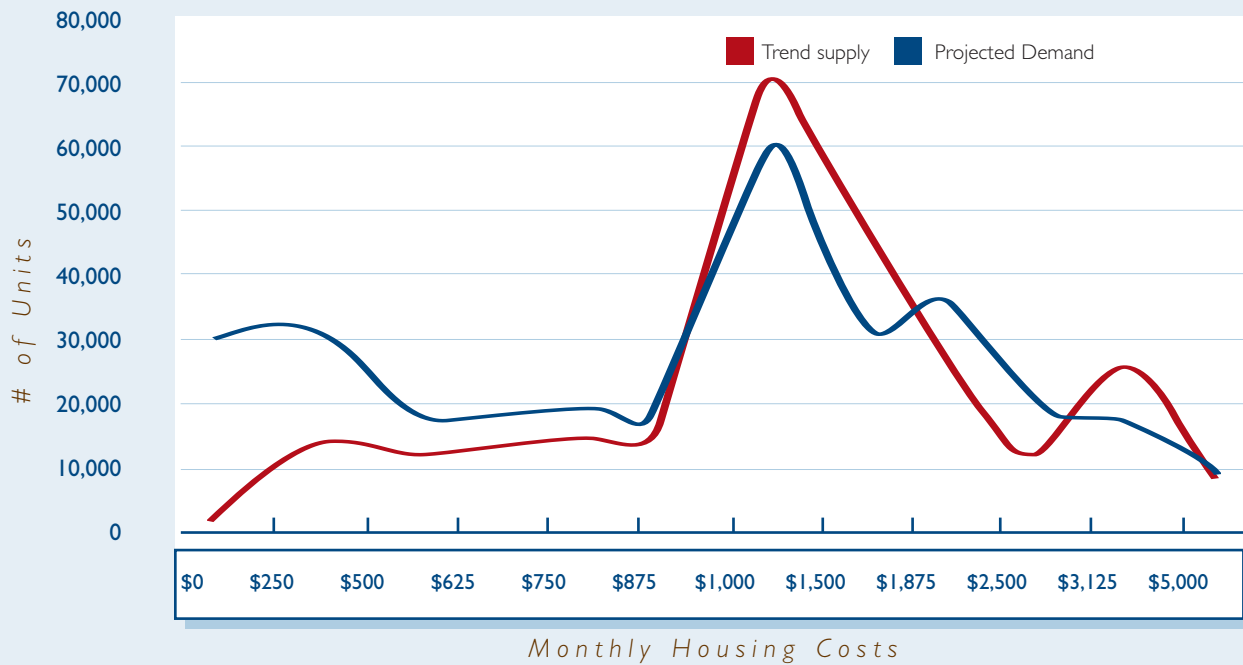
HOUSING MISMATCH CHARTS BY COUNTY

COOK COUNTY HOUSING TYPE MISMATCH 2000-2030



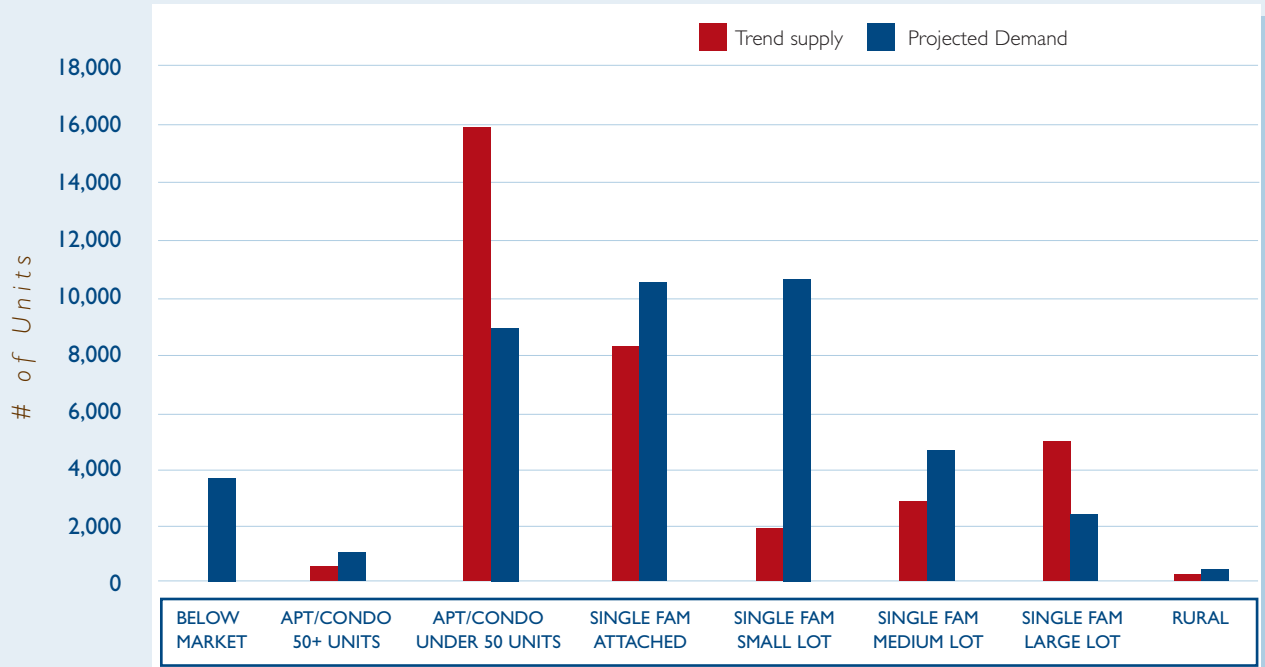
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

COOK COUNTY HOUSING AFFORDABILITY MISMATCH 2000-2030



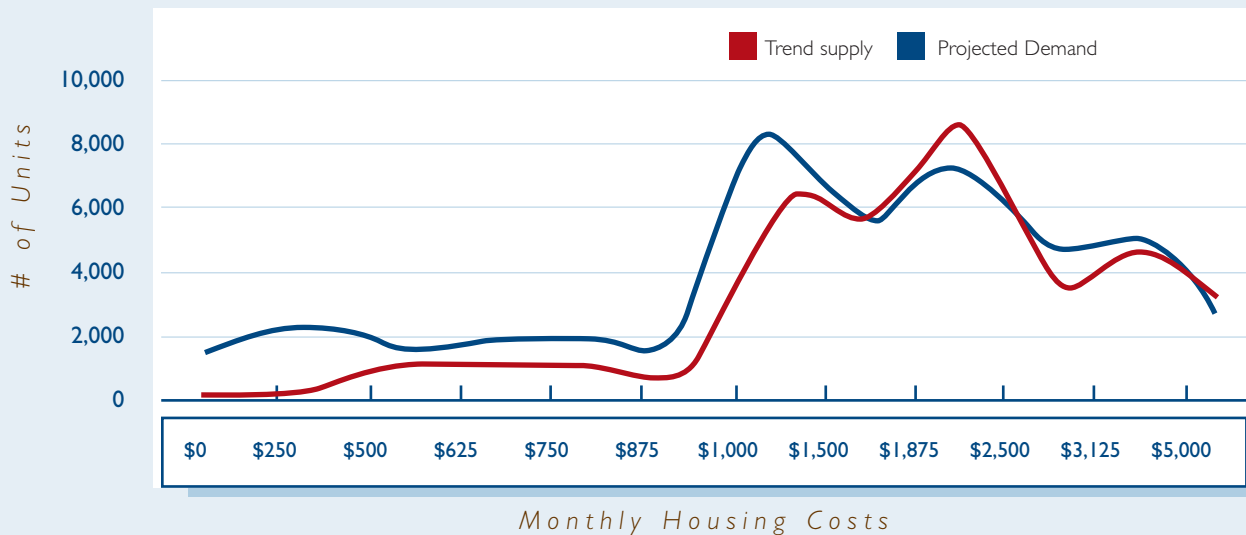
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

DuPAGE COUNTY HOUSING TYPE MISMATCH 2000-2030



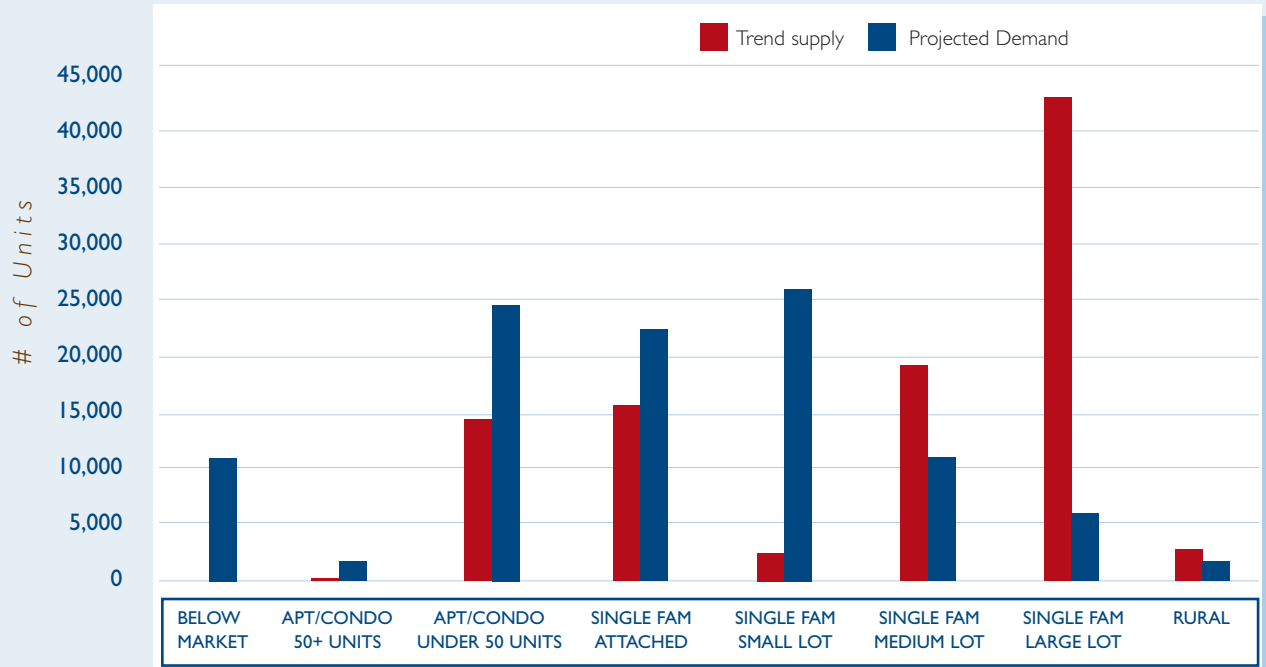
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

DuPAGE COUNTY HOUSING AFFORDABILITY MISMATCH 2000-2030



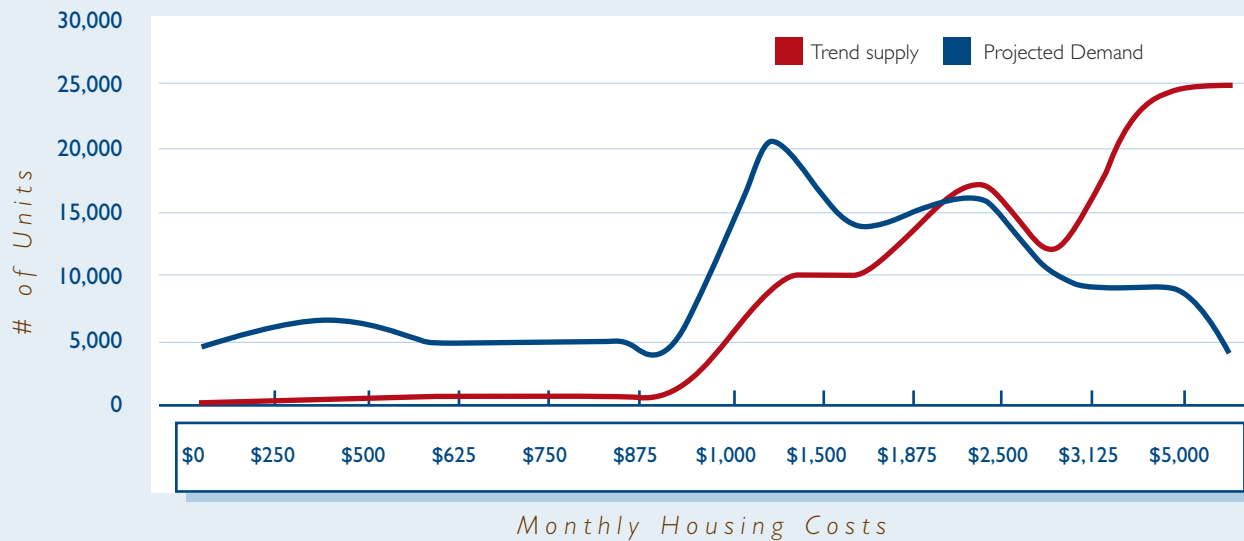
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

KANE COUNTY HOUSING TYPE MISMATCH 2000-2030



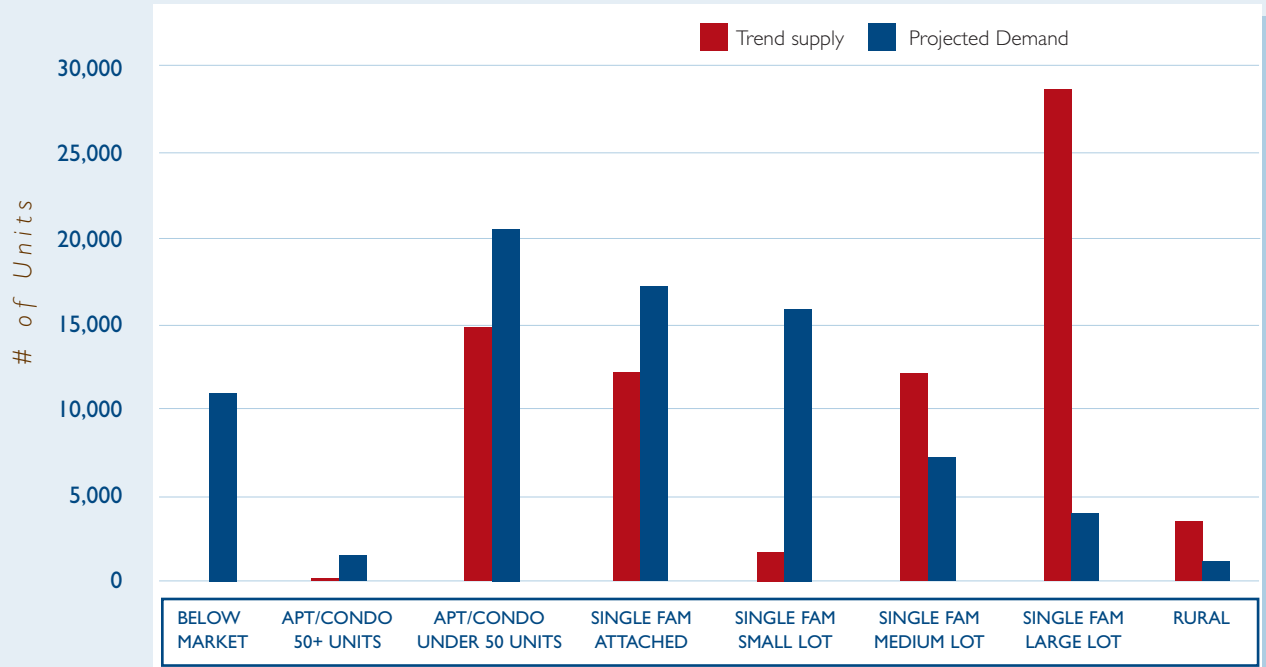
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

KANE COUNTY HOUSING AFFORDABILITY MISMATCH 2000-2030



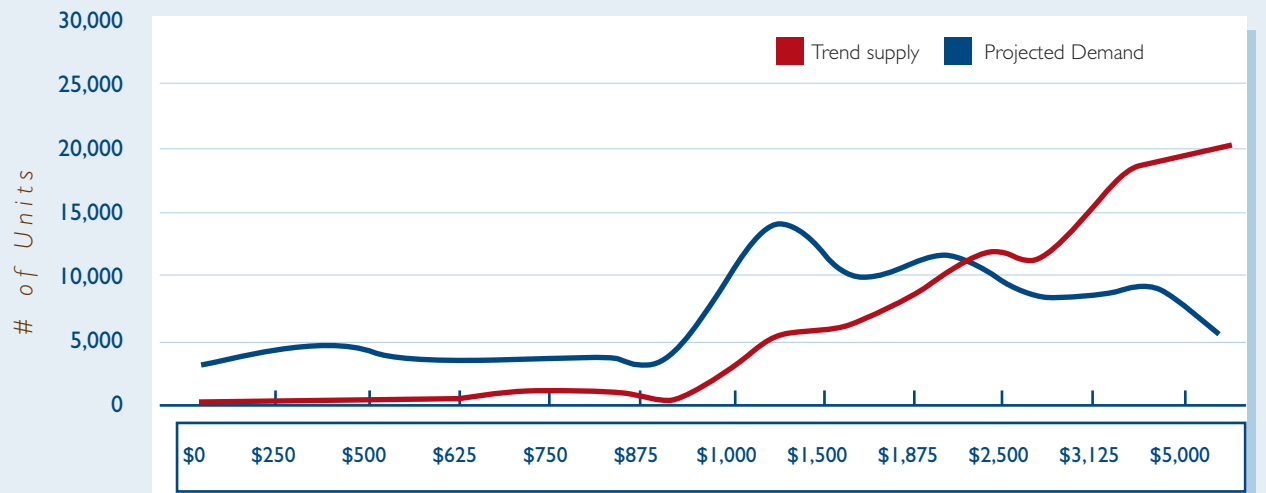
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

LAKE COUNTY HOUSING TYPE MISMATCH 2000-2030



Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

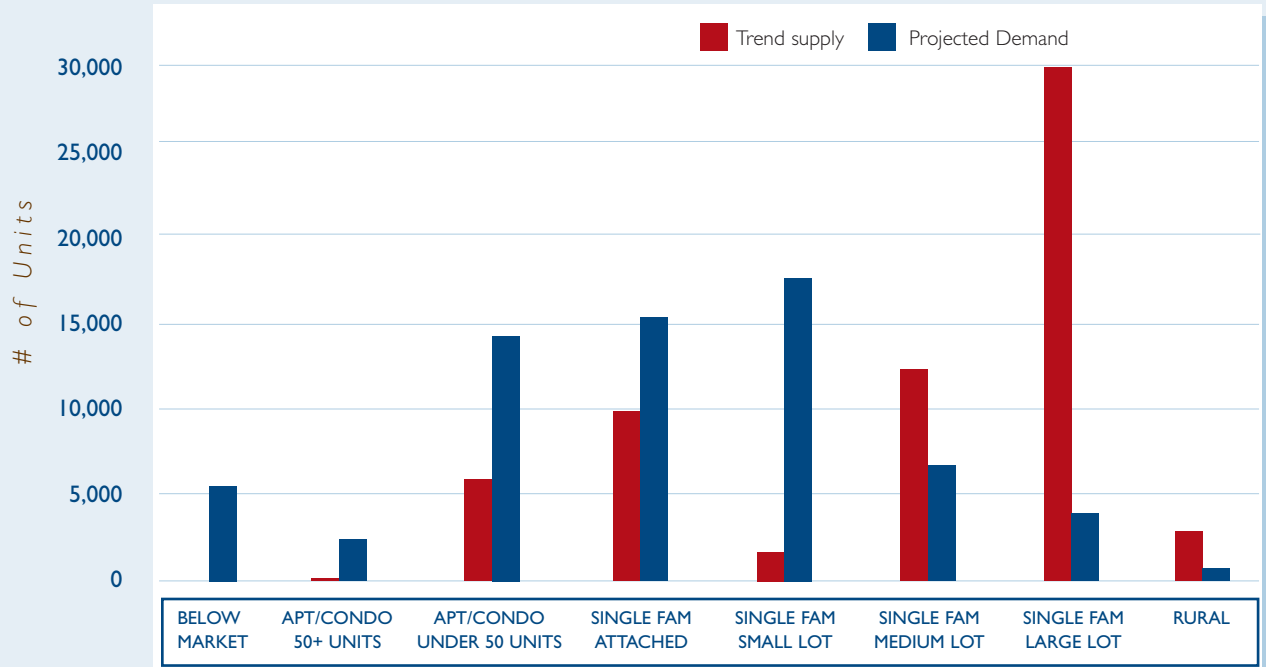
LAKE COUNTY HOUSING AFFORDABILITY MISMATCH 2000-2030



Monthly Housing Costs

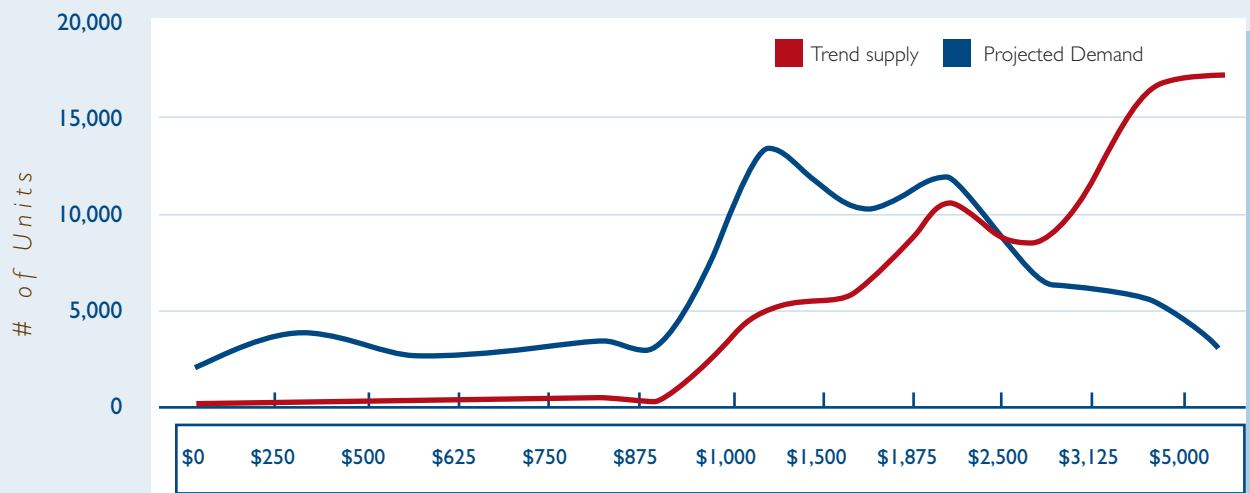
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

McHENRY COUNTY HOUSING TYPE MISMATCH 2000-2030



Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

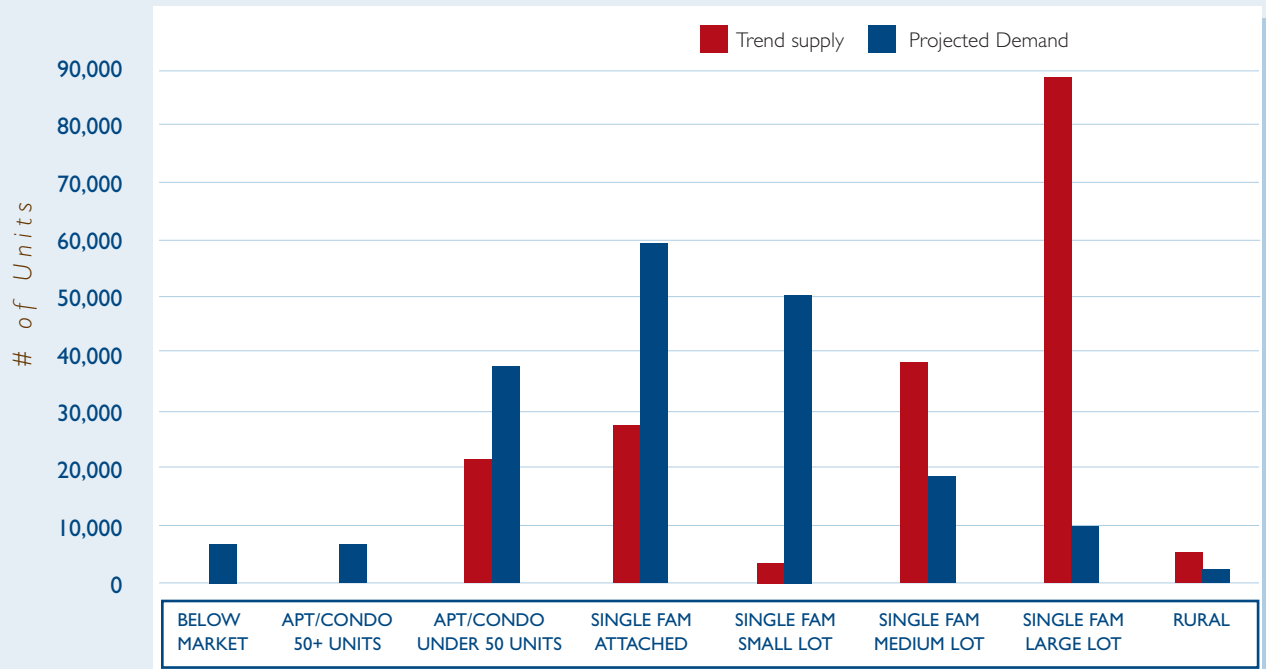
McHENRY COUNTY HOUSING AFFORDABILITY MISMATCH 2000-2030



Monthly Housing Costs

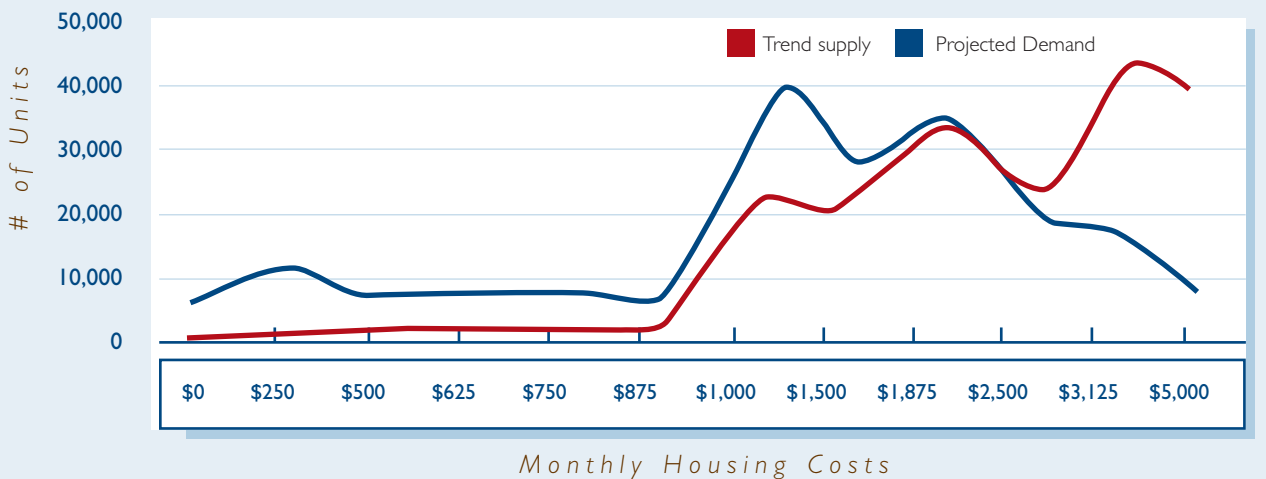
Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

WILL COUNTY HOUSING TYPE MISMATCH 2000-2030



Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

WILL COUNTY HOUSING AFFORDABILITY MISMATCH 2000-2030



Source: Northeastern Illinois Planning Commission, Fregonese Calthorpe Associates

B I B L I O G R A P H Y

We recommend that readers of this report carefully review five important monographs related to affordable housing:

1. Bruce Katz, et al., "Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice," The Brookings Institution, December 2003.
2. Stuart Meck, Rebecca Retzlaff, and James Schwab, *Regional Approaches to Affordable Housing*, American Planning Association, February 2003.
3. Douglas Porter, *Sensible Tools for Healthy Communities*, published by the Campaign for Sensible Growth, the Metropolitan Planning Council and the Metropolitan Mayors Caucus, 2004.
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15. John Lukehart, Tom Luce and Jason Reece, *The Segregation of Opportunities: The Structure of Advantage and Disadvantage in the Chicago Region*, Leadership Council on Metropolitan Open Communities, May 2005.
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20. Phil Nyden, James Lewis, Kale Williams and Nathan Benefield, editors, *Affordable Housing in the Chicago Region: Perspectives and Strategies*, published by Roosevelt University's Institute for Metropolitan Affairs, Loyola University's Center for Urban Research and Learning, and Community Partners, 2003.
21. Carol Sonnenschein, "Follow the Money: Income Migration in the Chicago Region," Chicago Metropolitan 2020, November 2004.
22. United States Department of Housing and Urban Development, Consolidated Action Plans for 2003 for the following entities:
 - a. Cities: Arlington Heights, Aurora, Berwyn, Bolingbrook, Chicago, Cicero, Des Plaines, Elgin, Evanston, Joliet, Mount Prospect, Naperville, North Chicago, Oak Lawn, Oak Park, Palatine, Schaumburg, Skokie, and Waukegan.
 - b. Counties: Cook, DuPage, Kane, Lake, McHenry, and Will.
 - c. State: Illinois.
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HomeTown Aurora, Cover (top); Round Lake Beach, Cover (bottom); Elgin, p. 2; HomeTown Aurora, p. 4; Glenview, p. 6; Addison, p. 17; Bolingbrook, p. 20; Rolling Meadows, p. 26; Wilmette, p. 29; Chicago (Lawndale), p. 30; Chicago (Lawndale), p. 32; HomeTown Aurora, p. 34; Round Lake Beach, p. 36; and Will County, p. 47.



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