

Inclusionary Zoning

City of St. Charles Inclusionary Zoning Ordinance

St. Charles, Kane County

St. Charles took a unique approach to its inclusionary zoning legislation, and created a tiered system that requires developments of different sizes to incorporate a different percentage of affordable homes.

Policy Background

Due to its strong housing market and desirable location, St. Charles has experienced a loss in affordability over the past several years. If this trend continues, moderate-income families may eventually be priced out of the community. In 2008, to provide more affordable housing options for working families, the city adopted an inclusionary zoning ordinance. Along with legislation establishing a housing trust fund, this ordinance will provide more options for families to work and live in St. Charles.

The ordinance is part of the city's housing action plan, developed with the assistance of the Metropolitan Planning Council, to identify strategies and programs that will preserve and create diverse housing options for city residents. The St. Charles Inclusionary Zoning ordinance is one part of the city's larger plan to increase and preserve affordable housing in the city, which includes other initiatives like employer-assisted housing, preserving and upgrading the existing affordable housing stock, and leveraging federal, state and local resources.

One of the city's major goals was to ensure this new ordinance could function effectively within St. Charles' housing market. The city worked closely with S.B. Friedman and Co., a real estate consultant, to ensure that developers, instead of opting to pay in-lieu fees into the housing trust fund, would be more likely to build the affordable homes. S.B. Friedman evaluated bottom-line expenditures and profits, which helped the city establish cost offsets like a density bonus and municipal fee waivers. These offsets help to lessen the impact on a developer's overall profitability.

How It Works

St. Charles is one of several local communities to adopt inclusionary zoning (also, Highland Park, Lake Forest, Evanston, and Chicago), yet the city took a unique approach to its legislation. Unlike most communities, which require developers to set aside a flat percentage of homes as affordable for any qualified development, St.

Goal

To address the decreasing supply of housing for moderate-income workers, and provide more affordable housing options for families wishing to live and work in St. Charles.

Target

St. Charles families earning 80% or below AMI (\$60,300 for family of four in 2009) for homeownership, and between 50% and 60% AMI (\$37,700-\$44,940) for rental properties.

Financing

The ordinance provides fee waivers for affordable homes and a density bonus to make construction financially viable for developers.

Success

First Street, a new large-scale development in downtown St. Charles, became the first development to incorporate affordable homes. The city negotiated its affordable set aside with the developer on a voluntary basis in 2007, prior to the passage of the inclusionary zoning ordinance. All of First Street's 16 affordable apartments have been rented. Another development, Delnor Woods, includes four affordable rental units.



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Charles created a “tiered” system. It requires developments of different sizes to incorporate a different percentage of affordable homes. Five percent of developments with one to ten homes are required to be affordable, while this percentage is increased to 10 percent for developments with 11-50 homes, and 15 percent for developments with more than 50 homes.

The ordinance applies to all new residential developments, including conversions that add units to a property. Families who earn between 50 and 60 percent, or \$37,700 to \$45,240 for a family of four in 2009, of the Chicago region’s Area Median Income (AMI) qualify for affordable rental homes and apartments, and those earning 80 percent of AMI, (\$60,300 for a family of four in 2009) or less qualify for for-sale developments. Rental and sale prices are determined by the family’s ability to pay housing costs, which can be up to 30 percent of income.

For affordable homes required but not built on site, developers must pay in-lieu fees. The City Council sets these fees on an annual basis, although the in-lieu fees have remained at the rate set for 2007-2008 (\$140,000 per unit) for the past two years. Developers may pay in-lieu fees in full for small

developments (1-10 homes), but larger developments must follow more stringent guidelines. For medium developments (11-50 homes), the City Council accepts in-lieu fees for no more than 50 percent of the required affordable homes for the site, so developers must construct at least half of the required affordable homes. For large developments (50 or more homes), developers must construct all of the required affordable homes, or need special approval from the City Council and housing commission to pay in-lieu fees. Even if they receive this special approval, developers still need to construct at least 50 percent of the required affordable homes.

Public Involvement

The city’s outreach effort is one of the greatest triumphs of its inclusionary zoning planning process. Beyond the housing commission’s numerous open meetings, the commission met with various stakeholders to get feedback on the ordinance’s potential effects. These stakeholders included school and park district representatives, developers, and real estate professionals. The ordinance also was discussed at many City Council and Plan Commission meetings, both of which are open to the public.



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