Housing 1-2-3

A Workbook for Local Officials and Community Leaders 2008

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Housing 1-2-3

A Workbook for Local Officials and Community Leaders

Housing 1-2-3 is the fourth in a series of workbooks to help local governments with planning and development issues. *Sensible Tools for Healthy Communities*, released in 2004, leads local and elected officials through the development process using 10 principles of sensible growth. *Planning 1-2-3*, released in 2006, is a step-by-step guide to comprehensive planning in Illinois. *Retail 1-2-3*, released in 2007, describes tools for attracting and retaining retail businesses and development.

About the Authors

This workbook was written by Valerie Sandler Kretchmer, president of Valerie S. Kretchmer Associates, Inc. (VSKA) and Deborah L. Brett, president of Deborah L. Brett & Associates. VSKA is a real estate and urban planning consulting firm based in Evanston, Ill., which specializes in real estate market analysis and community development planning. Valerie Kretchmer and Deborah Brett have more than 30 years of combined experience working with municipalities, for-profit developers, nonprofit organizations, state agencies, lenders, and real estate investors on a wide range of housing and development issues.
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***Housing 1-2-3* is a project of the Chicago Metropolitan Agency for Planning, Illinois Housing Council, Metropolitan Mayors Caucus, and Metropolitan Planning Council.**

The Chicago Metropolitan Agency for Planning (CMAP) integrates planning for land use and transportation in the seven counties of northeastern Illinois. It was formed in 2005, when the region's two previously separate transportation and land-use planning organizations – Chicago Area Transportation Study (CATS) and Northeastern Illinois Planning Commission (NIPC) – were merged into a single agency. Metropolitan Chicago will have an additional 2 million residents and 1.2 million jobs by 2030, and CMAP is developing strategies to address the serious implications of this growth on the region's transportation, housing, economic development, environment, and natural resources.

www.cmap.illinois.gov | 312-454-0400

The Illinois Housing Council (IHC) is a nonprofit association created to promote and facilitate the development of additional affordable housing in Illinois. Founded in 2002, IHC is comprised of individuals and organizations involved in all aspects of affordable housing. Members include owners, property managers, developers, builders, subcontractors, investors, architects, lawyers, nonprofit groups, local officials, lenders, accountants, market analysts, and consultants.

www.ilhousing.org | 312-491-4444

The Metropolitan Mayors Caucus provides a forum through which the chief elected officials of the region cooperatively develop consensus on common public policy issues and multi-jurisdictional challenges. With a foundation of collaboration and consensus-based decision making, it serves a number of functions for its partner organizations and local governments. The Mayors Caucus is a voice for regional approaches to issues such as: economic development, school funding and tax reform, workforce readiness, energy reliability and security, air quality, funding for transportation and other infrastructure, housing, and emergency preparedness.

www.mayorscaucus.org | 312-201-4505

Founded in 1934, the Metropolitan Planning Council (MPC) is a nonprofit, nonpartisan group of business and civic leaders committed to serving the public interest through development, promotion and implementation of sound planning policies so all residents have access to opportunity and a good quality of life, the building blocks of a globally competitive greater Chicago region.

www.metroplanning.org | 312-922-5616

Contents

Welcome

Housing 1-2-3 is a step-by-step guidebook designed to make the complex issues of planning, developing, preserving, and managing housing more understandable for municipalities and real estate professionals. The housing market expands and contracts, but the need for a diverse housing stock remains constant. Housing is one of the most basic needs in our society. A balanced housing strategy supports a wide range of quality options for people of every age, household composition, race, or income level. However, all too often, communities lack housing diversity. Beyond the question of equity, a lack of housing options has significant economic impacts – workers cannot live near their jobs, congestion increases, and retail dollars are spent elsewhere. This book will help your community plan for and invest in a diverse housing stock, whatever the market and wherever the community.

Addressing a Community's Needs

Housing needs in the Chicago metropolitan area vary by community, and they include preservation and upgrade of existing housing, new construction of affordable and market-rate homes, better linkages between available housing and the local workforce, and stabilizing families and properties so that existing homes do not fall into disrepair. Because these needs are so diverse, the Metropolitan Planning Council, Metropolitan Mayors Caucus, Chicago Metropolitan Agency for Planning, and Illinois Housing Council worked together to produce this how-to guide for local elected and appointed officials, citizen leaders, and the development community to help:

- Assess a community's true demand for all housing types and price ranges, and to determine a course of action to realize a community's potential.
- Identify ways to bring higher quality housing into areas with a preponderance of lower value or poor quality homes.
- Understand the difference between "subsidized" and "affordable housing" and how both are tools that can serve a community's needs.
- Deal with aging rental properties in need of new management or rehabilitation before they become problems for the larger neighborhood.
- Ensure new developments – particularly those with affordable components – add value to the community for the long term, meet community needs, and are well-managed.
- Identify private and public sector resources to advance housing goals.
- Establish partnerships with for-profit and nonprofit developers, financial institutions, employers, and other levels of government.
- Build community acceptance for new construction and preservation projects that meet the Metropolitan Mayors Caucus' Housing Endorsement Criteria, promote balanced growth, and address the jobs-housing mismatch in the Chicago region.

Each community's needs and goals may differ, but providing a healthy housing mix can reduce commute time for residents, increase municipal tax revenues, complement and enhance neighborhood character, provide for cultural and income diversity, allow young residents to start families, give older residents a place to age, and improve overall quality of life.

Throughout this workbook are success stories from communities across Illinois. The Appendix provides information about housing programs, Web sites, data sources, and organizations to help a community get started.

Planning, Housing, and Sensible Growth

The new millennium brought Illinois mayors their first state housing policy and comprehensive plan to guide and support, and in limited cases, require certain housing decisions.

Comprehensive Housing and Planning Act
(Public Act 094-0965) codifies into law the state's first housing policy, and mandates interagency coordination to better serve several priority populations: those who cannot afford to live near their jobs, seniors, people with disabilities, households struggling with homelessness, and those living in housing that is currently affordable but at risk of losing that affordability.

The Regional Planning Act
(Public Act 094-0510) ultimately created the Chicago Metropolitan Agency for Planning (CMAP), with major responsibilities to coordinate regional land use and transportation planning in northeastern Illinois. Housing, of course, should be central to such planning coordination. By consolidating the functions of the former Northeastern Illinois Planning Commission (NIPC) and Chicago Area Transportation Study (CATS), this Act authorizes CMAP to develop a policy framework under which all regional plans are developed, and to direct all public involvement activities for regional planning, including the development of a process to inform and engage the public. At present, however, CMAP has limited funding and authority, and further legislation will likely be needed to strengthen the agency.

The Green Neighborhood Grant Act
(Public Act 095-032)provides grants to developments that integrate the principles of smart growth, urbanism, and green building into neighborhood design. Once funded, this incentive is expected to spur the development of sustainably designed, energy-efficient neighborhoods.

Local Planning Technical Assistance Act (Public Act 095-0330) updates the definition of a comprehensive plan to include a housing assessment and the provision of a full range of well-located housing options for everyone from special needs households to the local workforce to seniors living on a fixed income. The Act further allows Illinois to give a competitive edge in state funding to communities advancing such a local plan, and technical assistance grants to towns needing and worthy of such support. In 2007, it was updated to include a particular incentive – a school funding bonus – for school districts affected when municipalities embrace multifamily housing that addresses the state's "live near work" and preservation goals. Neither the technical assistance grants nor the school funding bonuses have been funded yet, but legislation is currently proposed to secure those dollars.

Affordable Housing and Planning Appeal Act
(Public Act 093-0595) mandated that towns with less than 10% affordable housing come up with a plan to bridge the gap. Subsequently amended to enable neighboring municipalities to collaborate on developments and programs to achieve these goals, this Act further introduces a new Board of Appeals to hear from developers whose affordable housing proposals were rejected by these towns. If the Appeals Board determines the developer's proposal is of sound quality nature and in compliance with the town's plan (or provided a good proposal in a town that failed to submit such a plan), then it can overturn the local decision to reject that proposal.

Metropolitan Mayors Caucus Housing Endorsement Criteria

Housing Endorsement Criteria, developed by the Metropolitan Mayors Caucus in 2002, validate the work of Chicago-area municipalities and housing commissions to increase the availability of and access to quality housing choices, and put this work in a regional context. The criteria also can set local standards for specific affordable housing policy review, planning efforts, and development proposals to help communities achieve regional goals.

How They Work

The Housing Endorsement Criteria can be adopted by a city council or village board. Once passed, a community may gauge housing-related policies against them, request that developers demonstrate how their proposal meets them, and even give preference to those proposals that meet one or more of them. Housing Endorsement Criteria are not meant to replace or supersede the goals identified in a community's comprehensive plan or zoning code, but rather to reflect what many communities have identified as their vision. The criteria are not mutually exclusive; a proposed development could meet one or all of them.

Location

Infill development and redevelopment within existing cities and towns, as well as new conservation developments, will receive preference. In order to maximize compatibility with public transit and minimize auto use, housing within one mile of major transit service, a job hub, or town center provides a future market for transit. The project may be within two miles of a rail transit station if provisions are made to provide ongoing shuttle service to future residents. Major transit service is defined as a bus or rail stop with peak-period wait times of no more than 30 minutes. Major transit service also includes funded, but not yet built, fixed rail stations.

Land Use

New developments that aim to cluster housing in an efficient manner, in context with the surrounding community to preserve natural resources and open space will be given priority attention. Higher densities and mixed uses are particularly appropriate near Metra and CTA stations to reduce the growth of traffic congestion on local and regional roads.

Attainability

Mixed-income housing developments, which include units accessible to moderate-income working families and households with lower incomes, along with market-rate units in the same complex, will be given preference. Developments that help balance affordability levels within communities, while assuring consistent quality and design, will receive strong support.

Management

The management and maintenance of developments are as critical as the initial design and construction to meeting the goal of enhancing communities. Therefore, the capacity of the development team to address long-term needs successfully, as evidenced by its track record in selling, leasing and managing development properties, and its history with neighborhood and/or tenant relations, also will be considered.

Design

New developments that stress quality design and construction to help ensure their long-term contribution to the improvement of the neighborhood will be given preference. The proposed buildings will fit their setting, complementing and enhancing the existing neighborhood, and promoting a sense of community, pedestrian-friendly design, and other principles of good village design. Proposals will address transit use and access and, where appropriate, the potential for mixed use.

For more information www.mayorscaucus.org.

A growing number of local councils of governments and communities have adopted the Housing Endorsement Criteria. For example, the Village of Arlington Heights adopted the Criteria in 2002, and has since used the principles to guide development practices, leading to the 2005 approval of Timber Court Condominiums, a mixed-income development.

EACH COMMUNITY'S NEEDS AND GOALS MAY DIFFER, BUT PROVIDING A HEALTHY HOUSING MIX CAN REDUCE COMMUTE TIME FOR RESIDENTS, INCREASE MUNICIPAL TAX REVENUES, COMPLEMENT AND ENHANCE NEIGHBORHOOD CHARACTER, PROVIDE FOR CULTURAL AND INCOME DIVERSITY, ALLOW YOUNG RESIDENTS TO START FAMILIES, GIVE OLDER RESIDENTS A PLACE TO AGE, AND IMPROVE OVERALL QUALITY OF LIFE.

THROUGHOUT THIS WORKBOOK, THERE ARE REAL EXAMPLES FROM ILLINOIS COMMUNITIES SO THAT OTHERS CAN LEARN FROM SUCCESSES. THE APPENDIX PROVIDES DETAILS ON HOUSING PROGRAMS, WEB SITES, HOUSING DATA SOURCES, AND ORGANIZATIONS TO HELP A COMMUNITY GET STARTED.

The housing needs in the Chicago metropolitan area range from preservation and upgrade of existing housing, new construction of affordable and market-rate homes, better linkages between available housing and the local workforce, and stabilizing families and properties so that existing homes do not fall into disrepair. Because these needs are so diverse, the Metropolitan Planning Council, Metropolitan Mayors Caucus, Chicago Metropolitan Agency for Planning, and Illinois Housing Council worked together to produce this how-to guide for local elected and appointed officials, citizen leaders, and the development community to help:

- Assess a community's true demand for all housing types and price ranges, and determine a course of action to realize a community's potential
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- Identify private and public sector resources to promote their housing goals
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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.

This workbook builds on *Planning 1-2-3* by providing practical tools for communities and their future residential development. This chapter examines how a community can develop its housing goals and a plan of action to meet those goals. The housing element of a comprehensive plan provides the vision for residential development in a community, and is the ideal starting point for crafting a housing plan. Such a plan outlines specific strategies and policies that will be undertaken to realize a community's housing vision. The danger of devising a stand-alone housing plan, independent of the comprehensive plan, is that the resulting goals and actions might not relate to other aspects of the community's development.

CHAPTER 1

Plans, Goals, and the Market

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.

Photo: Josh Hawkins

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

Photo: Ellen Schubart

Comprehensive planning, seen here at a *Planning 1-2-3* workshop, integrates housing, land use, transportation, economic development, and natural resources to develop a course of action for sustainable community development.

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)*

Photo: Josh Hawkins

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.

Photo: Josh Hawkins

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.

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.

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.

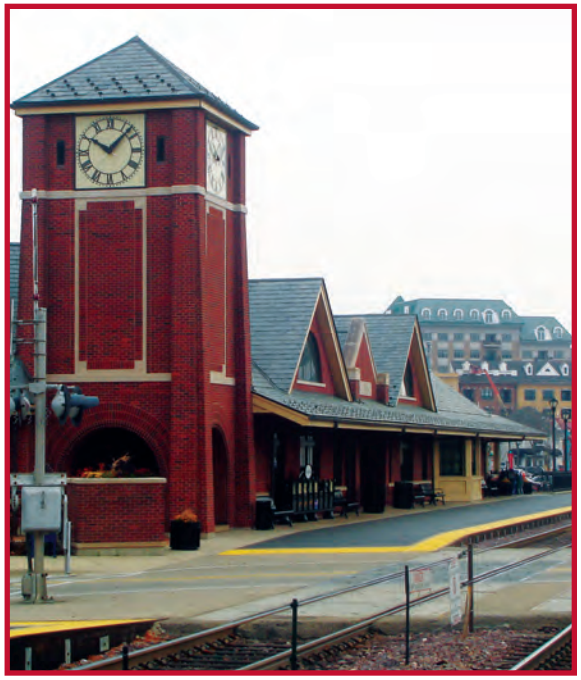
In addition, the plan should include recommendations for specific tools and programs that could be used to further the community's goals. Throughout this workbook are examples of plans and tools that have worked effectively in communities across the northeastern Illinois region.

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.



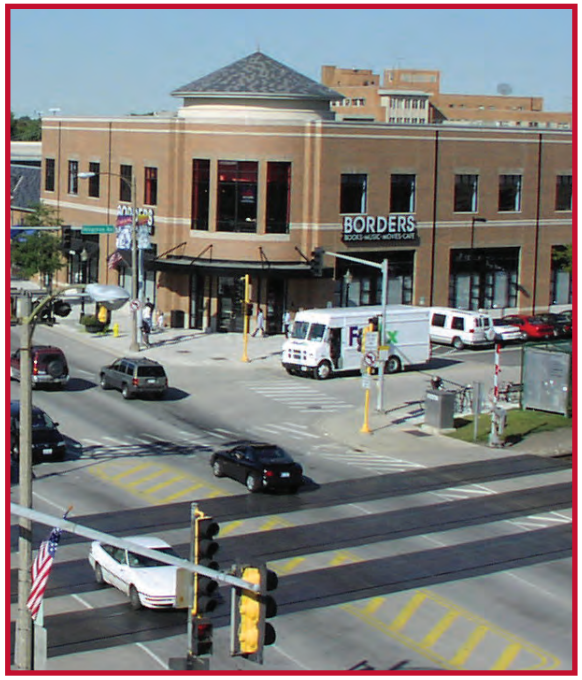


Photo: Village of LaGrange Economic Development Dept.

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.

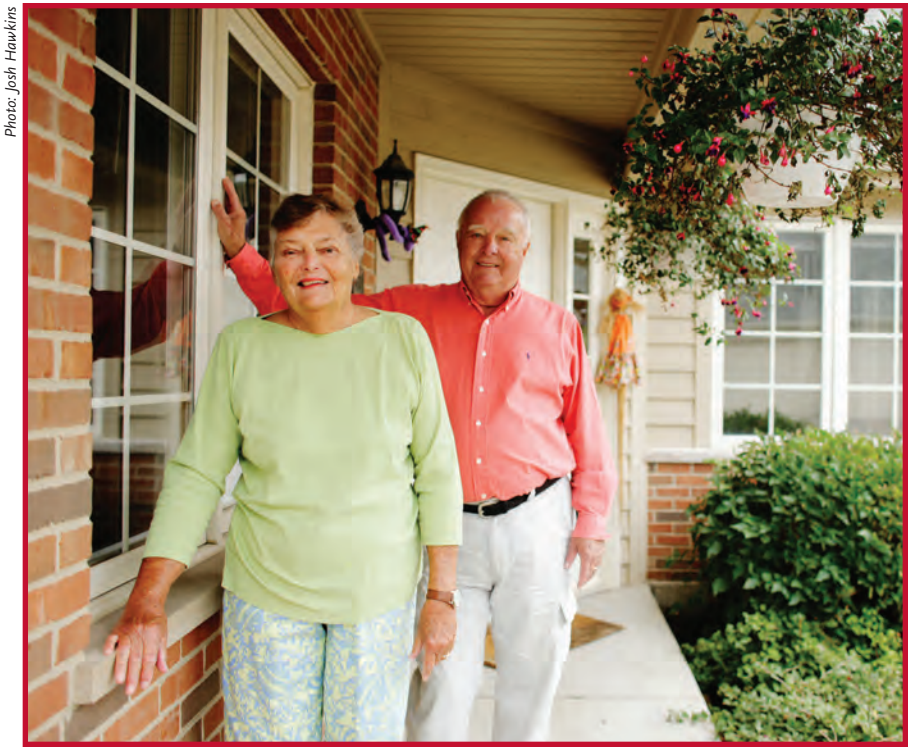
To meet the needs of their community, officials should use findings from the market assessment and ask:

- 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.

Photo: Josh Hawkins



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 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.

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.

Photo: Shaan K. Trotter

Incentives are powerful motivators. Chicago lowers costs by expediting permits for "green" construction.

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.

Photo: Josh Hawkins

Photo: Habitat for Humanity

Photo: Michael Davidson

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

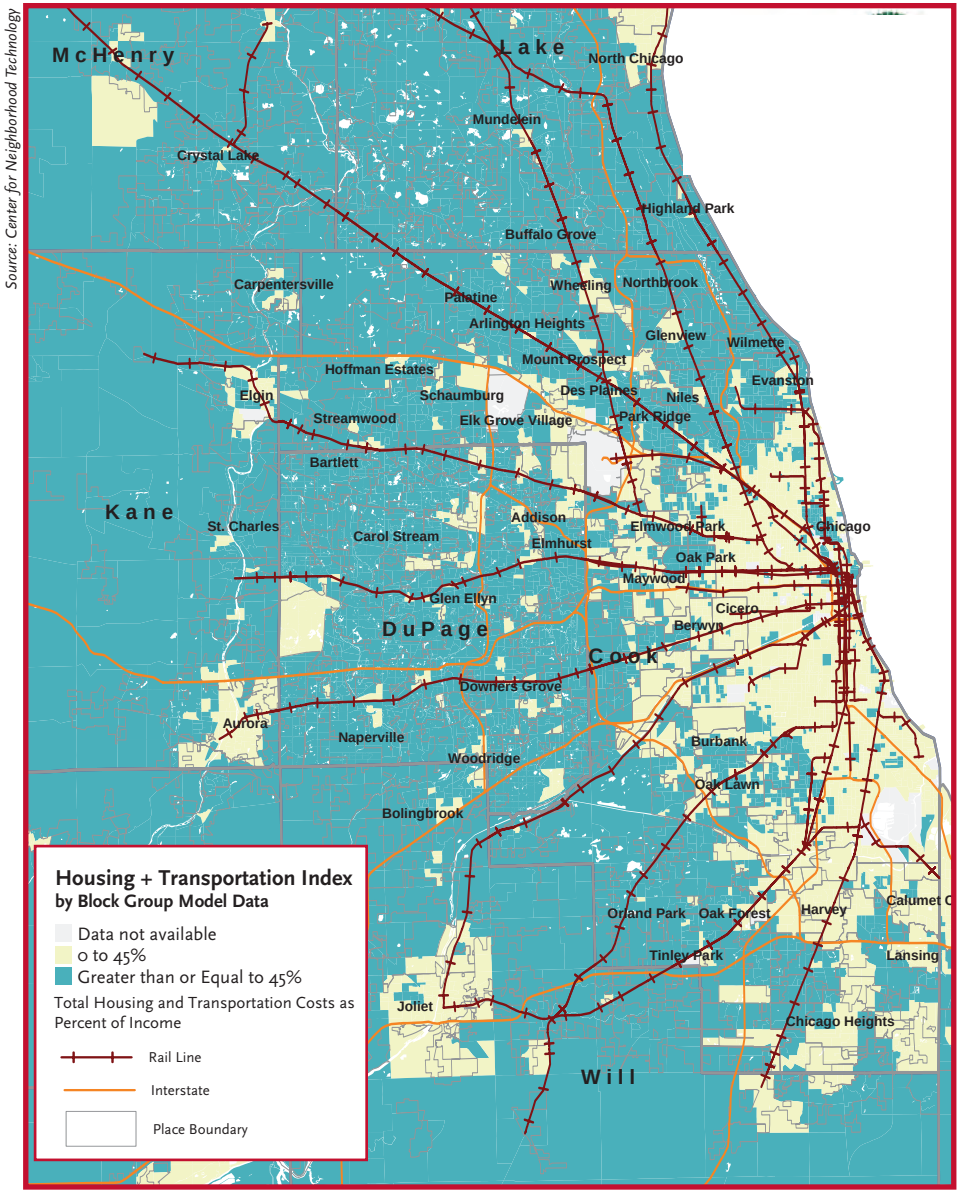
Reduce Housing Costs by Reducing Transportation Expenses

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.

The True Cost of Housing



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

Photo: Michael Davidson

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.

CHAPTER 2

Cooperation and Partnerships

No matter what a community's housing goals – increasing rental supply, rehabilitating older buildings, creating a high-end residential market downtown, or maintaining existing homes – building a diverse housing stock is challenging. Municipal officials find the need to be creative, rethink traditional roles, and seek partners who bring experience, skills and resources many municipalities do not have. Rather than wait for developers to come to them, local officials can brainstorm development concepts (or at least outline some goals), and take those ideas to developers. They can involve area employers to lower existing housing costs. They also can find ways for market-rate and affordable housing developers to share responsibilities in new developments.

Communities can become partners in the development by facilitating needed zoning changes or taking other actions within their purview. Ambitious goals require ambitious action, and that is much easier with the right partners.

WHAT TO GAIN FROM THIS CHAPTER

1. **Understand how cooperation and partnerships between the players in residential development can make ambitious goals easier to achieve.**
2. **Learn the roles, both traditional and creative, participants in housing development can play, and how to maximize cooperation.**

Building even one home is harder to do alone than with the right partners. This chapter demonstrates who the right partners are and how to find them.

Photo: Lydia Shalanko

This chapter outlines the roles various players in residential development can play, and presents examples of successful cooperation and collaboration. Rehabilitating or constructing affordable housing usually requires a joint effort (and often a formal partnership) among multiple entities. Even market-rate housing priced above a community's norm can be difficult to build without some form of collaboration. Participants can include: municipal, county, state, and federal governments; for-profit and nonprofit residential developers; nonprofit organizations; private and quasi-private financial institutions; and employers.

Players in Residential Development

Each partner is likely to approach housing issues from a different perspective, but collaboration is critical to a development's success. Affordable, mixed-income, and mixed-use developments can be more complicated than traditional development involving a single private developer and lender; the more challenging the site and development concept, the more likely some type of partnership will be required. Understanding the objectives and motivation of each party is critical in building trust and workable relationships.

To be successful, collaborations must incorporate the following at the onset of any development project:

- Consensus-based, realistic development goals and priorities of each party.
- Clearly defined roles, responsibilities, finances, and risk for each party.
- Staff with the relevant experience and time to undertake a development of the scale and type given their other commitments.
- Clear, agreed-upon timelines for each party for each step of the process.
- Legal remedies if problems arise.

THE PARTNERSHIP AGREEMENT, MEMORANDUM OF UNDERSTANDING, AND LETTER OF INTENT

Legal documents describe the parameters of bilateral or multilateral partnerships.

The basic components of these documents include a description of the parties, roles and responsibilities, capital or other contributions, means of sharing benefit and risk, and partnership dissolution procedures.

Each development and each partnership arrangement will require a uniquely tailored document. However, a template is available on the MPC web site, www.metroplanning.org, search *Sample Joint Venture Operating Agreement Form*.

IMPORTANT TIP

Check a Developer's References

IHDA, Community Investment Corporation, Metropolitan Planning Council, Illinois Housing Council, and other municipalities can offer names of developers, as well as information on projects they have completed successfully. Municipal officials should check references to ensure the developer has the expertise and financial capacity to complete a given development.

The Value of Partnership

Partnerships make sense when there is efficiency to be gained through cooperation.

Generally speaking, partnerships are advisable for a community when it has something to contribute to a deal (land, financial incentives, zoning, etc.), but lacks the capacity, funding, or particular expertise the development demands.

Developers, particularly those specializing in affordable homes, and nonprofit groups have expertise in property management, know the ins and outs of government programs and incentives, or have experience serving different segments of the population.

As you consider whether your community should form a partnership on any given development, be sure to ask yourself the following questions:

- What does my community stand to gain from entering this partnership? What do we stand to lose?
- What are the risks and opportunities for potential partners? Are these balanced, or is one partner clearly at an advantage or disadvantage?
- What can my community add to the deal? Is there anything we would prefer not to contribute?
- What can the other partners bring? Could a different partner do more?
- Are the goals of the partnership clear? Roles and responsibilities? Timeline?
- Is the partnership necessary to make the deal work? If not, how could a partnership benefit everyone involved?

Photo: Josh Hawkins

Photo: Habitat for Humanity

Partnerships can help with small-scale developments, such as Habitat for Humanity's Block Build in Elgin (right), and large-scale efforts like the Chicago Housing Authority's bold Plan for Transformation (left).

The Municipality

The municipality should document its goals in a comprehensive, neighborhood, or housing plan (as described in Chapter 1).

It can place controls and restrictions on the development relative to the aesthetics, scale and type of development, as well as its effect on the surrounding neighborhood. More direct municipal participation in the development or redevelopment process should be considered if the development is advancing municipal housing goals and strategies, such as:

- Improving a blighted neighborhood or block.
- Funding a catalyst development that can spur further redevelopment.
- Taking direct action to meet an identified housing need.
- Enhancing the municipal tax base.
- Increasing housing opportunities for targeted income groups where supply does not meet demand.

Municipalities can participate by using the tools outlined below (and described in detail in Chapters 3, 4 and 5).

- Set community goals for a site through planning, visioning and zoning. Municipal regulations that can enhance affordability include minimum lot sizes, accessory or granny flats, parking requirements, or density bonuses. The community should identify its site-specific preferences for density, height, setbacks, lot sizes, permitted uses, parking, etc.
- Guide, shape and support public participation through education campaigns, community meetings, newsletters, and local media.
- Streamline and expedite the approval process for desired housing to reduce development costs.
- Reduce acquisition, construction, financing, and operating costs through financial assistance such as tax increment financing (TIF), tax abatement, tax exempt bonds, or housing trust funds.
- Assist homebuyers, homeowners and renters by offering homebuyer assistance and counseling, foreclosure prevention, rehabilitation loans or grants, property tax relief, or rental assistance.

Photos: Josh Hawkins

A municipality can target infill sites (above) for housing developments that meet community goals. The New Homes for Chicago program (left) is such an effort, targeting residential development in communities in need of reinvestment.

- Acquire and assemble land through sale or donation of sites to developers. Donated or discounted land contributes to lower development costs, and results in less expensive housing. By offering the land for free or at a discounted price, the municipality will have additional leverage to increase the number of affordable homes in the final development (and could earn a tax credit through the Illinois Affordable Housing Tax Credit Program).
- Identify qualified for-profit developers for municipally owned land, nonprofit partners, and lenders for the specific type of housing by issuing Requests for Proposals (RFPs) and Requests for Qualifications (RFQs). (See Appendix E for more details on writing an RFP and RFQ.)
- Ensure long-term affordability through direct subsidies to the developer or resident, deed restrictions, or land trusts.
- Offer assistance in selecting qualified residents.
- Support the developer's effort to secure financing from public and private sources. Municipal officials can submit letters of support to such agencies as the Illinois Housing Development Authority (IHDA), Federal Home Loan Bank, and private lending institutions to show its commitment to the success of an affordable development.
- Mobilize local employers to offer employer-assisted housing (EAH). Described in greater detail toward the end of this chapter, municipalities in the Chicago region and across the country have found EAH is a cost-effective, mutually beneficial program that allows employers to invest in their personnel, communities and themselves by helping qualifying employees purchase homes close to work. Municipalities can be proactive in marketing EAH, offering EAH to their own employees, and using it as a reinvestment tool by directing benefits to specific neighborhoods.
- Ensure local stakeholders are aware of state, county and other incentives and resources to support municipal efforts.

How does a municipality decide which approach to take? First, a municipality should determine if the development is worthwhile by answering the following questions.

Land and site control:

- Who owns or controls it?
- What is on the land now?
- Are there problems or issues with the site (e.g., contaminants to remove, poor management)?
- Is the land for sale? If so, is the price realistic, based on other sales in the area?
- Is this a critical site in furthering municipal goals?
- Are there other sites to consider for the intended use?
- Will current tenants need relocation assistance?

Developer:

- Has a developer been identified? If not, which developers can be contacted for a given development?
- Does the developer have successful experience with this type of development in your community or others?
- Has the developer demonstrated there is a market for this type of development at this location? (The market study should verify the developer's assessment.)

Municipal plans and participation:

- Is the proposed housing consistent with the municipality's vision and plans?
- Is the site zoned for this type of housing, or is rezoning or a variance required?
- Is the developer asking for public financial assistance? Is the site in a TIF district, enterprise zone, Special Service Area, other special taxing district, or Community Development Block Grant (CDBG) targeted area that may offer financing incentives to a developer?
- If financial incentives are being requested, are they critical for the development, and can they be used to gain public benefits and meet community goals?
- Is the developer applying for tax credits through IHDA or the City of Chicago?

ADDITIONAL RESOURCES

In 2006, the Metropolitan Mayors Caucus, Metropolitan Planning Council, and Chicago Metropolis 2020 produced *Home Grown: Local Housing Strategies in Action*, which describes more than 30 examples of best practices of housing developments, policies and programs from around the Chicago region. The examples featured in *Home Grown* (and its subsequent updates) illustrate how communities across the region are successfully undertaking affordable housing initiatives.

To access Home Grown on the web, go to www.metroplanning.org/homegrown.

A REGIONAL APPROACH: COOPERATION BETWEEN COMMUNITIES

Sometimes a community-specific housing solution is not enough. Instead, a larger-scale regional approach is more appropriate. In the Chicago region, momentum is building among local policy-makers to collaborate across municipal boundaries on planning, policy-setting, and even building needed housing.

As of this book's writing, mayors in five communities along the north shore of Lake Michigan – Deerfield, Highland Park, Highwood, Lake Forest, and Northbrook – have met to discuss interjurisdictional solutions to shared housing concerns. As of 2008, those towns have 60,000 workers earning less than $50,000 per year and fewer than 5,000 housing options they can afford. To meet the projected demand, 650 new homes (for rent or sale) will be needed every year for the next 20 to 25 years.

Highland Park Mayor Michael Belsky is among those spearheading this approach. "I think we all see the value in creating efficiencies through joint housing programs and 'points of entry' for the development community," Mayor Belsky said. "Coordination requires time to cultivate and a high level of trust. Starting with employer outreach around employer-assisted housing seemed like a logical first step." In addition to EAH, the communities have discussed a shared housing trust fund selected by each community that could be tapped for an affordable development in any of the towns. By working together, these communities are seeking regional, cooperative solutions to challenges they all face.

For more information about interjurisdictional housing solutions, contact Robin Snyderman, Vice President of Community Development, Metropolitan Planning Council, at 312-863-6007, or rsnyderman@metroplanning.org.

CASE STUDY
Purchasing a property for redevelopment

A municipality may choose to purchase a property to enhance the surrounding area and serve a housing need. The municipality can retain ownership following rehabilitation, or it can sell the property, often at below-market prices, to give the community leverage when requesting the developer include an affordability component.

South suburban Alsip and Hickory Hills have both purchased and renovated apartment complexes that were built in the 1960s as senior housing. Alsip Heritage I and II have a total of 512 one and two-bedroom apartments. Hickory Hills' Parkview Apartments, with 72 apartments, is across the street from an attractive park and adjacent to the town's senior center.

While not subject to income guidelines because neither development used state or federal funds, the rents are affordable to households earning less than $35,000 annually. The properties are open to anyone over 55 years of age, without any income or residency restrictions. The buildings are owned and managed by the municipalities and stay well occupied.

The following case studies illustrate ways communities can be involved in the development process:

- Purchasing and redeveloping existing buildings.
- Serving as a catalyst and facilitator.
- Providing and securing funding.
- Direct development.

Photo: Josh Hawkins

By purchasing and renovating these buildings, Alsip was able to improve a neighborhood and preserve affordable options for its residents. Ownership gave it leverage it might not have had otherwise.

CASE STUDY
Development as a catalyst

When a community recognizes a problem with a particular property, in addition to conventional strategies such as code enforcement, it can bring together the property owner, lenders, and possibly a new owner to address the issue or particular housing need. In other situations, a municipality might proactively offer regulatory relief on different types of development, or offer some form of incentives in exchange for affordability and amenities. Increasingly, communities are reaching out to employers to use employer-assisted housing as a tool in these situations.

The preservation and rehabilitation of Whistler Crossing, near Pacesetter, was part of a larger effort by Riverdale to improve its housing stock and reinvigorate a struggling neighborhood.

The Village of Riverdale, in southern Cook County, was very concerned about deteriorating building conditions and criminal activity at Pacesetter, a 1950s-vintage townhome community. Some of the 397 homes were owner-occupied, but many were owned by several different, absentee parties. Village staff engaged the Urban Land Institute-Chicago and Campaign for Sensible Growth to conduct a Technical Assistance Panel (TAP). Following the recommendations of the two-day TAP, Riverdale partnered with Holsten Development Corporation and its nonprofit partner, Turnstone Development Corporation, to acquire and rehabilitate some of the buildings, as well as build new ones. Holsten and Turnstone relocated residents affected by the first phase of rehabilitation, according to the requirements of the Uniform Relocation Act (see Appendix B). Upon completion, the homes in the first phase will be rented to qualified low-income and market-rate households. Subsequent phases will include market-rate, for-sale units.

The Pacesetter redevelopment required a partnership between the village, for-profit and nonprofit developers, and numerous funding sources. Financing included acquisition loans from IHDA and the Chicago Community Loan Fund, a pre-development loan from Fannie Mae, grants from Chase Bank, Richard H. Driehaus Foundation, Ill. Dept. of Commerce and Economic Opportunity, federal funds, and tax credits through IHDA. Employer-assisted housing and the Regional Housing Initiative also support this effort.

On the opposite side of the region, in Arlington Heights, Timber Court is a 108-unit condominium development that will include 21 affordable homes for households earning less than 80 percent of the Area Median Income ($60,300 for a family of four in 2008). The 21 one and two-bedroom condominiums will remain affordable in perpetuity through a deed restriction. The market-rate condominiums will be priced within the low to mid- $200,000 range. The village granted the developer, Tandem Realty, a density bonus of 28 homes plus other zoning variances for building height, lot area and setback minimums, and rezoned some commercial land to residential in return for the affordable homes. The development used no federal, state, or local housing programs and has no direct subsidies. The support of both the village and Northwest Community Hospital, a nearby employer advocating for workforce housing for its employees, was instrumental in crafting a plan for the mixed-income housing. The Village of Arlington Heights manages the tenant selection process for the affordable homes.

CASE STUDY
Community funding

A municipality might use its own funds or apply for grants from state and federal government sources to provide additional financing for a housing development. This reduces the amount of equity a developer must raise, and makes it easier for the developer to obtain financing. Municipalities also can create trust funds to ensure a steady supply of funding for rehabilitation grants, rent assistance, or any number of other strategies.

On a relatively small scale, the City of Evanston, Evanston Housing Coalition, and Evanston Community Development Corporation partnered on an affordable, for-sale duplex development for moderate-income households earning 80 percent of AMI. One of the single-family houses had been a neighborhood nuisance and was in foreclosure. The city provided $83,000 in HOME funds per unit (excluding land) for the two homes. Purchasers can take advantage of the city's first-time homebuyers program, which offers a first mortgage for 80 percent of the purchase price and a soft second mortgage for 20 percent of the value of the property. During the first 25 years, the owner pays principal only on the first mortgage; no payments are due on the second mortgage for five years. The new 1,700 sq. ft. homes were appraised at $310,000, but sold for $185,000. In addition to the upfront subsidy, the new homes' many energy saving features will lower utility costs, especially important in an affordable home. The energy-efficient features include specially engineered lumber that is stronger and more durable than wood, as well as high-efficiency appliances, HVAC systems, and lighting.

Photo: Josh Hawkins

Though small in scale, this Evanston duplex went from nuisance to amenity because of a partnership.

CASE STUDY
Taking a development role

The highest level of municipal involvement in housing is when the governmental entity develops and owns a piece of real estate. This is not very common, as most municipalities are not in the business of residential development and property management. Most prefer to play a supporting role, and have a private entity handle development and management functions. Developing, owning and managing housing of any kind is difficult and requires a great deal of energy and experience. Additionally, the municipality will be responsible should anything go wrong. Nonetheless, there are cases when a community determines it can best meet its goals through direct property development.

A community can choose to take a direct role by purchasing land or developing a building. While this is typically done in large cities – the City of Chicago's partnership with the Chicago Housing Authority, for example – smaller municipalities also can achieve housing goals by being proactive developers or partnering with local housing authorities. The advantage of playing this role is the municipality can set prices, target homes to specific populations, and have control of the property.

New Lenox Township, in Will County, developed and continues to manage a 24-unit building for senior citizens aged 62 and older. While there are no income restrictions, the rents fall within the Chicago metro area affordable level for a single person earning less than $30,000 annually. The $3.6 million building was funded with a revenue bond approved by referendum and state grants. The rents are set so they cover all operating expenses and debt service. The four-year old-building is fully occupied and has a waiting list.

Photo: Josh Hawkins

Direct development of housing is not just for the City of Chicago. These senior apartments were developed by New Lenox Township.

The Developer

Developers, both for-profit and nonprofit, are in the business of building homes and being profitable. Whether the developer focuses on market-rate homes, or is driven by a specific mission to create affordable housing, they want to build developments that provide ongoing cash flow, development management fees, and sometimes "upside potential" – the ability to sell the property for a profit at some point in the future. Communities need to keep the developer's interest in mind when considering a partnership; the market determines whether the homes will sell, and that determines developer interest.

Communities can defray developer costs, but if the community's goals do not accord to market reality, it is unlikely a quality developer will be interested. It is important to remember nonprofit developers also look for profitability (although any financial gains must be reinvested or passed on to charitable benefit, rather than distributed to shareholders or investors.)

In an unsubsidized apartment building, rent should cover operating expenses and debt service for the property. However, in many locations, where these costs are high, affordable rents cannot cover enough, and either rents go up or the building is never built. Because of this gap, developers need to work with non-traditional financial partners to create economically viable developments that are affordable, through operating or capital subsidies, or other strategies.

Some developers specialize in building affordable homes. They have found a niche in the market that allows them to profit financially while meeting community affordability goals. They have expertise in navigating the maze of federal, state and local programs typically necessary to make their developments feasible. As each program has its own regulations, financing these developments is time-consuming and complicated.

When a municipality has an inclusionary zoning policy, even market-rate developments include a portion of the homes as affordable. As long as the entire development remains profitable, market-rate developers will take on the affordable homes as a cost of doing business in a community. Sometimes a market-rate developer will partner with an affordable developer (for-profit or nonprofit) to handle the affordable component.

When assessing a potential deal, any private developer is looking for:

- Readily developable land that is zoned or can be rezoned for the desired type of housing.
- A supportive, responsive municipality.
- Transparent development guidelines.
- Efficient approval and permitting processes.
- Funding sources.
- Ongoing management of rental properties.
- Profitability.

For developers, time truly is money. Once a parcel is identified, a developer will secure it, usually with an option to buy pending zoning approval. The developer wants to minimize the time it takes to get approval to prevent higher carrying costs, such as property taxes and interest on loans. Therefore, a predictable and streamlined approval process is extremely important for affordable developments. Concurrent with the municipal approval process, the developer is seeking financing from a variety of sources, and will ask the municipality to provide letters of support for state and federal tax credit applications, and other opportunities.

If a community wants affordable housing included in market-rate developments, it is important to build relationships with affordable housing developers that can build mixed-income developments or partner in a market-rate deal.

The Nonprofit

Nonprofit housing organizations are mission driven. They are motivated by goals to address some social need, pursuit, or ideal, or aid a specific geographic area or population group. They are likely to have particular expertise in the neighborhood or development type, as well as better access to specific funding sources that can be valuable to a for-profit developer or owner. Nonprofits bring credibility to a development, which may help in marketing it to the surrounding community or funders. Nonprofits also can help to make the development more competitive for funding sources such as tax credits. Nonprofit developers can be community development corporations, faith-based organizations, or health and social service agencies. A list of active nonprofit housing organizations in the greater Chicago area can be found at www.chicagoareahousing.com.

In assessing a partnership opportunity, a nonprofit organization is generally looking for:

- Developments that will further its mission.
- Financing to further its mission.
- Long-term affordability for the community it serves.
- A municipality and community that support the organization's goals.

IMPORTANT TIP

Partnerships Can Create Public Funding Opportunities

Although certain housing programs and financial tools are available only to nonprofits, a for-profit developer likely has greater access to private financing and in-house management expertise. Public funding sources such as IHDA often give priority to joint ventures between for-profit and nonprofit organizations.

CASE STUDY
For-profit and nonprofit developer collaboration

The Highland Park Illinois Community Land Trust, a local nonprofit, partnered with for-profit developer Brinshore Development and nonprofit developer Housing Opportunity Development Corporation (HODC), to develop Hyacinth Place. The 14-unit, affordable, "green" townhome development advances Highland Park's affordable housing plan and increases the community's housing supply for low to moderate-income households. After a city-issued Request for Proposals, Highland Park selected Brinshore and HODC because of their extensive experience in developing affordable properties and a productive relationship with the city.

Highland Park donated the land for Hyacinth Place to the local land trust, which will guarantee the homes and apartments' long-term affordability. The Land Trust will own the land and hold a ground lease for the townhomes sold to qualified purchasers. By removing the cost of the land from the purchase equation, the Land Trust ensures Hyacinth Place will remain affordable. The target market is residents and individuals who work in the community, particularly local government employees. Anticipating a LEED Certification, Hyacinth Place's environmentally friendly design features are expected to reduce energy consumption and utility expenses for its renters and buyers.

In the Roseland neighborhood, on the far south side of Chicago, for-profit Pathway Senior Living and nonprofit Neighborhood Housing Services-Chicago (NHS) built Victory Centre, a supportive living facility for low-income seniors. They also are partnering on an adjacent independent living facility. The site, which had been vacant for many years, will provide housing for grandparents raising their grandchildren, and the City of Chicago will operate a satellite senior center in the independent living building. Each partner brought its own strengths to the development. NHS has a long history of housing construction and rehabilitation in the Roseland neighborhood, including senior buildings, single-family houses, and homeowner counseling and assistance. Pathway Senior Living has developed numerous affordable senior buildings throughout the Chicago metro area, and has a track record of strong property management and successfully earning tax credits from IHDA.

Photo: Josh Hawkins

Victory Centre is the result of a successful partnership between a for-profit and a nonprofit.

The Financial Institution

Financial institutions are in the business of making loans and generating profit from the interest paid by borrowers. Under the federal Community Reinvestment Act (CRA), banks with at least $250 million in assets are required to invest in local communities, which has become a prime incentive for them to become involved with affordable housing developments. Typical activities include low-interest loans for developers of affordable housing, funding support for nonprofit organizations, and below-market-rate loans for income-qualified homebuyers.

Photo: John Booz and ULI Chicago

Dolton's cooperation with a nonprofit financial institution, Community Investment Corporation, led to preservation of affordable options at Dorchester Towers.

Financial institutions are looking for:

- Entities that have a successful track record in developing the proposed product.
- Realistic financial, construction, marketing, and management plans.
- Evidence of other public or private financing layers the development needs.
- Community support for preservation or creation of new housing.

A community with a specific housing goal – such as rehabilitating a troubled apartment complex – can partner with a financial institution to channel investment capital to qualified borrowers who will make the necessary improvements. As long as the development is profitable for borrower and lender, this can be an effective means of mobilizing the private market for public benefit.

Community Investment Corporation (CIC) is a nonprofit lender that works with small-scale rental housing providers. The Village of Dolton, in southern Cook County, asked CIC to assist in rehabilitating Dorchester Towers, a 51-unit apartment building. CIC acted as an intermediary, identifying a qualified buyer with experience in the rehabilitation of older buildings and providing attractive financing. The new owner made major system upgrades, interior repairs, and added new landscaping to improve the building. Dorchester Towers also received a substantial decrease in its real estate taxes through the Cook County Assessor's Class 9 assessment classification. Now a mixed-income development, one-third of the apartments must be rented to low and moderate-income households.

The Employer

Forward-thinking employers recognize that attracting and retaining quality employees is critical to business success. In locations with high housing costs, it is often extremely difficult for employees to buy or rent homes that are close to their jobs. The additional transportation costs and higher turnover associated with long commutes make it increasingly important for employers to look for creative ways to address this problem. In areas with depressed markets, employers can help spur reinvestment.

Employer-assisted-housing (EAH) rograms provide an incentive for employees to live closer to work, thereby reducing commuting time and costs. This type of program has been helpful in attracting employees to positions that are difficult to fill, increasing investment, and improving the community, as well as making it possible for workers to live in high-cost locations. In Illinois, an employer can deduct 50 percent of the cost of the employer-assisted housing program from its state tax liability with a tax credit from IHDA, and employers with no income tax liability can transfer or sell this credit. Income-eligible EAH employees also are eligible for state funds to match their employers' assistance.

There are several types of EAH programs that can be tailored to the specific needs of individual companies and their employees, including:

- Education and counseling about homebuying and financing.
- Direct financial help with down payments, closing costs, mortgage payments, rental assistance, and individual development accounts.
- Direct real estate investment.

Municipalities can offer EAH to their own employees as a way to stabilize staff and invest in long-term community growth. They also can market EAH to employers as a recruitment and retention tool. EAH has proven to be cost-effective, and is particularly attractive to place-based employers with an established community presence such as schools and hospitals. Successful EAH programs have been established by municipalities such as Evanston, St. Charles, Northlake, and South Holland; schools and universities including Loyola University and the University of Chicago; hospitals such as St. James Hospital and Rush University Medical Center; and large employers such as Chicago Public Schools, Harris Bank, Chase Bank, and System Sensor in St. Charles. Charter One, in addition to its own program, also offers financial support to small businesses for their own EAH programs.

Because many employers are not equipped to take on housing-related program responsibilities, the Metropolitan Planning Council worked with the Illinois Housing Development Authority (IHDA), Housing Action Illinois and dozens of counseling agencies to form the Regional Employer-Assisted Collaboration for Housing (REACH Illinois) to administer employee assistance initiatives on behalf of employers. (See sidebar on the following page.) Most EAH programs target households earning no more than 120 percent of the AMI ($90,480 for a four-person household in the Chicago area in 2008).

CASE STUDY
Employer-assisted housing and REACH Illinois

EAH programs are designed for employers to help their workers buy or rent homes close to work, using state tax credits and state matching funds to promote and supplement employer investment. EAH reduces long commute times and inherent job stress, improves worker productivity and quality of life, and strengthens the overall community.

In Illinois, the Metropolitan Planning Council (MPC), IHDA, and Housing Action Illinois created a coalition of nonprofit counseling partners – Regional Employer-Assisted Collaboration for Housing (REACH Illinois) – to serve the needs of businesses and other entities offering EAH programs. REACH provides employees with credit counseling, home purchase assistance, and access to supportive financing products.

Since 2000, more than 70 companies have worked with MPC and REACH Illinois to establish EAH programs, from hospitals and universities, to school districts and municipalities. All of them have benefited from reduced turnover, tardiness and absenteeism.

Chicago-area employers offering EAH include such diverse entities as Allstate, Mercy Hospital, and The John Buck Company.

For more information go to www.reachillinois.org.

Photo: Josh Hawkins

Rifat Hasina is one of many Chicago-area employees to benefit from her company's Employer-Assisted Housing program. EAH is a unique partnership between the private and public sectors.

Employers receive a state tax credit from IHDA, provided employees earn less than 120% AMI and purchase a home within 15 miles of the workplace. Most participating employers in the Chicago region limit the geographic boundary guidelines of their programs to promote walking, biking, and taking public transit to work. Loyola University, for example, requires participating employees to live within walking distance of the Chicago Transit Authority Red Line. Some other creative approaches to the guidelines are:

- Providing assistance to workers who purchase a home within one mile of public transit options, or a specific bus or train route, and use it to commute.
- Embracing the communities surrounding the workplace within a certain radius, or communities in which the employer does business.
- Connecting downpayment assistance to particular new and rehabbed housing developments near the workplace.

CASE STUDY
Partnerships can make solutions easier

Complex problems often require complex solutions, and a partnership between multiple entities across sectors can make solving problems easier and more effective.

Lawndale Restoration, on the west side of Chicago, consisted of 100 project-based Section 8 buildings, with more than 1,100 apartments in poor condition (and more than 1,800 code violations). This was the most troubled portfolio of properties financed by the U.S. Dept. of Housing and Urban Development (HUD) in Chicago, and the second largest foreclosure in HUD's history, when the owner fell behind on a $51 million mortgage. Under a complex plan, HUD turned the buildings over to the Chicago Dept. of Housing for $1 each. The city, in turn, worked with the Community Investment Corporation (CIC), which is funded by financial institutions investing to meet their Community Reinvestment Act requirements. CIC turned the properties over to 23 different developers to rehabilitate the buildings. The City of Chicago provided financing to the new owners, and several rehabs are now underway.

Photo: Valerie Kretchmer

Partnership across sectors may have been the only way to save Lawndale Restoration. HUD, the City of Chicago, CIC, and 23 developers were involved. What had the makings of tragedy will now be remembered as cooperative community reinvestment.

What's Next?

As this chapter illustrates, there are many types of partnerships among developers, nonprofit organizations, municipalities, lenders, and employers. Each community and deal will be different, but every successful development, particularly for affordable and mixed-income housing, needs collaboration to make it work. The following chapters on new construction, preservation, and building community support provide additional details on how successful developments are done.

CHAPTER 3

New Construction

Construction of new homes that contribute to a diverse housing mix is often where a municipality has the most flexibility in terms of how it achieves its goals. Through zoning, design guidelines, financial assistance, or other means, a community can work independently or in partnership with another entity to build the most suitable kinds of homes. This chapter will examine different tools and resources at a municipality's disposal, as well as highlight other communities that have used these means effectively.

Photo: Rich Whitehead

New construction is often where a municipality has the most leverage in a development deal. Offering density bonuses, discounted land, or other incentives can result in new homes that meet community goals.

WHAT TO GAIN FROM THIS CHAPTER

1. **Understand that communities have a variety of tools they can use to pursue their new construction goals:**
   - **Zoning and entitlements;**
   - **Density bonuses;**
   - **Aesthetics and amenities;**
   - **"Green" technology and energy-efficiency; and**
   - **Parking.**
2. **Learn about financing and operating affordable housing developments.**
3. **Get a snapshot of the most commonly used affordable housing programs.**

Municipal Leverage in New Construction

A developer knows before anything can be built, there must be a market for the development (as explained in detail in Chapter 1), and it must be zoned or rezoned for the proposed use. Although the developer's expertise and financial resources are crucial to bringing a new building from concept to reality, municipalities have a great deal of control and leverage. This section describes some of the ways a municipality can achieve its goals.

IMPORTANT TIP

Housing Commissions Provide Insight and Leadership

A municipality's housing commission (or committee) provides frontline leadership on and attention to housing issues. A housing commission can:

- *Refine the housing element of a comprehensive plan.*
- *Implement the action steps of the plan.*
- *Guide a community's housing investments.*

Typically made up of a cross-section of local volunteer experts and advocates, a focused housing commission keeps the community responsive to local, regional and national trends.

Photo: Scott Goldstein

Photo: Heather Gleason

Municipal leverage is greatest with new construction. Policies such as St. Charles' inclusionary zoning ordinance channel market forces toward community goals with minimal financial outlay from the municipality.

Zoning and Entitlements

Most municipalities carefully review a development's consistency with housing plans before reviewing the particulars of building height, setbacks, floor area ratios, parking, traffic, and infrastructure. Communities have many tools at their disposal to influence the type and size of developments and ensure they include mixed-income or affordable housing. For example, zoning overlay districts can be used to encourage certain types of development in specific locations. Broader inclusionary zoning ordinances can be used to require that new development of market-rate homes within a community be matched by construction of a set amount of affordable homes, or payment into some sort of trust in lieu of actual construction. Overlay districts and inclusionary zoning are proactive measures that are not necessarily related to a specific development proposal.

The rezoning (if needed) and entitlement process, the end result of which is a legally binding definition of exactly what a developer is allowed to build at a given location, can be complex and expensive. The more a proposed use varies from what is permitted as-of-right, the longer the process is likely to take and the more conditions the municipality may place on the development. Many municipalities treat developments over a certain size as planned unit developments (PUD), to give them more control over what is actually constructed. Sometimes a municipality will offer a density bonus to a developer, allowing more market-rate units to be built in exchange for the inclusion of some affordable homes.

CHICAGO'S AFFORDABLE REQUIREMENTS ORDINANCE AND PLANNED UNIT DEVELOPMENTS

The City of Chicago adopted an Affordable Requirements Ordinance (ARO) in 2003, which set minimum requirements for affordable housing in residential developments that receive financial assistance or discounted land from the city. This ordinance ensures that in designated residential developments, 10 percent of the homes are affordable to tenants with incomes at or below 60 percent of AMI ($45,240 for a family of four in 2008). It also allows for developers to fulfill the code by paying a $100,000 in-lieu-of fee per each required affordable home. The ARO was amended in 2007 to include non-discounted city land, any zoning changes that increase the density of a project, and PUDs.

There are locations within most communities where a PUD is best for both the municipality and developer. These include situations where public benefits can be gained through amending fixed requirements of the zoning ordinance, as in the case of infill sites, transit-oriented development locations, downtowns, brownfields, obsolete industrial and commercial buildings, and adaptive or historic reuse. Public amenities such as parks, plazas, community centers, road improvements, and public parking can be incorporated as part of the PUD negotiations, with costs borne in whole or part by the developer. The inclusion of affordable housing is also becoming an accepted element in the PUD entitlement process, as a way to meet local and state housing goals.

CASE STUDY
Developing a healthy mix

As stressed throughout this book, affordable housing does not always require subsidies, and creativity can play a key role.

HomeTown Aurora, developed by Bigelow Homes, is a 1,288-unit development with prices ranging from $150,000 to $300,000. Approximately half of the homes are priced affordably for families earning below 80 percent AMI ($60,300 for a family of four in 2008). The developer did not receive subsidies for this project, but was able to create affordability through a variety of housing types and sizes (50% two bedroom, 40% three bedroom, and 10% four bedroom) and compact, energy-efficient design, namely narrow streets and smaller lots. The smaller than usual suburban lots are offset by 273 acres of open space. Because HomeTown Aurora did not fit neatly into traditional zoning codes, the entitlement process took much longer than it would have for a more conventional subdivision. Early concerns over density and too many school children were never realized; HomeTown Aurora actually generates a $1.2 million surplus for the local school districts.

HomeTown Aurora, Aurora, Ill.

The tools discussed in this chapter are useful whether affordability is the goal or not. Several south suburban municipalities are actively trying to encourage different housing types and price points than currently exist, which often means building homes with higher values than elsewhere in the community.

Park Forest, for example, facilitated the development of small lot, single-family detached homes in its downtown in an attempt to diversify the housing stock and bring more activity to that area. Park Forest engaged Bigelow Homes, which is selling two and three-bedroom homes in the neo-traditional Legacy Square development for $175,000 to $200,000. These prices are higher than those for many older homes and co-ops in the village.

Legacy Square, Park Forest, Ill.

In Blue Island, a new riverfront community called Fay's Point will include for-sale townhouses and condominiums, affordable senior apartments, and boat slips – housing types and amenities not currently found in the city. Designed in the New Urbanist style, the property is located where the Cal-Sag Channel and Little Calumet River split. The townhouses range in price from the high $200,000s to the low $500,000s, while the one, two and three-bedroom condominiums are selling for $190,000 to $363,000. These prices are considerably higher than the prices for existing single-family homes in Blue Island. The development is located in the city's enterprise zone, and the senior apartments will be financed with federal Low Income Housing Tax Credits.

Fays Point, Blue Island, Ill.

Photo: Josh Hawkins

Density

Density invokes strong feelings in many communities. Opponents of mid and high-rise buildings or smaller lot single-family developments often associate density with inferior or ugly buildings, congestion, strangers, and lower property values. This has more to do with site planning, building design, street layout, landscaping, and use of open space than it does with the actual number of dwelling units per acre.

In fact, density often results in more open space and less traffic and parking congestion, particularly in areas close to transit, shopping, entertainment, and employment, such as suburban downtowns, neighborhood business districts, and major employment centers. Congestion declines as more people leave their cars at home and walk or ride transit to reach these destinations. Properly designed, a taller but less bulky building can provide more open space than a shorter one with the same total number of homes on the same site.

While most people are in favor of providing affordable homes, many do not recognize the relationship between the number of homes per acre and price of a finished house, condominium, or apartment. Land prices typically reflect current zoning or anticipated zoning changes. Entitled land typically accounts for up to 20 percent of the cost of a finished home. In areas where land prices are high, either housing prices or the number of allowable homes must increase to maintain the viability of the development.

Photos: Lincoln Institute of Land Policy

Density has many benefits, and many different configurations. The 'big house' design (bottom) fits into a single-family neighborhood, but actually contains several apartments. This Chicago neighborhood (top), featured in the Lincoln Institute of Land Policy photo-essay *Visualizing Density*, has a mix of housing types and range of prices, reflecting a diverse market.

IMPORTANT TIP

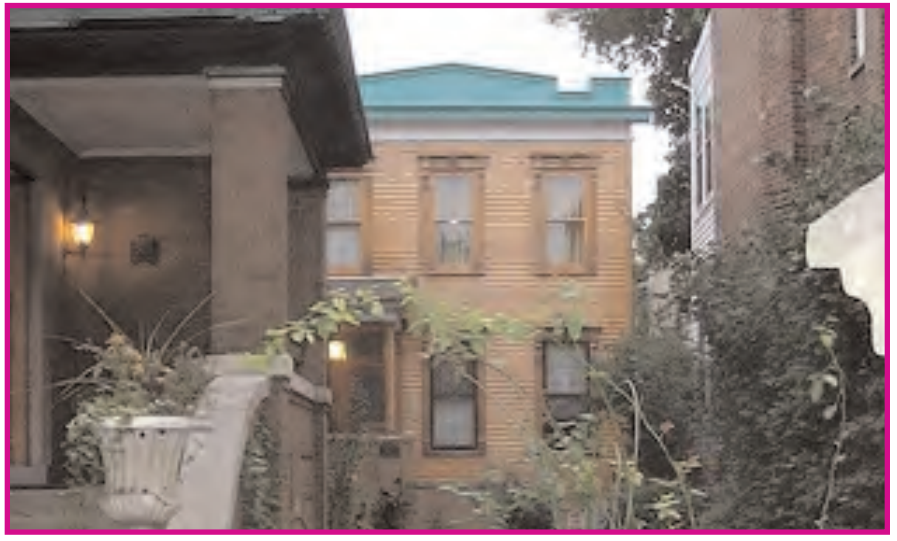
Zoning Can Produce a Diverse Housing Stock

Municipalities, through their zoning authority, have a variety of means to expand their range of housing options. Many of the options below do not require municipal funds, but instead can spur the private market to build a wider range of housing types at a wider range of price points.

- *Allowing accessory dwelling units, such as coach houses or "granny flats" above garages, in a single-family zoned area.*
- *Improving or expanding the locations and allowance for multifamily residential zoning districts.*
- *Allowing for mixed residential and commercial uses in downtowns, commercial centers, and commercial corridors, with housing interspersed among or above commercial uses.*
- *Allowing flexible zoning for requirements in lot size, floor area ratio, parking, or setbacks, which can help developers build more affordable units while reducing the need for additional subsidies.*
- *Changing use designation. If a community has more land zoned for industrial, corporate or retail use than the market demands, such land can be rezoned to include residential options.*

Photo: Josh Hawkins

Highland Park gives density bonuses to developers who build affordable units.



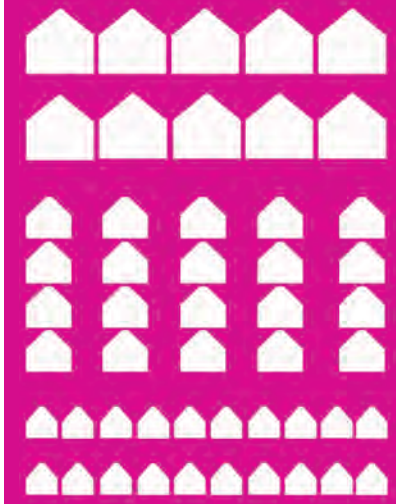
Accessory dwelling units, such as this Chicago coach house, can increase residential density and provide a greater range of housing choices.

As part of a neighborhood planning process on the west side of Evanston, residents were asked about the type of new housing they wanted to see in their neighborhood. Many residents wanted lower density development at "affordable" prices. However, an analysis of density and property value in the neighborhood show that potential sales prices would decrease as density increased. For example, if only 10 units per acre were permitted, the potential price of a new single-family house would have been roughly $750,000. At 20 units per acre, townhouses or duplexes would have cost roughly $375,000. For a multi-story condominium building at 30 units per acre, the sales price would have been approximately $250,000. In this example, the real estate market was not able to support $750,000 single-family homes. However, townhouses in the $375,000 range and condominiums in the $250,000 range were marketable.

Municipalities can create opportunities for both higher-end and affordable homes by amending zoning codes to allow more units per acre, allowing a mix of uses on the same property so that downtown retail might have rental homes or condominiums above, or by creating special districts with greater density potential. As mentioned above, developers often will need to build more homes on a given site in order to turn a profit, particularly if the municipality requests that some affordable homes be built as well. A density bonus allows the developer to build additional market-rate options, enabling both parties to get what they are looking for in the deal.

source: Valerie Kretchmer associates, Inc.

THE RELATIONSHIP BETWEEN HOUSING DENSITY AND PRICE: SAMPLE EVANSTON NEIGHBORHOOD



IMPORTANT TIP

Learn More about Density Myths

The Urban Land Institute's 2005 publication, ***Higher Density Development: Myth and Fact,*** *is a concise critique of several commonly held beliefs about density, including the misconceptions that higher-density housing overburdens schools, lowers property values, or creates congestion. It is available for download at www.uli.org.*

Aesthetics and Amenities

As stressed in the Metropolitan Mayors Caucus' Housing Endorsement Criteria, good design is not just for market-rate housing. When newly constructed affordable apartments, condominiums, townhouses, and single-family homes are well designed and integrated into their neighborhoods, they are indistinguishable from market-rate housing. Whether creating market-rate, mixed-income, or affordable developments, municipalities can establish design standards or update building codes to require desired construction features. At the time of public approval, municipalities can work with a developer to ensure the development is both attractive and economically viable.

In addition to aesthetic considerations, amenities in many affordable properties are comparable to or even better than those in market-rate housing, as a result of municipal and financing requirements, as well as the need to provide a high level of amenities to attract, keep and support residents. These include swimming pools, playgrounds, pre-wired Internet connections, and in-unit or free use of washers and dryers.

Photo: Cecilia Case

Internal amenities, such as washer/dryers, energy efficient lighting, and skylights, as well as external amenities, such as a running rack or pool, can improve quality of life, lower long-term costs to the residents, and make the property more competitive on the open market.

Incorporating Green Building and Energy-Efficient Design Principles

"Green" building construction uses less energy and fewer natural resources, and has a reduced impact on the environment. Green building principles include sustainability, energy efficiency, recycling, water efficiency, indoor air quality, and waste reduction. Upfront investments in green technology in new construction can lower operating costs, as well as reduce risk of mold and allergens and related illnesses. Savings are found in utility expenses and the long-term durability of building materials.

One criticism of green building techniques and energy-efficiency retrofits is the expense, which could increase the cost of the resulting homes. However, there are a few things worth remembering about these techniques:

- As the market for green materials grows and becomes more competitive, prices will fall, lending themselves to housing affordability.
- Green principles are increasingly a selling point, particularly for young professionals and empty nesters, and can be an asset to any development in a highly competitive marketplace.
- Energy efficiency, over the life of the building, may result in lower monthly utility costs for residents, particularly renters. The initial investment might be larger, but over the long run, the cost savings will far surpass the investment.

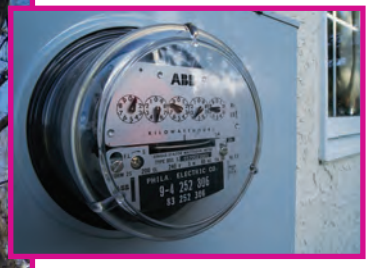
The Chicago Community Loan Fund (CCLF) is a nonprofit organization that provides financing for neighborhood redevelopment and affordable housing developments. CCLF provides technical assistance on how to create energy-efficient and environmentally friendly affordable housing. Other institutions such as Shore Bank and the Clean Energy Foundation also support these priorities, and the State of Illinois has several weatherization and energy-efficiency retrofit programs.

GREEN HOMES FOR LESS GREEN

Church Street Village in Evanston, a townhouse development targeting workforce housing for middle-income buyers, is the first in that city to use a geo-thermal heating and cooling system (as well as recycled blue jeans for insulation). Energy costs are projected to be significantly lower than gas or electric heating and cooling systems. Another nearby building converting from industrial to residential will use the same system.

Photo: Josh Ellis

Photos: Courtesy of Preservation Compact Partners



Green building principles and materials can lower long-term housing costs through energy-efficiency enhancements.

Parking

Many municipalities require two parking spaces per unit, regardless of the type of development or its location. Transit-oriented, infill and mixed-use developments are often within walking distance of transit stations, bus lines, and shopping, and do not generate the same number of automobile trips as similar buildings in locations that are further away from these community amenities and services. The experience of most affordable buildings is that few residents have more than one car; in affordable senior buildings, car ownership is far less than one per household.

Increasingly, communities have recognized they need more flexible parking standards because the number of required parking spaces often drives up the cost and overall size of buildings, and affects the quality of the development's design. In mixed-use buildings, particularly ones with ground-floor retail and upper-floor residential, zoning that requires the same retail parking ratio as in stand-alone retail buildings or shopping centers can ruin an otherwise marketable development. Municipalities should evaluate their parking requirements to see if there is room for flexibility to support a variety of housing types to meet different needs.

Photo: Valerie Kretchmer

Good parking (above) vs. bad parking (below)

Photo: Josh Ellis

Financing and Operating Affordable Developments

The challenge for any developer building or preserving affordable and mixed-income housing is how to fill the financing gap created by the economics of the transaction. The market value or sales price of an affordable housing development is less – in some cases substantially less – than the development's costs. New construction costs about the same for market-rate or affordable housing, but the revenue produced by the latter is far less.

Municipalities can lower developments costs through zoning, land donation, or other means, but financing is still a determinant of long-term affordability. Affordable housing developers must use multiple programs and tools to reduce financing costs, purchase prices, rents, and operating expenses.

Programs that help to reduce the financial gap work in a number of different ways. Some developments use federal and state programs, while others use a mix of local financing, regulatory and zoning techniques. The most common tools are described below.

Reduce Financing Costs to the Developer:

- Lower the cost of funds to a developer.
- Raise equity for the development, thereby resulting in less debt.
- Provide direct grants for new construction or rehabilitation to lower the amount of debt.
- Enhance affordability by lowering or eliminating the cost of land.
- Make loans or grants to offset extraordinary costs of development.

Examples include Low-Income Housing Tax Credits, tax increment financing (TIF), community land trusts, land donations or write-downs, direct subsidies to the developer to write-down the development, and HOME and Community Development Block Grant funds.

Lower Operating Expenses:

- Reduce tax assessments and real estate taxes for multifamily rental housing.
- Offer incentives for using green building techniques.

Make Direct Payments to Residents:

- Directly subsidize rents to qualifying tenants.
- Make loans or grants to assist with direct housing payments, including downpayment assistance and help with monthly expenses.

Examples include Housing Choice Vouchers, Regional Housing Initiative (see sidebar), Chicago Rental Subsidy program, downpayment assistance, and no-interest loans.

REGIONAL HOUSING INITIATIVE

The Regional Housing Initiative (RHI) turns local housing authorities' unused Housing Choice Vouchers into operating subsidies for apartment buildings near jobs and transit. RHI pools vouchers from the Chicago, Joliet, Cook, McHenry, and Lake County housing authorities as financing incentives to developers whose proposals comply with the Housing Endorsement Criteria of the Metropolitan Mayors Caucus to create diverse communities in the sponsoring counties.

For more information, contact Robin Snyderman, Vice President of Community Development, Metropolitan Planning Council, at 312-863-6007 or rsnyderman@metroplanning.org.

Require Affordable Housing:

- Provide mandatory or voluntary on-site affordable housing in an otherwise market-rate development, or require contributions to an affordable housing fund. These requirements are coupled with cost-saving incentives such as density bonuses and fee waivers.

  Examples include inclusionary zoning and fees-in-lieu.

Reduce Development Costs:

- Allow zoning variances or changes.
- Lower permit and impact fees for affordable housing.
- Donate or sell land at a below-market price.
- Contribute community funds.
- Offer density bonuses, which do not reduce cost, but do increase profitability.

  Examples include affordable housing funds, lower parking ratios, smaller lots, cluster zoning, and more variety in housing types.

LAKE FOREST'S INCLUSIONARY ZONING ORDINANCE

In 2005, Lake Forest – an affluent community in Chicago's north suburbs – adopted an Affordable Housing Plan delineating a comprehensive strategy to integrate affordable homes into the city's housing stock. Chief among the plan's measures was the implementation of an Inclusionary Zoning (IZ) ordinance, which requires 15 percent of homes in new residential developments and conversion projects be affordable to residents with an income at or below 80 percent of AMI ($60,300 for a family of four in 2008).

The IZ ordinance was designed to provide affordable opportunities among market-rate homes to make the community more livable for the city's broader population and workforce, particularly seniors and working families. Lake Forest made provisions for developers to offset the cost of compliance with the ordinance, including inspection fee waivers and a density bonus incentive. The city convened a task force in early 2007 to begin planning for the first development subject to the IZ ordinance - a new mixed-income community on the former Barat College campus.

Photo: Josh Hawkins

The main building on Lake Forest's Barat College campus will be adaptively rehabilitated as the centerpiece of a larger development that will include a significant number of affordable homes, per the community's innovative inclusionary zoning policy.

Understanding Housing Programs

There are many programs and tools available to municipalities, property owners, and developers to build and preserve affordable housing. Many are misunderstood. Names such as "Section 8" and "Low Income Housing Tax Credit" often cause confusion among residents and municipal representatives. There also are misconceptions about the programs, and the people living in the homes. Once municipalities identify their goals, these programs are essential tools to advance local strategies.

The following list briefly describes the more commonly used programs and tools. Additional information is available in the Appendix.

Federal Programs

The U.S. Department of Housing and Urban Development (HUD) administers several programs that generally provide lower cost financing or grants to developers to build affordable apartments, or directly subsidize the rent paid by tenants.

HUD's Section 8 program pays subsidies directly to landlords; eligible tenants pay 30 percent of their adjusted income in rent, with the federal government paying the landlord the difference. The program includes **Housing Choice Vouchers**, which are given to low-income tenants to use anywhere a landlord will accept them, as well as **project-based subsidies** that stay with the building to ensure long-term affordability of individual units.

Section 202 provides direct loans to nonprofit organizations to develop or rehabilitate buildings that serve very low-income, elderly and disabled persons. A similar program, **Section 811**, assists developers of buildings that serve only persons with disabilities.

Community Development Block Grants can be used to fund a variety of programs, as long as 70 percent of funds aid low and moderate-income people. Municipal officials have a lot of flexibility in how these funds are used, making them a valuable resource for addressing a range of concerns.

HOME funds can be used for rental housing production, rehabilitation loans and grants, first-time homebuyer assistance, rehabilitation loans for homeowners, and tenant-based rental assistance. All housing developed with HOME funds must serve income-eligible households. Fifteen percent of a state or local jurisdiction's HOME funds must be set aside for use by community-based nonprofit organizations.

HOPE VI operates on the premise that all government-assisted homes should be integrated with the urban fabric – i.e., close to transit and schools, connected to the street grid – rather than isolated. By moving away from strictly affordable apartment buildings, and toward mixed-income developments that include row houses, duplexes, and small single-family homes, families receiving government assistance are no longer marginalized. Much of the HOPE VI program does not even include physical construction of subsidized home. By using more Housing Choice Vouchers, which give families and individuals more choice in where to live, the HOPE VI program helps people integrate into existing neighborhoods.

HUD's **Supportive Housing Program** is designed to help states, municipalities, public housing authorities, and nonprofits develop quality homes for homeless individuals and families. In addition to building new homes, the Supportive Housing Program is intended to help the homeless achieve residential stability, increase their skill levels and incomes, and have more influence over decisions that affect their lives.

State Programs

The Illinois Housing Development Authority is the primary source of funding for affordable housing in the state. In addition to the Low-Income Housing Tax Credit program, IHDA helps municipalities use bonds to create home-ownership programs, administers a rental housing support program, and provides public education on home repair, home financing, and other housing-related topics.

The **Low-Income Housing Tax Credit** (LIHTC) is the most commonly used program for developing and rehabilitating high-quality, affordable rental housing. LIHTC properties must remain affordable for a minimum of 15 years. In Illinois, IHDA and the City of Chicago allocate LIHTCs to developers as a source of equity, usually about 50 percent of the development's total financing. Without these tax credits, real estate economics often cannot support developments that are affordable to households earning less than 60 percent AMI ($45,240 for a family of four in 2008). LIHTCs have been used to support the affordable rental component of mixed-income, mixed-ownership (for-sale and rental), and mixed-use developments.

Residents of LIHTC buildings pay a fixed rent to the landlord, rather than 30 percent of their incomes, as with Housing Choice Vouchers or in buildings receiving project-based Section 8. As a result, LIHTC properties attract residents with somewhat higher incomes.

The LIHTC program has been very successful. However, without additional subsidies, such as Housing Choice Vouchers or state and local programs, rents can sometimes be too high for extremely low-income households. Developers frequently use other IHDA programs in conjunction with LIHTCs to provide layers of financing to make these affordable developments financially viable. These include the Illinois Affordable Housing Tax Credit and Illinois Housing Trust Fund.

The **Illinois Affordable Housing Tax Credit**, known as the state donation tax credit, provides a $.50-on-the-dollar tax credit to individuals or organizations that donate to participating nonprofit housing developers. A donation can be made in the form of cash, securities, property, and real estate, in an aggregated amount that must be at least $10,000. Along with the federal deduction allowed for charitable donations, a $10,000 contribution would likely cost the donor $3,250 once the credit is taken. Tax-exempt organizations also can benefit from this donation because the credit is transferable, meaning they can sell the credits on the private market. While this will not equate to the full 50-cent value, the organization will still be able benefit from the sale.

The **Illinois Affordable Housing Trust Fund** supports the development of housing for very low and low-income households, and can be used to fund acquisition and rehabilitation of existing housing, new construction, adaptive reuse of non-residential buildings, housing for special-needs populations, and more. The Trust Fund makes loans available below the prevailing commercial rate.

County Incentives

Tax abatement or reductions in the assessed value of rental property, such as through Cook County's Class 9 designation, result in lower operating expenses for the landlord. Class 9 is available for new or recently rehabilitated rental buildings that include affordable apartments. It reduces the assessment ratio for owners of affordable rental buildings, which can result in up to a 50 percent reduction in an owner's total property tax bill for 10 years and can be renewed for longer periods. In 1988, the Cook County Assessor's Office developed the **Class 9 Incentive program** to promote the rehabilitation of multifamily apartments in designated low to moderate-income areas of Cook County. Over the years, this proved to be a considerable incentive to maintain affordable rental apartments, as the 50 percent reduction in property tax costs helped to cut overall operating expenses by 12 percent. Cook County Assessor James Houlihan said of the initiative: "Property taxes are one of the single-most expensive operating costs for building owners ... [The] reduction in assessment level will make rental development and operations more viable for these building owners throughout the county."

RENT AND INCOME LEVELS FOR HOUSING PROGRAMS

Programs and tools to increase and preserve the supply of affordable housing often are targeted to households at specified income levels, usually referred to as percent of Area Median Income (AMI). Eligible renters or buyers need to fall within the income limits specific to a program, but must earn enough to afford the rents or monthly payments on an apartment or house. This is usually based on 30 percent of the households income. HUD sets income limits each year.

Most affordable rental programs serve a very wide range of incomes. Homeownership programs typically target households with incomes at 80-120 percent AMI, generally considered to be moderate income.

For current income limits, go to www.ihda.org.

Municipal Programs and Incentives

Tax increment financing, linkage fees, demolition taxes, and lower permit and impact fees are among the many useful municipal tools available to promote new and maintain existing affordable buildings. Most of them provide upfront funds to reduce development and rehabilitation costs.

Tax-exempt bonds can be issued by a municipality or IHDA. They are used to provide financing at rates that are less expensive than conventional loans, and they can also generate equity for the development.

Local housing trust funds are distinct funds established by legislation, ordinance, or resolution to receive public revenues, that only can be spent on affordable housing. Fund sources can include developers, corporations, grants, municipal fees, and federal and state housing dollars. Administered by the local agency or department that handles federal housing programs, a housing trust fund generates a consistent stream of dollars that can be used in a variety of ways to achieve affordable housing needs. In addition, trust funds can effectively harness and leverage additional resources for affordable housing initiatives.

Tax increment financing (TIF) is one of the most frequently used tools to spur community reinvestment in both city neighborhoods and older suburbs. Municipalities can issue TIF bonds that provide funds for capital improvements in the district. As tax collections increase due to new investment in the area, the bonds are retired. Allowable housing activities include land acquisition, land cost write down, demolition of existing structures, infrastructure improvements, and environmental clean-up. TIF can be particularly useful in infill locations. The various uses of TIF monies in housing developments effectively lower development costs, and, in so doing, lower housing costs. The use of TIF also signals substantial and concerted interest on the part of the municipality, which can have lasting effects in the mind of a developer.

The City of Chicago offers the **Neighborhood Improvement Fund** as an option within designated TIF districts. The grant program is administered by the city's Dept. of Housing and offers grant assistance to low- and moderate-income residents who own multifamily homes to help them make needed improvements to their properties.

New Construction Development Tools in Action

The City of Chicago has a number of effective programs targeting moderate-income homeowners. Using its own allocation of Low Income Housing Tax Credits, the city supported Bonheur Development for Liberty Square, which comprises scattered sites in a six-block area on the west side of the city. These attractive buildings provide a mix of one to four-bedroom homes primarily for low and moderate-income households. Eight homes rent at market rates, while 11 have an additional rental subsidy through the city to serve the very lowest income households.

The New Homes for Chicago program is an affordable homeownership initiative administered by the city to create homeownership opportunities for local residents. Now in its 12th year, New Homes for Chicago has approved over 65 developments, with more than 1,600 new affordable single-family or two-flat homes throughout the city. The primary objective of New Homes for Chicago is to expand housing affordability in support of healthy communities, especially those traditionally bypassed for new development. Using financial incentives such as fee waivers, perimeter site improvements, and energy-efficiency upgrades to reduce development costs, the city encourages developers to construct high quality homes for purchase by moderate-income working individuals and families.

Highland Park created a community land trust in 2001 to reduce the cost of homeownership by separating the value of the land, which is quite high in the city, from the house itself. Properties are acquired by the land trust through direct purchase or donation, and the trust retains title to the land while selling the homes at below-market value. Senior citizens looking to downsize are encouraged to sell their homes to the land trust. The land is leased at a nominal cost to a qualified buyer (in this case, 115 percent of area median income, which was approximately

Photo: Valerie Kretchmer

New houses can transform a community. These single-family homes at 63rd Street and Woodlawn Avenue reflect the City of Chicago's commitment to reinvesting in neighborhoods through high-quality infill development.

$90,000 for a family of four in 2008), though priority is given to those earning under 80 percent AMI ($60,300 for a family of four). Future affordability is maintained through a ground lease that stipulates these homes be sold to another income-qualified buyer. A formula determines the fair return on the investment for the homeowner. Since Highland Park created the land trust, it has completed 12 homes.

What's Next?

New construction is often an exciting opportunity to pursue community goals. However, depending on your community's goals and situation, you may need to do some or all of the following:

- Review your zoning ordinance and other codes to make sure there are no unnecessary impediments to affordable housing or other community goals.
- Allow smaller lots, cluster zoning, or higher density to encourage better design, site planning, and use of open space, as well as a range of housing types.
- Educate public officials, boards and commissions about existing programs to encourage new construction of mixed-income and affordable housing. These include conducting an inventory of city-owned property to identify opportunities to discount it for new development; seeking out partners to maximize their experience, capacity and resources; and establishing a housing commission.

Be mindful, however, that your community's current homes are an opportunity as well. If a community is facing a challenge with existing homes, it often can be more cost-effective to preserve existing buildings than build new ones. As the next chapter details, there are other issues at stake with preservation. However, many of the tools, tactics and resources that have been described in Chapter 3 also may be applicable for preservation.

CHAPTER 4

Preservation of Existing Housing

Preservation initiatives are being undertaken by private developers, nonprofit organizations, municipalities, and state agencies throughout the Chicago metropolitan area. While suburban communities may have newer or have fewer apartments than Chicago, problem buildings can threaten neighborhood stability and image in any location. As such, municipalities need to contact landlords when problems first arise to make them aware of the resources available to improve existing properties. (Chapter 5, on Best Practices in Management, describes ways municipalities can work with property owners to keep their buildings safe and well managed.)

WHAT TO GAIN FROM THIS CHAPTER

1. **Understand how to improve existing properties, and why preservation is often the right choice for communities facing losses of for-sale and rental opportunities, particularly those that are affordable.**
2. **Learn the basics of several preservation tools, and how Chicago-area communities are using them.**
3. **Learn how to minimize resident displacement.**

Photo: Hispanic Housing Development Corporation

Some developers, such as the Hispanic Housing Development Corporation, specialize in the preservation of existing affordable homes.

The Case for Preservation

A diverse housing stock includes for-sale homes at a range of prices, as well as rental opportunities for individuals and families not in a position to buy homes. Some communities decide to preserve single-family or other for-sale homes – perhaps because they are historically significant, 'fit' with the surrounding community, or are affordable in an increasingly unaffordable market. Other communities face the reality of a dwindling supply of rental homes, both affordable and at the higher end of the market. While residents sometime voice concerns about apartments housing a more transient population, providing rental housing creates a stepping stone to homeownership and is a convenient housing option for many valued members of the community not ready or interested in purchasing. Children coming home from college, seniors looking to downsize and age in place, and families saving to purchase all benefit from an adequate and well-maintained supply of rental housing. More often than not, the existing stock of rental homes is in small and older apartment buildings that are privately owned and unsubsidized. While housing markets fluctuate, some of these buildings, for a variety of reasons, are now threatened with condominium conversion or outright demolition.

The case for preservation can be made on multiple grounds:

- Preservation of existing buildings, even after rehabilitation or modernization costs, can be less expensive than new construction. According to 2005 IHDA statistics, the average newly constructed multifamily, affordable rental apartment costs $218,000 to build, compared to an average of $73,000 to preserve a unit. Besides the lower construction costs, preservation is far less expensive in terms of public infrastructure. Preservation is a more cost-effective means of maintaining and expanding affordable housing options.
- Preservation of currently occupied homes reduces the potential trauma and inconvenience of relocating residents.
- If apartment buildings are plagued by poor management, upkeep and improvement can eliminate problems with property conditions and install more experienced owners and managers.
- Preservation of existing buildings can preserve community character.

Preservation is particularly important given losses in rental options over the past several decades. The number of rental homes in the Chicago metropolitan area has declined in the past 10 years, and the number that are considered affordable to low and moderate-income households continues to decline even more quickly.

According to research conducted by the Real Estate Center at DePaul University for the Preservation Compact (see page 61), and based on U.S. government data, between 2005 and 2020, Cook County alone is projected to lose 38,000 affordable apartments. For each new affordable apartment that is built, two existing ones are likely to be lost if no action is taken. During the same 15-year period, demand for affordable apartments in Cook County is projected to increase by 34,000, creating a potentially severe undersupply.

In the Chicago region, the existing affordable housing stock in both cities and suburbs is threatened for a number of reasons:

- Demand in strong markets is driving up rents and leading to condominium conversions.
- Insufficient attention to property maintenance and management in weak markets results in deteriorating buildings and neighborhoods.
- Many apartment owners who built or purchased affordable properties in the 1970s are facing retirement and wish to sell off their investments.
- Affordability requirements are expiring for properties with 15 to 20-year government subsidies and affordability restrictions.

Given limited public resources and the growing number of households in need of affordably priced homes, preservation and rehabilitation must be a priority. Without action, neglect of the existing affordable stock can lead to dangerous living conditions for renters. Abandonment of deteriorated but salvageable apartment buildings and older single-family homes threatens not just a building or block, but an entire neighborhood or community. Preserving affordability and upgrading property conditions helps to maintain a mix of housing options in strong neighborhoods and improves the character of struggling ones.

Originally built for employees of the Pullman Palace Car Company, these preserved homes on Chicago's south side continue to be moderately priced.

IMPORTANT TIP

Financing is Central to Successful Preservation

Typically, several layers of financing are required to make preservation projects economically viable. Property owners who need to restructure existing government financing should seek the services of consultants, development partners, or attorneys experienced in navigating the myriad tax and legal issues encountered in these transactions. More complex preservation efforts may include all or some of the following financing:

- *Low-Income Housing Tax Credits through IHDA or the City of Chicago (specifically 4% LIHTC, when investors can claim 4% of eligible project costs on federal tax returns)*
- *Tax-exempt bonds*
- *Illinois Affordable Housing Tax Credit*
- *Housing trust funds through IHDA*
- *First and second mortgages from private lenders or foundations*
- *Municipal and county loans or grants from tax-exempt bonds, general funds, affordable housing funds, TIF, and Community Development Block Grant (CDBG) and HOME funds*
- *Reduced property taxes through the county or local township*
- *Federal Home Loan Bank Affordable Housing Program funds*
- *Foundation grants*

Rental loss and preservation: Not just an urban concern

As federal subsidies dry up, communities of all kinds are facing declining stocks of homes affordable to working families. Many rental and multifamily properties in suburban and urban communities are also facing an uncertain future.

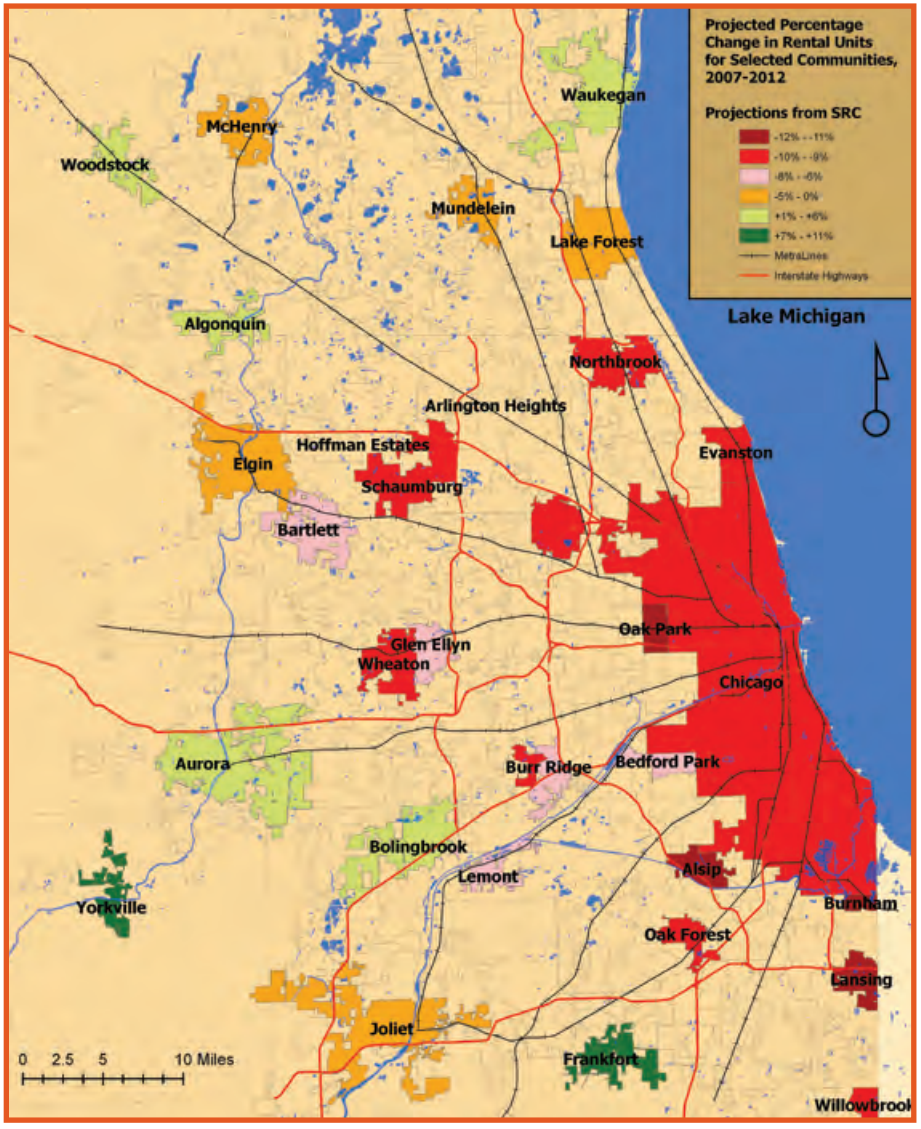
Many affordable rentals were built using a number of federal and state programs targeted to the construction and rehabilitation of affordable housing. Affordable rental apartments built from the 1960s through the 1990s using federal programs such as HUD's Section 8, Section 202 (for elderly), Section 221(d)(3), Section 236, and Low-Income Housing Tax Credit (LIHTC) program are reaching (or already have reached) the end of their required periods of affordability. Properties built during the LIHTC program's initial years are approaching the date at which they can opt out. Refinancing options and an infusion of new subsidy funds are needed to preserve the below-market rents in these buildings.

To prevent further reduction in the number of affordable apartments, HUD now offers additional mortgage insurance, project-based operating subsidies, and debt restructuring on many existing properties. Long-time owners can use these tools to partner with nonprofit groups, tenants, and state and local governments to retain affordable apartments, and still sell the property and earn a fair return.

As these older mortgages are being paid off, apartments in more desirable locations are losing their subsidies and being converted to market-rate rentals or condominiums. Unless new owners are found who are willing to preserve the properties as affordable and make needed improvements, many renters will be displaced. This is not just an urban problem; suburban properties also are at risk.

Projected Precentage Change in Number of rental Units, 2007-2012

Source: RSRC



CASE STUDY
The Preservation Compact

Recognizing the adverse effect of losing existing low-rent housing stock, in 2007, a consortium of organizations, led by the Urban Land Institute and funded by the John D. and Catherine T. MacArthur Foundation, created the Preservation Compact. Other participants include the City of Chicago, state and federal agencies, and nonprofit organizations committed to preserving affordable housing options.

The Preservation Compact has several keystone initiatives that together aim to preserve 75,000 affordable rental homes in Cook County by 2020:

Preservation Fund: This family of financial tools will help owners rehabilitate rental properties, and buyers acquire and improve at-risk, affordable rental properties. The Compact is developing a fund to provide financing for building acquisition.

Interagency Coordinating Council: This council works with government housing entities, including HUD, IHDA, Cook County, and the City of Chicago, to coordinate resources, programs and policies related to preserving affordable rental properties. Municipalities interested in preserving local properties also can benefit from this collaboration.

Energy Savers Program: This program provides technical assistance to property owners for energy assessments of buildings. Based on the assessment, the Compact offers flexible financing packages for energy-efficient systems and upgrades.

Rental Housing Data Clearinghouse: By collecting data on both government-assisted and unassisted rental housing, the data clearinghouse provides timely information about rental properties at risk of leaving the affordable market, as well as changes in rental markets.

Lower Property Taxes: The Compact works with the Cook County Assessor to reduce property tax assessments on multifamily buildings in order to relieve some financial burden on owners and tenants.

Rental Housing Alliance: This program helps tenants identify new ownership for buildings at risk of losing federal subsidies.

Municipal leaders, rental owners, developers, community groups, and tenants are encouraged to contact the Preservation Compact partner organizations (listed in the Appendix) for help putting the Compact's tools to use in their communities.

For more information, go to www.chicago.uli.org.

Photo: Preservation Compact

One of the keystone initiatives of the Preservation Compact is the Energy Savers Program, which facilitates energy-efficiency upgrades.

Municipal Roles in Preservation

Municipalities can play an active and supportive role by identifying buildings in need of preservation and accessing the resources needed to acquire and rehabilitate them. By becoming involved early, local communities can help to ensure properties are upgraded and continue to serve families in need of workforce housing. This may include:

- Identifying troubled buildings through code enforcement efforts or other contact with owners and tenants.
- Building relationships between existing property owners and developers with experience in housing preservation, and by accessing the financial resources used to rehabilitate properties and keep them affordable.
- Providing financial support through bonds, local housing trust funds, tax increment financing, and other locally provided funding sources (see Chapter 3).
- Partnering with local nonprofit housing counseling and service providers that can provide resident support services, relocation assistance, connections to financial resources, and if applicable, homeownership counseling.
- Writing letters of support for preservation deals to public financers such as IHDA.
- Advocating to the county or township for lowered property tax assessments for affordable properties. (Note: Cook County already offers a lower assessment of affordable homes.)
- Working with local financial institutions to provide competitive financing for preservation efforts, including multifamily and single-family home rehabilitation.

Many Chicago-area communities already have taken steps to preserve affordable housing options, both rental and for-sale, in single-family and multifamily properties. The following examples illustrate the range of initiatives communities have taken. One or more may be right for your community.

Photo: Scott Goldstein

South suburban Riverdale took a leading role in the preservation and rehabilitation of Pacesetter, a troubled multifamily neighborhood. Riverdale brought together multiple partners in order to reverse the development's decline.

Preservation using Low-Income Housing Tax Credits or Tax-Exempt Bonds

LIHTCs are commonly used for acquisition and rehabilitation of existing apartment buildings. Even buildings only 20 years old can suffer from deferred maintenance, code violations, poor management, and lax tenant screening, which lead to multiple problems for the municipality. Four percent LIHTCs (as opposed to 9% LIHTCs) are often used in preservation deals and are paired with tax-exempt bonds to make the financing even more manageable. Municipalities can use LIHTCs to purchase or rehabilitate properties themselves, or partner with interested developers.

State housing finance agencies such as IHDA can issue debt for the benefit of private projects that meet public goals. This is the essence of tax-exempt bonds, which are more readily available than LIHTCs, yet less often used. Each state is authorized to issue tax-exempt bonds in an amount of $85 per capita. Home rule communities receive their bond cap directly, while the rest is distributed between state agencies and non-home rule communities. If the community fails to use its bond cap by May 1st of each year, the bond is reclaimed by the state. Therefore, a community will benefit from applying these funds toward building more homes and providing more opportunities for its residents.

In Addison, the College Park Apartments property was a source of concern for the village. The property was poorly managed, buildings were not in good physical condition, and police were frequently called to the property. Because it is located in DuPage County – where jobs are plentiful but affordable housing is scarce – the village was committed to improving conditions while maintaining affordability. The property was purchased and rehabilitated using LIHTCs, IHDA's Housing Trust Fund, and its Risk Share program. Of the 200 apartments, 166 are now covered by a project-based Section 8 contract; the remaining 34 apartments are still covered under the Section 236 program. Tax credits helped pro-

Photos: Josh Hawkins

Addison's affordable College Park Apartments were once an eyesore. However, use of LIHTCs and other financial incentives led to rehabilitation and preservation.

vide capital for renovation. The developer invested almost $3 million for physical needs such as roofs, concrete, parking lots, and landscaping around the property, as well as updated kitchens, bathrooms, doors, and hallways inside the buildings.

In southwest suburban Bolingbrook, River Stone Apartments is a large rental property in a growing area along the I-55 corridor near many jobs. It has 789 mixed-income apartments on a 31-acre site. Though not a troubled complex, it needed updating to remain competitive. It was sold to a developer, who undertook a $10 million rehabilitation. At the time of purchase, the property had tax-exempt bond financing requiring 20 percent of the apartments to be affordable to very low-income households at 50 percent AMI. These bonds were paid off when the property was acquired. A requirement of the new tax-exempt bonds is that all of the apartments be rented to households earning 60 percent AMI or less ($45,240 for a family of four in 2008). The developer paired tax-exempt bonds with 4% LIHTCs to finance River Stone Apartments.

IMPORTANT TIP
Zoning for Preservation

Preservation of affordable housing is often the result of the right financing package, but it does not need to be. New York City's inclusionary zoning program grants floor area bonuses for the preservation of affordable housing. In order to get the full bonus, 20 percent of total floor area must be permanently designated low income. The program also allows for off-site preservation.

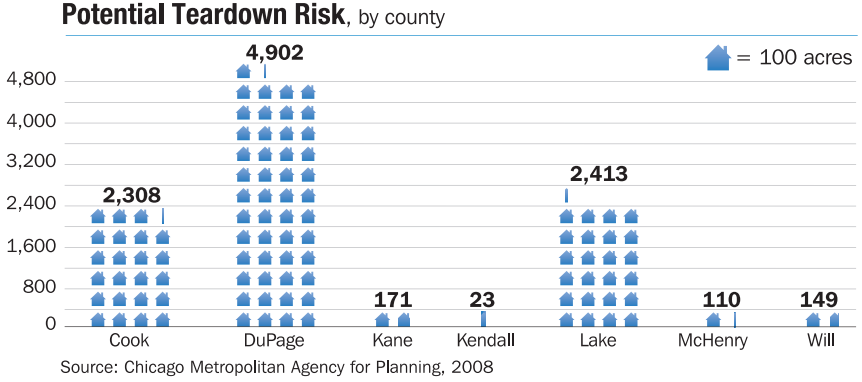
Communities with strong housing markets will be more attractive for developers, but also more prone to affordable housing losses. Inclusionary zoning ordinances with preservation clauses can harness market forces for greater public good.

Photos: Josh Hawkins

River Stone Apartments, in fast-growing Bolingbrook, were suffering from wear and tear. LIHTCs and tax-exempt bonds were used to improve the homes, and ensure they will remain affordable for the foreseeable future.

Demolition Taxes

Demolition taxes create a disincentive for property owners who want to tear down smaller, often more affordable buildings in desirable communities. They are particularly useful in communities where teardowns of smaller homes or apartments are common and the cost of land is high. Municipalities such as Lake Forest, Highland Park and Evanston charge a demolition tax, for example, of $10,000 per single-family house and $3,000 to $5,000 per unit up to $10,000 for multifamily buildings. The proceeds are placed into the municipality's affordable housing fund and used to fund development and preservation activities.



Source: Chicago Metropolitan Agency for Planning, 2008

Preliminary research by the Chicago Metropolitan Agency for Planning suggests teardowns are inevitable throughout the region. Teardowns happen when land is more valuable than the building on that land. However, through zoning and design guidelines, as well as teardown fees, communities can ensure the consequences of teardowns are beneficial.

TACKLING TEARDOWNS THROUGH ZONING

Teardowns occur when the value of the land is more than the value of the building (or other physical improvement) on top of it. The Chicago Metropolitan Agency for Planning has analyzed teardown potential throughout the region, and found DuPage, Lake, and Cook counties all had significant numbers of properties with this characteristic. More often than not, the result of teardowns is a loss of affordability.

Generally speaking, smaller and older homes are more affordable than larger, newer ones. Zoning and design standards can be used in locales with high teardown potential to channel market forces toward preservation of affordability (distinct from preserving specific buildings). A developer may be able to build four high-quality, affordable homes, and turn a tidy profit, on a large, undervalued parcel. However, many current zoning codes would not allow for that.

Zoning policies should facilitate the realization of community goals, not block them. At the same time, zoning codes should not prohibit developers from making money. A community can reduce the need for financial outlays by analyzing areas with redevelopment potential, then devising zones and overlays that channel market forces toward community objectives.

Historic Preservation and Affordable Housing

Historic preservation is another important element in preserving not only buildings, but also community character. Two LIHTC deals in downtown Joliet preserved historic buildings while providing affordable and market-rate housing. The former Louis Joliet Hotel was converted to 63 low-income and market-rate apartments using LIHTCs, and the former Joliet YMCA was renovated into 88 affordable and market-rate apartments for seniors. In addition to the LIHTCs, the YMCA used HOME, Illinois Housing Trust Fund, and TIF funding to make it economically feasible. These property rehabilitations are part of Joliet's work to revitalize its downtown by stimulating more residential and mixed-use development.

Photo: Josh Hawkins

The former Louis Joliet Hotel is a community landmark, link to the past, and an affordable housing option for people wishing to live within walking distance of downtown Joliet's many amenities.

Rehabilitation Programs for Small Properties

Older rental properties need physical improvements to keep them safe and improve operating efficiency. Buildings undergoing a complete rehabilitation can require a significant upfront investment, while others may only need less expensive, cosmetic upgrading to enhance marketability and occupancy. Health and safety improvements can include removing lead-based paint, asbestos, and mold caused by moisture problems. In garden apartment buildings, worn-out patios and balconies may need to be fixed or replaced. Security upgrades could include new locks, doors and mailboxes.

Several communities have initiated programs to offer grants or low-interest loans to owners of small apartment buildings and homes to repair and modernize their properties. This can include structural elements such as roof, plumbing, heating and air conditioning, windows and tuckpointing, as well as cosmetic improvements such as new appliances, cabinetry, carpet, and floors. The programs are typically targeted to moderate-income homeowners and owners of rental properties serving low and moderate-income residents.

Oak Park assists owners of multifamily properties with matching grants of up to $2,000 per unit and low-interest loans of up to $50,000 for 15 years for rehabilitation. The program helps to maintain an aging housing stock and eliminate blight.

The Community Housing Association of DuPage (CHAD) promotes affordable housing initiatives throughout the county. Through one of its programs, it buys single-family detached houses and townhouses, renovates the homes as needed, and sells them to first-time, moderate-income buyers who earn less than 80 percent AMI ($60,300 for a family of four in 2008). To maintain affordability, CHAD has an equity sharing arrangement through which it sells a 60 percent interest to the homebuyer and keeps the remaining 40 percent. The buyers obtain mortgages through partner financial institutions and are responsible for all operating and maintenance expenses, including real estate taxes, principal and interest, insurance, repairs, and a small land lease payment to CHAD ($100 per year). When an owner is ready to sell, the house is appraised and sold back to CHAD for the appraised value. The owner receives 60 percent of the sale price so he or she can realize a portion of the appreciated value. The program has 29 houses scattered throughout DuPage County. They are indistinguishable from other homes in their neighborhoods.

Photos: Josh Ellis

Photos: Erin Aleman

There are many ways for municipalities to facilitate rehabilitation of small properties, from single-family homes to mixed-use buildings that include upper-floor rental.

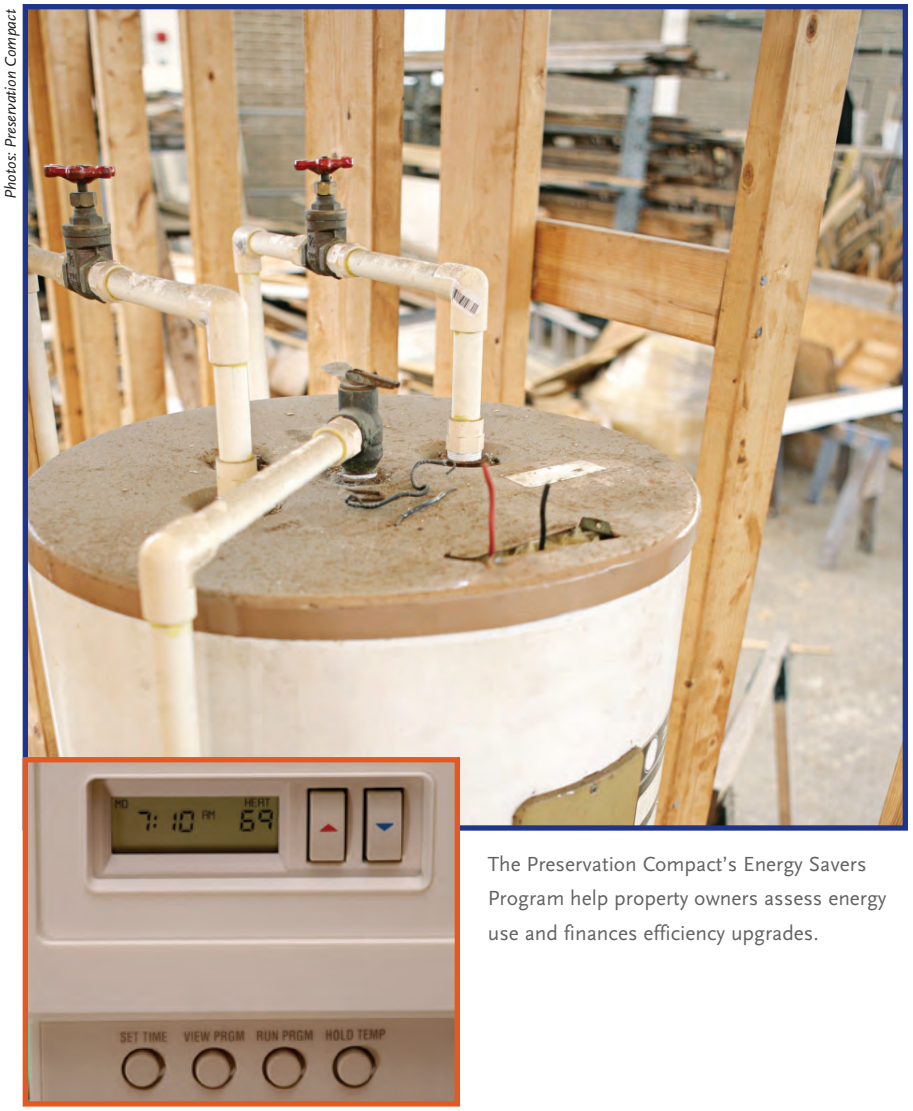
Energy Efficiency and Preservation

Many types of buildings, with or without public financing, would benefit from energy-conserving retrofits. Energy-savings improvements can result in reduced long-term operating expenses for the landlord and lower utility bills for the tenant. Reducing long-term costs makes preservation a more attractive option for property owners and tenants alike.

Some practices that improve energy efficiency include:

- Replacing or upgrading inefficient HVAC systems.
- Upgrading water heaters or replacing them with tankless demand heaters.
- Adding wall and ceiling insulation.
- Caulking windows to reduce drafts.
- Installing double-pane windows with coated glass to keep down both heating and cooling costs.
- Repairing or replacing the roof with a lighter-colored reflective surface or green roof.
- Avoiding water waste by repairing leaking faucets or appliances.
- Installing energy-efficient appliances and light bulbs.
- Installing individual meters in apartments for heating, cooling and water use as incentives for tenants to conserve. Illinois' Qualified Application Plan (QAP) awards up to six points for developments with approved "green" elements, including a point for using brick or masonry exteriors (which trap heat more efficiently than wood or vinyl), and another for energy efficiency that surpasses general Illinois building requirements. The QAP also favors developments built in proximity to employment centers, reducing the transportation costs of residents.

Photos: Preservation Compact



The Preservation Compact's Energy Savers Program help property owners assess energy use and finances efficiency upgrades.

Minimizing the Pain of Displacement

When rehabbing buildings, developers typically try to work around existing tenants to maximize rental income and minimize tenant relocation during construction. If the rehabilitation program is being financed through a different federal or state program than was used to construct the building initially, some tenants may earn too much and others too little to afford the new rents. Thus, tenant displacement can occur even if a building remains affordable.

COSTS OF NEW CONSTRUCTION VS. PRESERVATION

Preservation is usually the right choice when the cost is less than building new. However, understanding true cost is no small matter; price and cost are not the same thing. Price is a question of dollars, while costs can be political, emotional, environmental, and even aesthetic.

As your community contemplates whether to preserve existing housing or pursue new construction at the same location, be sure to consider the following costs:

- Rehabilitation vs. demolition, design and construction.
- Relocation, temporary or permanent, of residents.
- Community character and surrounding environment.
- Effect on local businesses, schools, and other institutions.
- Long-term management.

Understanding the comprehensive costs of both preservation and construction will help your community make the best decision possible in any given situation.

There are many things a municipality can do to minimize the pain of relocation, including:

- Requesting a phased development plan to give existing residents the option of moving as new phases are built.
- Encouraging partnership with a local nonprofit or development partner experienced in relocating tenants.
- Requiring the developer to use the Uniform Relocation Assistance and Real Properties Acquisitions Policies Act (URA), which calls for: Tenant Noticing Requirements, Relocation Advisory Services, Moving Payments, Replacement Housing Assistance, and Identification of Comparable Dwellings. (See the Appendix for more on the URA.)
- If relocation is absolutely necessary, keeping a regularly updated database of tenants so that when new units become available, qualified existing tenants can be contacted.
- Reach out to area employers whose employees may be directly impacted by the relocation. Encourage investment in employer-assisted housing programs (both rental and for-sale) to provide assistance for their employees who are residents of the building.

What's Next?

This chapter described how preservation can be used to keep buildings affordable to low and moderate-income households, while stabilizing and improving their surrounding neighborhoods. In localities and neighborhoods where affordable housing is limited and market dynamics are good, municipalities should encourage property owners to preserve and improve the existing housing stock. Where building conditions are so poor that it becomes prohibitively expensive to preserve the housing, demolition and re-building using one or more government programs may be the most appropriate course of action. While physical improvements are important, management of affordable housing is also critical. The following chapter provides ways in which property owners and municipalities can make sure new and existing buildings become and remain assets to their communities.

CHAPTER 5

Best Practices in Property Management

Development can be such a time consuming and contentious process, community leaders are tempted to breathe a sigh of relief once all of the details of site planning, design, and financing have been finalized. Construction takes months (or years) to complete, and it is easy to forget this is the time when key elements of a property's ultimate success must be formulated.

Some communities have particular multifamily housing developments, or neighborhoods of single-family homes, that have been deemed "problems." Perhaps property conditions are below average, police visits are above average, or vacancy is high. Whatever the case, one of the most important elements is effective property management, which is critical to the long-term integrity and success of new or existing properties. Fortunately, there are steps a community can take to improve the management of both rental and for-sale homes at all price ranges, including mixed-income developments.

Photo: Josh Hawkins

Property management is critical to maintaining the value and quality of any home or housing development. Sustained upkeep ensures that Wilmette's Mallinckrodt in the Park continues to be a community landmark.

Property management may not be the direct responsibility of a municipality, but the municipality has a vested interest in ensuring effective, equitable practices within its borders. Even with a limited role, municipalities need to feel comfortable that sound management practices are being established and enforced so that the homes in question will be assets to the community in the long run.

This chapter presents the most common issues related to property management in new and existing properties. It also outlines tools and resources a community can use to be more proactive in property management. Understanding what good property management is will help you determine remedies for poor property management.

WHAT TO GAIN FROM THIS CHAPTER

1. **Understand the municipality's role in ensuring quality property management of new and existing housing.**

2. **Learn what effective rental property management entails, and what role a community can play in effective, equitable management:**

   - **Resident selection;**
   - **Service delivery;**
   - **Marketing;**
   - **Qualifying and counseling potential residents;**
   - **Property management; and**
   - **Landlord-tenant relations.**

3. **Learn what steps a community can take to ensure sound property management and maintenance of owner-occupied homes.**

Property Management in Rental Developments

Rental developments need to have procedures for resident recruitment, selection, move-in, and residency. Developers must hire, train and supervise leasing staff. They will need to formulate guidelines for long-term management, and recruit on-site staff with appropriate skills and experience. When a rental property develops a bad reputation, it is often due to poor management, resident selection, and everyday maintenance. If a building is troubled, the community's first priority should be to review and improve existing management practices. Demolishing the property should be a last resort. To ensure property management is done well to begin with, municipalities should encourage developers and managers to draft a property management plan.

IMPORTANT TIP

Request Copies of Property Management Plans

This chapter discusses several plans a well-prepared property owner or manager should have. By requesting copies of these plans, providing minimum criteria, and keeping them on file, a community can easily compare whether the property is being managed appropriately, against predetermined performance goals, or can work with a manager to improve planning.

FAIR HOUSING

Fair housing laws prohibit discrimination against a number of protected classes of people. The federal government, State of Illinois, Chicago-area counties, City of Chicago, and more than 20 municipalities in northeastern Illinois have identified impediments to fair housing, as well as actions to address them. IHDA's Affirmative Fair Housing Marketing Plan and Resident Selection Plan, which IHDA is currently updating, are available online at www.ihda.org. Housing restricted to a certain age group, such as those aged 62 and older, are exempt from some of these provisions. These laws also apply to equal credit opportunity.

The federal Fair Housing Act prohibits discrimination in housing transactions that are based on race, color, religion, national origin, sex, family status (having a child under age 18), or physical/mental disability. Communities also must adhere to the provisions of the Americans with Disabilities Act.

Discrimination – and violation of the Fair Housing Act – can occur when zoning practices and other ordinances are applied differently to a protected class. For instance, zoning your entire community solely for large-lot single family homes could lead to discrimination based on income. As your community considers and makes policy changes in order to create a more diverse and sustainable housing stock, be sure to remain conscious of potential unintended consequences.

Resident Selection

Resident selection is critical to the success of a rental property. Leasing up quickly to qualified residents results in financially sound buildings. The property's developer or sponsor will need to contract with a local nonprofit or a leasing or management firm if it does not do its own property management. In many cases, one entity can provide pre-completion services (marketing, eligibility reviews, leasing, and move-in coordination), as well as long-term property management. It is not unusual for developers to have their own in-house management companies, which can capably handle all but the most specialized resident needs. The larger and more complicated the development, the more staff that will be needed to implement and maintain property leasing and management standards. Management firms with a portfolio of multiple properties will be able to shift personnel to meet peak needs during the hectic resident selection and move-in periods. Beware of overcommitted management companies. Ask questions about plans to hire and train new staff.

A Resident Selection Plan details the application and screening process for choosing and accepting residents. For developments that receive government funding, age and income requirements will strongly influence how property managers go about finding eligible residents or buyers. In a property that will serve a mix of income groups or is set aside for 100 percent very low, low, or moderate-income households, the requirements of the financing sources attached to the property will govern the income ranges it serves.

Management also will need to set its own criteria, within the limits of fair housing laws, for evaluating a potential resident's credit worthiness, prior work history, experiences with previous landlords, and criminal record, if any. If the new development involved demolition of older public housing (as in the case of HOPE VI) or other subsidized housing, federal relocation requirements must be considered; some of the new homes will need to be reserved for prior residents who may elect to return to the property.

During construction, management will establish information systems designed to track applicants, evaluate eligibility, and provide up-to-date reports on unit status. It can be useful for municipal staff to review a draft of relocation plans and resident/buyer selection criteria with local housing experts and community groups prior to finalizing them. These groups also can play a key role in assisting with relocation. For instructions and forms for developing a resident selection plan, see the Appendix for IHDA's contact information.

Photo: Josh Hawkins

A resident selection plan can reveal a lot about the future success of a housing development. Thorough review of a developer's plan may indicate whether residents will be appropriately screened to gauge financial ability to make monthly payments, but also whether qualified applicants are being unfairly discriminated against. Upfront municipal review could avert problems down the road.

Service Delivery

While construction is still ongoing, the property owner must finalize its plan for providing any promised supportive services, such as employment counseling, day care, and after-school programs. A community building or Service Delivery Plan details how the residents will be provided with social services, either on site or through referrals and partnership. Existing properties need to reevaluate their services periodically to remain competitive and address tenancy changes. In a building serving senior citizens or persons with disabilities, these plans will include arrangements with municipalities and nonprofit organizations providing services such as transportation, recreation activities, wellness programs, meals-on-wheels, or visiting medical practitioners. These services often are available through area agencies on aging, township senior citizen offices, faith-based organizations such as Catholic Charities, Council for Jewish Elderly, Lutheran Social Services, or local hospitals.

Experienced managers ask such agencies to sign written agreements regarding the extent and frequency of services to be offered, and the skills of personnel who will be assigned to the building. It also will be important to discuss how service providers screen their staff members, what background checks are expected, and the security procedures that will be in place once the building opens. Because not all supportive services will be available on site, it is helpful for property managers to develop strong working relationships with nearby off-site providers such as day care centers, job training facilities, and health care centers. Municipalities can facilitate these relationships by hosting meet-and-greet sessions to bring property managers and service providers together.

SCHAUMBURG'S CRIME-FREE MULTI-HOUSING PROGRAM

In 1999, Schaumburg initiated the Crime-Free Multi-Housing Program (CFMHP), adapted from a similar program in Arizona. Initially established as a voluntary educational program for property owners, CFMHP became mandatory as part of the village's 2003 Residential Rental Ordinance. The program requires all leasing agents to take a seminar at the Schaumburg Police Department on how to effectively screen potential residents and protect current residents. This seminar educates landlords about their rights and responsibilities, as well as those of their residents. Seminar topics include crime and gang intervention, village laws and regulations, and resident screening. The training requirement applies to both single-family and multifamily rental properties, and includes a drug-free lease addendum that must be signed by the resident before a lease is valid.

Over the years, Schaumburg police have responded to disputes between landlords and residents that were often beyond the purview of police intervention. However, in the first five years of the program, the training has resulted in 12 percent fewer police calls, as landlords were able to resolve disputes without police involvement.

Schaumburg's proactive counseling has led to fewer disputes between landlords and residents.

Marketing

The Marketing Plan details how the owner or manager will promote the development's available apartments to eligible households. As a building's scheduled completion date draws near, it is time to open the building's wait list. Printed materials (flyers, brochures) should be distributed to community advocacy groups, counselors, and social service agencies, as well as prospective residents or buyers. Municipalities often will put brochures in prominent village or city locations such as libraries, senior centers, and city halls, in addition to fielding inquiries from the public. Advertisements will need to be placed in local print media. Marketing staff may be asked to make presentations to local churches, senior citizen groups, or other interested organizations.

Photo: Josh Hawkins

The more information a marketing plan and marketing materials provide, the greater the chances of full occupancy. Communities can assist developers by providing information on schools, businesses, and other amenities.

Printed information on the soon-to-be completed buildings (or the mix of homes planned for a for-sale property) should include the following information:

- Precise location, including a map.
- School district.
- Scope of the project – number of homes, mix by number of bedrooms.
- Income eligibility criteria and how income is determined.
- Rents or prices (and how they differ at various income levels, if this is a mixed-income deal).
- Site amenities –clubhouse, laundry facilities, play areas, open space, etc.
- Resident or buyer selection standards – employment, credit history, etc..
- Housekeeping expectations and behavior standards for children and teens.
- Available supportive services.
- Opportunities for participation in resident organizations or homeowner associations.
- Downpayment and financing options for buyers; available assistance for closing costs.

Marketing activities do not end once the property reaches full occupancy. Landlords must continually "get the word out" about their properties in order to build a waiting list or fill vacant apartments quickly. Turnover varies by building type and location, but it is not uncommon for apartment buildings to have 50 percent annual turnover, meaning half of the apartments will need to be re-leased each year.

KEY ACTIVITIES DURING DEVELOPMENT

The Community Builders, Inc. (TCB), an experienced developer of mixed-income rental developments, recommends a series of "Resident Initiatives" in preparation for occupancy. Critical tasks during the construction period include:

- Building community consensus around the development plan and requirements for the new homes.
- Providing regular, clear updates on construction progress, evolving plans, and issues that must still be resolved.
- Conducting community meetings to help residents and other stakeholders understand choices and endorse key decisions.
- Providing tours of management's other completed developments and the subject project while construction is underway.
- Giving priority access to project-related jobs to residents, as well as minority and women owned businesses.
- Identifying funding sources for resident programs and initiatives.

Source: Patrick M. Costigan and Leo V. Quigley, Resident Success in Economically Integrated, Socially Diverse Housing: A Practitioner's Guide, prepared for The Ford Foundation Mixed-Income/Mixed-Race Housing Initiative by the Community Builders, Inc., January 2006.

Photo: Josh Hawkins

Oakwood Shores, a new mixed-income community by TCB, is part of a new movement in government-assisted housing. However, mixing market-rate with subsidized homes requires that property managers be proactive in communicating with, and fostering communicationamong, all residents.

Leasing and Purchasing: Qualify and Counsel Potential Residents

Developers are eager to identify a large pool of qualified applicants before construction is completed. The more quickly residents or buyers are identified, qualified and committed to the project, the faster it will generate needed capital to pay expenses. When a rental property nears stabilized occupancy, the developer can replace more expensive construction financing with permanent mortgages at more favorable terms.

A successful pre-leasing or sales program involves training staff, some of whom may not have experience working with low-income families, seniors, or households with special needs. Many locations also will require multi-lingual leasing personnel. Staff will need to work with residents on credit issues, budgeting, and household management. For homeownership developments, credit counseling and homeowner education is especially important so that buyers understand all of the financial obligations, including property taxes, homeowners' insurance, appropriate loan products, and replacement reserves, as well as their personal responsibilities to the property as the owner.

Good resident screening is one of the most important things a landlord can do to ensure the building stays in good condition and remains well occupied. Buildings with a reputation of lax screening can spiral downward to become troubled properties, leaving other building residents and the surrounding neighborhood with problems.

Despite the general shortage of quality affordable housing, matching potential residents or buyers with the available homes in a particular development is not as easy as it seems. Not only must residents meet income restrictions, but they have to document their employment history, prove their incomes will meet the minimum standards of affordability (usually rent and utility costs cannot exceed 33-35 percent of income), pass credit and criminal background checks, and provide references

CONSTRUCTION TIMING AND DELAYS

Construction delays are often unavoidable, but they can wreak havoc on leasing and move-ins. Families with children may be reluctant to move them in the middle of the school year. Weather plays a role, with families less willing to move during the winter months. Delays also can occur for seniors who must sell an existing home before moving to an age-restricted development.

Unique situations occur when properties are being renovated. A Resident Relocation Plan details how any existing residents will be moved out of and back into the development, if applicable. Management tries to minimize disruption for residents; ideally, residents can remain in their homes while renovations proceed. However, temporary relocation may be necessary if the rehabilitation is extensive. If residents must be moved into vacant apartments within a building or complex, the rehabilitation process could be slowed.

It is important to provide existing and prospective residents with clear timelines and regular communication. Some work will not be completed as planned and other items may not meet company or resident standards. Municipal officials will want to work hard to get necessary inspections completed and occupancy permits issued so that government is not holding up move-ins. Communication – and paying close attention to details – can go a long way in maintaining good will. This is the time when development, leasing, management, and public inspection staff must work together to create a positive environment.

from previous landlords, banks, or employers. Some landlords require drug tests for all occupants of an apartment and make site visits to applicants' current homes. For properties with fixed monthly rents (such as LIHTC apartments), households will need to be employed or have some other secure source of income. Some management companies work with families in need to facilitate stable employment, offering counseling on job training programs, job boards and fairs, and online job-search programs.

According to The Community Builders, Inc., it also is important to make residents and buyers aware of income enhancement and asset-building through the Earned Income Tax Credit, child care tax credits, government-sponsored health insurance programs for children, and Individual Development Accounts.

Photo: Josh Hawkins

Management should consider resident needs when assigning or suggesting units. Senior buildings do this for residents, but it is equally important in non-senior buildings.

It is important to match household sizes with available homes. For example, a family of five will not be allowed to reside in a two-bedroom home; overcrowding is not permitted in government-assisted housing and is prohibited by many communities within their building codes. Management may want to assign seniors to apartments on the first floor of a multi-story walkup building in a non-senior property. They must hold apartments that are specially equipped or adaptable for households with disabilities until it is clear no qualifying households have applied. Each property must have clear procedures for resident selection and wait listing, as well as sound record keeping systems (with backup).

If many apply, not all qualified applicants will be offered a unit during the initial leasing period. They will be placed on a wait list, which must be carefully maintained and periodically purged. This means managers will need to try to contact the applicants to determine their continued interest and qualifications for living at the development. Those who cannot be located or indicate they no longer wish to remain on the wait list should be removed.

Renter and Buyer Responsibilities

Potential residents need to be informed and financially prepared before leasing or buying a property. This may seem like common sense, but often people rent or buy homes that are beyond their means, typically because they do not have a full understanding of costs.

Potential residents should:

- Have funds saved for a security deposit or down payment/closing costs.
- Be credit ready, so that when a credit report is pulled for the purpose of a rental or loan application, the application will be approved.
- Resolve outstanding debts to utilities.
- Ensure monthly housing payment is affordable, leaving ample room to pay other debts and expenses, as well as extra to save or invest.
- Consider the transportation costs associated with the home in question. Will excessive transportation costs negate savings on the home?
- Think carefully about the neighborhood in which they plan to rent or purchase a home, knowing they are making a decision on not only the property itself, but the community and all it has to offer.
- Work with a local nonprofit housing organization, if applicable, to receive counseling and education on any or all of the above.

Municipalities can play an active role in resident education by creating or promoting counseling and education programs. To reach the widest audience, these programs should be offered during the day and evening, on weekdays and weekends, and in multiple languages. Advertising widely in public places, local media and on municipal Web sites also will help.

Photo: Josh Hawkins

Photo: Charles Buki

Renters and buyers need to understand the full range of costs associated with the home, and be capable of paying them. Utilities, transportation, and monthly expenses can drive up total housing costs, and too often go unaccounted for by prospective residents.

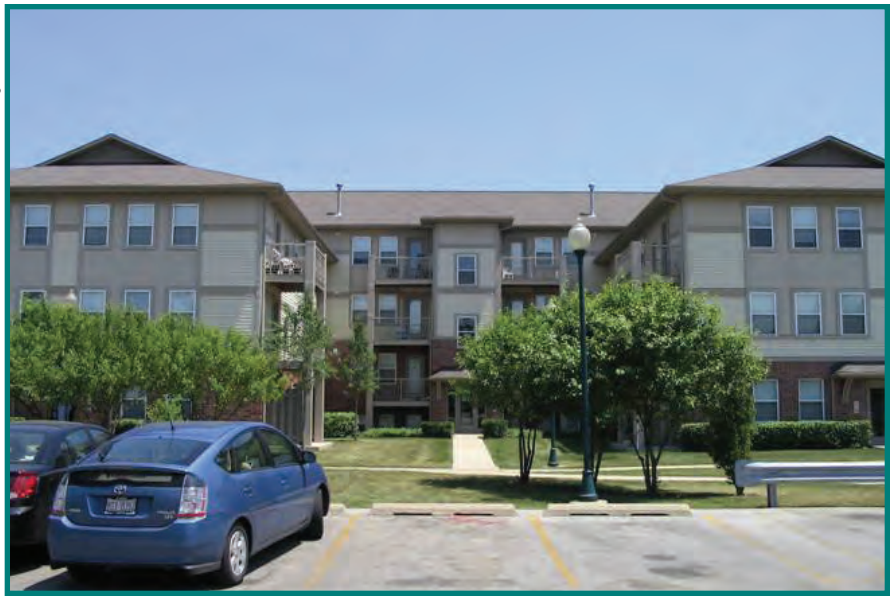
Property Management Plan

The Property Management Plan details how the manager will handle ongoing maintenance, staffing, re-leasing of apartments, community activities, and other issues that arise. As indicated in earlier chapters of this workbook, assuring a supply of affordable workforce housing involves more than just new construction – it also requires successfully maintaining and managing existing older properties that do not have any formal government subsidy. These properties often change hands as owners near retirement or investors' priorities shift over time.

Prospective purchasers of existing buildings – and the firms that ultimately will manage the buildings – need to carefully consider what changes need to be made. The buildings may be suffering from serious deferred maintenance problems, safety and pest issues, or merely need cosmetic upgrading. In some cases, disruptive residents may be adversely affecting the building's image. Consistent lease enforcement, coupled with quality resident programs, are essential. Opening lines of communication with residents, employees, and public officials (police, building, schools, and social services) can identify problems that need to be rectified.

Maintenance and appearance affect the image of the building; owners and managers must be vigilant in these areas to attract and retain their residents. Word of mouth can be the best or worst kind of publicity, depending on the management of the building. Managers who respond quickly to resident service calls often can repair smaller problems before they become large and more expensive, as well as foster greater pride in the building among residents.

Photo: Josh Hawkins



The property management plan may be the most significant harbinger of things to come. Upkeep of attractive multifamily buildings, such as this one, requires consistent, dedicated effort by management and residents.

EDUCATION IS KEY

The City of Milwaukee offers free training classes to teach landlords and managers about resident screening, strengthening leases, code compliance, property maintenance, dealing with drug and other illegal activities, the role of the police, crisis resolution, and the eviction process. The workshops are conducted by the Dept. of Neighborhood Services and Police Department, and all attendees receive a manual with community resources.

LANDLORDS, RESIDENTS AND THE LAW

The Illinois Attorney General has established a set of responsibilities and rights for both the landlord and the residents. By making sure these rights are well known in your community, you may be able to build stronger relationships and avoid management problems before they start.

A landlord has the following responsibilities and rights:

- Keep unit fit to live in
- Make all necessary repairs
- Keep unit in compliance with state and local health and housing codes
- Set the amount of rent and security deposit
- Charge a reasonable late fee for delinquent rent
- Make reasonable rules and regulations
- May not enter resident's rental unit without prior consent unless an emergency exists
- Pay interest on a security deposit if held for at least six months or building has more than 25 units
- Return security deposit in full within 45 days if resident does not owe back rent, has not damaged unit, and has cleaned unit
- Notify resident if lease will be terminated – 30 days for month-to-month and 60 days for annual leases
- May not discriminate based on race, color, religion, national origin, gender, and marital status, or disability
- Must file lawsuit to evict resident, but cannot turn off the utilities to make resident leave; only sheriff can physically evict resident

A resident has the following responsibilities and rights:

- Receive a written lease
- Pay rent on time
- Keep rental unit safe, clean and undamaged
- Pay utility bill if utilities are resident's responsibility
- May not alter unit without landlord's approval
- May not disturb other residents in the building
- Use all equipment in a reasonable manner
- Give written notice of intent to move, usually 30 days
- Cannot be evicted for complaining to any government authority regarding the unit
- Permit reasonable access to landlord upon receiving two-day notice

Source: Illinois Attorney General, "Landlord and Resident Rights and Laws."

Landlord-Resident Relations

Healthy landlord-resident relations are especially important to keep a building in good physical condition and safe for all residents. Good managers will have established procedures for dealing with serious issues such as domestic disturbances, noisy parties, or people loitering in public spaces.

Many municipalities and the State of Illinois have laws and legal precedent that give landlords and residents specific rights. Chicago, Evanston, and Oak Park, for example, have long-standing landlord-tenant ordinances that list responsibilities of each party and ways to resolve conflicts. Typical ordinances include measures for dealing with leases, security deposits, maintenance and code violations, rent defaults, evictions, property abandonment, and fair housing issues. The City of Chicago also established the Chicago Rents Right program, which provides resources and information for residents and landlords. For more information, call 312-742-RENTS.

Photo: Josh Hawkins

Communication between landlords and renters is vital for sustaining long-term viability of housing developments. Several northeastern Illinois communities have landlord-resident ordinances, but municipalities can play an active role without regulation, merely by hosting sessions for interaction. For example, a public picnic in an open space, such as this community lawn at a multifamily development in Dolton, could be a forum for dialogue between landlords, renters, and the broader community.

Additional Municipal Activities in Property Management

Most of this chapter has outlined what quality management entails in a rental property, particularly those that receive government financial assistance. However, a community can also be proactive when it comes to owner-occupied homes and mixed-income communities. The remainder of the chapter will demonstrate effective techniques for community involvement in these areas.

Enforcing Housing Codes

Local governments play a critical role in the maintenance of a sound affordable housing stock through their code compliance activities.

Code enforcement helps ensure property management and upkeep. Many jurisdictions require routine inspections of existing multifamily housing. Some also require inspections and issuance of a certificate of occupancy when a new resident moves in. Some of the more proactive jurisdictions also apply this standard to owner-occupied housing at the time of sale.

Local code can cover physical health and safety issues (cleanliness, fire hazards, electrical, and plumbing), as well as occupancy standards. LIHTC, Housing Choice Voucher, and Section 8 apartments are periodically inspected by the housing authority (as are those supported with Section 8 subsidies) and must not exceed permitted maximum numbers of persons-per-room. For other affordable (low-rent or low-cost) homes, it is up to local government to make sure living conditions are safe and healthy. Overcrowding can quickly lead to social problems and excess wear-and-tear on structures.

The Village of Mount Prospect adopted an inspection ordinance to ensure better management, maintenance, safety, and health in rental buildings, in response to a high number of police calls from an area with a concentration of apartment buildings. The village created a checklist for property inspections that includes annual exterior inspections and five-year interior inspections. Single-family homes are inspect-

Photo: Josh Ellis

Code enforcement is one of the simplest, yet most effective, ways of maintaining safe, attractive, equitable neighborhoods. This is especially in true when there are multiple property owners, such as here in Chicago's Bridgeport. As neighbors see code requirements in effect down the street, they too will often improve their homes to meet expectations.

ed if a complaint is registered. Landlords have 30 days to remedy any violations. The village collects licensing fees of $31 per unit to cover the cost of the inspectors, a social worker, and several police officers.

Country Club Hills uses its firefighters to help building inspectors monitor code compliance. During morning hours, firefighters walk the neighborhoods to inspect commercial and residential properties. They fill out a form that lists items needing attention and the action property owners must take, such as paint, repair, replace, or remove. Owners have 30 to 45 days to comply, though high priority violations, such as garbage and graffiti, must be remedied within 24 hours. There is no additional cost to the city, as this is part of the firefighters' job description.

In Waukegan, the city initiated an expanded code enforcement program to focus on overcrowding. Rather than dictating the maximum number of people per bedroom, Waukegan requires each bedroom to be a minimum of 70 square feet. For bedrooms of 70 to 100 square feet, one person is permitted; over 100 square feet, 50 square feet per occupant is required. This ordinance has the support of fair housing advocates, who prefer it to previous laws that limited occupancy to members of the same family. Prior to closing, sellers pay the city $100 for the inspection, which also includes checks of smoke and carbon monoxide detectors, furnaces, and water heaters. During this process, the inspector will indicate the number of people who can live in the home. This way, buyers are not surprised or forced to sell their homes because they cannot comply.

Photos: Village of Mount Prospect

BEFORE - dingy carpet and no railing

AFTER

BEFORE - old, drafty windows

AFTER

Before and after shots from Mount Prospect demonstrate the benefits of sustained code enforcement. By requiring expedient repairs, short-term problems do not become long-term ones.

Condominium Conversions

The conversion of rental housing to condominiums is a sign of a strong for-sale housing market, but has some negative consequences.

- Widespread condominium conversions diminish the supply of rental housing, which reduces options to live in a community. Recent graduates from college, minimum wage workers, seniors on fixed incomes, new families, and many other important community members rely on rental housing as a flexible, manageable, and often affordable alternative to homeownership.
- Condominium buildings can be more difficult to manage from a municipal perspective, given the nature of the ownership structure. In a rental building, there might be one owner or property manager to work with on building repairs and safety issues, while condominium buildings have associations with multiple individual owners. There may be several different owners or investors renting out their properties in one building, which makes it very difficult to address any issues that may arise from poor management of those homes.
- Particularly for smaller condominium buildings, it is hard for associations to raise funds or obtain financing for major building repairs.

Some communities in the region have taken steps to address these challenges. Chicago, through its Chicago Partnership for Affordable Neighborhoods program (CPAN), partners with private developers to create affordable condominiums in market-rate developments. CPAN offers a developer write-down and purchase price assistance for income-qualified first-time homebuyers. Participating developers reduce the purchase price on a percentage of the units in a market-rate development to an affordable level for buyers at 100% of AMI. Developers receive $10,000 in permit fee waivers for every affordable home provided and other city-related cost reductions. While not all renters in an existing building will be ready for homeownership, those who are will have the opportunity to purchase at below-market prices and hopefully at a monthly cost that is in line with what they currently pay in rent.

When a community identifies a rental building that is at risk of being converted to condominium, (i.e. the property is for sale and has no existing affordability restrictions or there have been issues with the owner or property manager not being able to afford to maintain the property), the municipality can work with a preservation developer to acquire the building, rehabilitate the property, and preserve it as rental. There are several preservation developers in the region that have extensive finance and property management experience. These developers can help a community upgrade its rental stock while keeping it affordable for existing residents. The Metropolitan Planning Council can connect people with these developers.

Finally, in order to keep track of which condominiums are being purchased by investors and rented, a community can pass a rental housing ordinance to require licensing of all rental housing. The Village of Palatine passed such an ordinance to require condominium owners to get licensed when they rent their properties to ensure the village has the information and resources it needs to enforce all rental and building compliance regulations with the proper property owners.

Mixed-Income Communities

In Illinois and throughout the country, municipal leaders are actively guiding and supporting new and renovated mixed-income housing sites through such strategies as zoning incentives, EAH, and more overt partnerships with affordable developers, market-rate builders, and community organizations.

Central to the success of mixed-income communities is the ability to forge genuine public-private partnerships. Municipal leaders need developers who can cobble together the range of financing required for these complex deals, and ensure an enhanced level of property management that integrates high quality management practices, community-building activities and events, and resident access to supportive services. On the flip side, developers need municipal leaders who contribute to that complex mix of financing tools, through land, zoning, or direct loans or grants (provided by the municipality or in conjunction with other towns or the local county). Perhaps more importantly, developers count on municipal leaders to ensure existing city resources and amenities are extended and refined to accommodate the full range of residents in the new mixed-income sites. Everything from parks and recreational facilities to workforce development strategies must be assessed and tailored to foster cohesive mixed-income communities.

Municipalities can support the development and management of mixed-income communities in a number of ways:

- Adopt inclusionary housing and employer-assisted housing strategies that encourage a mix of housing options.
- Introduce the Regional Housing Initiative, the state's Rental Housing Support Program, and other resources that provide operating subsidies to property owners who reduce the rents in a portion of the existing rental stock.
- Assist with marketing and community acceptance to ensure local residents and workers recognize the local benefit of the proposed mixed-income site.
- Host meetings onsite to inform residents of specific resources and opportunities in their community, as well as to address resident questions and concerns.
- Provide opportunities for residents in the mixed-income development to connect with the larger neighborhood (i.e. programs, activities, and events).
- Allocate funding or access to programs that target the needs and interests of residents in the mixed-income development.

A number of Illinois communities are leaders on mixed-income housing. While Chicago's historic work with the Chicago Housing Authority Plan for Transformation is probably the nation's largest investment in mixed-income redevelopment, St. Charles, Highland Park, and Lake Forest are cities that have both inclusionary housing and EAH programs in place and are utilizing their own resources to leverage private market activity and advance local affordable goals. On the other side of the region, Riverdale's work with the redevelopment of Pacesetter into mixed-income housing illustrates how conventionally affordable communities also can advance a mixed-income strategy to support local economic development goals.

While the CHA's Plan for Transformation is the most well-known shift to mixed-income developments, many communities in the Chicago region are following suit.

Rehabilitation

Communities can participate in property management and maintenance by providing loans for housing rehabilitation. These funds can assist in efforts such as bringing homes up to code, lead paint abatement, exterior painting, and furnace replacement, among others. By helping residents maintain their homes, officials can ensure their municipality's housing stock meets community standards regarding appearance as well as safety. These programs also can serve as a method of maintaining community affordability by targeting low and moderate-income homeowners.

Two Chicago-area communities have implemented loan programs to preserve their affordable housing stock and help residents to maintain their homes at safe and desirable standards. The Village of Oak Park's Single Family Rehabilitation Grants/Loans Program disbursed over $2 million between 1997 and 2006 to low and very low-income applicants in owner-occupied buildings with one to four units. Five initiatives are included in this program: 4% amortization, lead abatement, deferred payment, emergency, and Home Investment Partnership Program loans. Oak Park uses CDBG and HOME funds to finance its loan program, which was reconstituted in 2008.

The City of Evanston also taps into its CDBG allocation to fund its housing loan program. The One and Two Family Rehabilitation Loan Program is a comprehensive revolving loan offered at zero percent interest to homeowners earning at or below 80 percent of the area median income. Loans are capped depending on the type of work to be done. Projects that qualify for assistance include landscaping, structural improvements, energy conservation, and those addressing code and health-related violations. To qualify, the applicant must have clear title to the property and owe no back taxes.

BEFORE

AFTER

Several communities in the Chicago region have rehabilitation programs for single-family and multifamily properties, often using CDBG funds. Chicago's Troubled Buildings Initiative, however, relies on a partnership between eight city departments and the nonprofit Community Investment Corporation.

What's Next?

Good management is critical to an individual property, block, neighborhood, and municipality. Many communities are only too aware of the problems one bad building can create, be they physical or social issues that require significantly more attention and money than ongoing management and maintenance. While most municipalities are not in the property management business, they need to work with developers, property owners, and management companies to make sure problems are dealt with quickly, fairly and legally. While new construction and preservation can increase the supply of quality housing, ongoing management and community oversight will keep the housing stock sound for years to come.

Issues that result from poor property management can have a detrimental impact on community acceptance and understanding for below-market rate housing that often extends to rental housing in general. Most stereotypes about affordable housing stem from poor management at one particular development. By taking a proactive approach to property management, municipal officials can promote community acceptance of a more diverse housing mix.

CHAPTER 6

Building Community Acceptance

When introducing residential developments, particularly those with an affordable component, everyone involved – municipal officials, developers, residents, employers, faith-based leaders, and advocates – needs to recognize common community values. People desire stable communities that make their everyday activities convenient and lives worry-free. Residents want good schools for their children, easy access to work, shopping and recreation, and a safe and attractive environment. When citizens and developers understand and address these values, housing can be integrated smoothly into the community.

Photo: Josh Hawkins

Affordable housing is about equity of choice. Everyone deserves a decent place to live, an opportunity to succeed, and a range of feasible choices for attaining those things. Affordable housing must complement and build upon its surrounding neighborhood. Planning a community acceptance strategy and tapping public participation early on can help address concerns, and result in better developments for the residents, neighbors, municipality, and developers.

WHAT TO GAIN FROM THIS CHAPTER

1. **Learn to identify the right partners and determine the best strategy to build community acceptance of affordable housing.**
2. **Learn about tools and resources to disseminate your message.**
3. **Understand that addressing community values is more effective than focusing on community fears.**
4. **Learn the truth behind negative myths about affordable housing.**

The planning process for any new housing development involves "give and take." In some cases, a developer's initial plans need improvement; input from citizens and local staff can lead to revisions that will improve the final product. At times, however, opposition to affordable housing is based on unfamiliarity and negative perceptions. As a result, affordable housing can be an unnecessarily "hard sell." This chapter provides tools for local communities to demonstrate the need for and potential benefits of affordable housing.

Getting Your Message Heard

In northeastern Illinois, the Metropolitan Planning Council, Metropolitan Mayors Caucus, and Housing Illinois are among organizations that have developed materials to assist municipalities and affordable housing developers. These include a housing video describing how affordable housing benefits a community, *Welcome Home: Housing Our Community*; the "We Need the People who Need Affordable Housing" public education campaign; and the Metropolitan Mayors Caucus' Housing Endorsement Criteria (see Page 4). Information on accessing these groups and resources, and many more, is available in the Appendix.

In addition to these resources, the following materials can help to present an affordable housing development to a community:

- Fact sheets summarizing the development proposal – number of homes, number of bedrooms, income levels for target tenants, plans for on-site management, traffic, and school impact figures.
- Project brochures – including color renderings, if possible, and photographs of similar buildings constructed in comparable communities.
- Briefing materials on the need for affordable housing in the region and community. Use specific examples, including salaries actually paid to public servants, hospital staff, sales clerks, and others who work nearby.
- Posters and photoboards to be used as part of formal presentations and informal "question/answer" sessions. Include site plans. Show adjacent streets. Measure distance to adjacent properties. Make enough copies to place the boards outside of the municipal building or at the public library.
- Postcards to remind supporters to attend public meetings and hearings.
- Slide shows with pictures of existing conditions on the proposed development site, nearby streets and neighborhoods, renderings of the proposal, and photos of comparable properties.
- Videotaped interviews with residents of affordable housing in nearby communities, and with potential residents of the proposal.
- Web site with relevant information and e-mail communication to engage supporters.

In contentious situations, a more active public relations campaign may be needed, involving professional expertise. Activities could include:

- Doing radio and TV interviews on recent housing price or rent escalation and the scarcity of available affordable housing.
- Producing fact sheets on the growing number of households with affordability problems, and the need for affordable housing.
- Conducting interviews with, or soliciting testimony from, employers who are experiencing difficulty in recruiting workers due to the high cost of housing.
- Writing letters to the editor of local newspapers.
- Setting up information tables at community events.

Individual meetings with and presentations to elected officials, interested neighbors, or community groups also are helpful. Concerned citizens want to feel their voices are being heard. Developers may ask zoning officials to designate a department head or senior staff member to seek compromise on controversial issues, or to hold smaller neighborhood meetings rather than mass public hearings.

At the municipal level, there are several steps that a community can take once it has determined that it prioritizes providing a range of housing options. The municipality can adapt the Metropolitan Mayors Caucus' Housing Endorsement Criteria, which state the community values housing that is well-designed, well-maintained, accessible to transit and employment, and affordable to households at a range of income levels. Passing the Endorsement Criteria sends the message to developers that the municipality is receptive to affordability in proposals. Communities also can form a Housing Commission, which is usually composed of volunteer commissioners who are charged with promoting housing for all community residents.

Holsten Real Estate Development Corporation

Brinshore Development L.L.C.

Illinois Institute of Technology

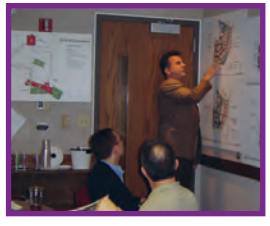
Renderings and site plans are invaluable tools for communicating the potential community benefits of proposed housing developments.

Stakeholder Strategies

In building support for a new multifamily development or an affordable housing proposal, developers and communities need to identify the key decision makers who will influence the final decision, and which organizations to contact to generate support. It is important to find champions in the community who bring a new perspective to the discussion.

Debra Stein, a consultant who works to build support for developments, identifies three categories of influencers:

- A Tier 1 decision maker is the ultimate target of all communications. Members of this group include mayors, council members, city managers, and zoning commissioners.
- Tier 2 is comprised of respected community leaders who shape the opinions of elected officials and other local organizations. They can include the president of a large civic group, homeowners association, or Chamber of Commerce; well-respected clergy; owners or managers of major employers with facilities in the area.
- Tier 3 influencers are more focused on personal rather than community interests. They are the rank and file members of neighborhood groups, as well as individual citizens and property owners.



Local leadership and community outreach have been instrumental to achieving housing goals in communities such as Riverdale, Rolling Meadows, and Park Forest.

The message developed for each audience can use different methods and media, but the issues that must be addressed are the same:

- Affordable housing is needed not only regionally but in this community.
- It will serve people who already live or work in town.
- The community can benefit from a more diverse housing stock.
- The proposed development is well planned and attractively designed.
- It will be professionally managed and well connected to local community organizations. If a resident manager will be living on-site, be sure to mention that.

The Metropolitan Planning Council is working with regional and local nonprofits, employers, and faith-based leaders to build and deploy "community acceptance strategies," which support policy makers and developers advancing the Metropolitan Mayors Caucus Housing Endorsement Criteria (see Introduction). The key to a successful strategy is to begin this process as early as possible – anticipating concerns rather than reacting to them, and proactively communicating the benefits of the particular policy or development. Contact the Metropolitan Planning Council for more information.

Commonly Voiced Concerns about Affordable Housing

Developing a community acceptance strategy before proposing housing developments, policies, or plans, can reduce misconceptions about affordable housing and smooth progress toward community goals. Indeed, an inclusive and comprehensive planning process is often the first and most important step in developing community acceptance. The planning process should reveal what a community wants and values – for instance, good schools, retail and restaurant options, access to a diversity of job opportunities, and a distinct community character. Building community acceptance of affordable housing, or even of denser developments of market-rate housing, is often a matter of illustrating that housing does not conflict with community goals, but instead complements them and, in some cases, actually make them possible.

Affordable housing is simply that – not cheap and not free.

There are many groups in northeastern Illinois that can help a community develop an acceptance strategy, but every community leader and housing advocate should understand common concerns about affordable housing and density, where those concerns come from, and what the actual facts are. Understanding the exact nature of opposition to a particular housing development, for instance, will help identify the strategy necessary to overcome it.

AFFORDABLE HOMES CAN STRENGTHEN COMMUNITIES

In a 2004 study that analyzed LIHTC buildings built in the 1990s and their surrounding neighborhoods, the Brookings Institution found these neighborhoods improved on socioeconomic and housing measures absolutely, and relative to other neighborhoods. This finding was consistent with other studies that showed project-based affordable housing did not necessarily "bring down" the surrounding neighborhoods. In addition, neighborhoods with tax credit projects generally have newer housing stock, indicating this type of development can work in areas where other residential development is occurring.

Concern #1

Residents of affordable housing are extremely poor, unemployed, and lack ties to the community.

Community residents may not be aware of the recent escalation in housing prices or rents, especially if they have owned their homes for decades. They may be surprised to learn even older homes and apartments are beyond the means of many employed heads of households, especially in families where only one person is working full time. Opponents of affordable housing may be surprised to learn housing in their neighborhoods is often too expensive for public servants – starting teachers, firefighters, police, librarians – who work in their communities, and certainly not affordable to people who work as sales clerks, secretaries, waiters, child care providers, or practical nurses. Testimony from these workers and their employers at public hearings often strikes a chord because their stories are real. Communities need these people, and these people need homes they can afford.

Affordable or workforce housing is not just designated for very low-income or unemployed residents. In fact, many current subsidy programs require a consistent stream of income. While LIHTCs can bring rents below current market levels, neither federal nor state subsidies are as deep today as they once were. Residents of tax credit-assisted buildings pay a fixed rent. A small family needing a two-bedroom apartment could pay as much as $1,018 a month for an apartment and still meet the definition of "affordable." Like many would-be residents of market-rate homes, residents in these affordable buildings must sign a lease and are subject to credit and criminal background checks. To pay the fixed rents in tax credit buildings – or to buy "affordable" for-sale housing – one or more household members must be working or have another steady source of income such as Social Security.

Many communities throughout the region have asked for local community preference in the tenant selection criteria. This is possible in private market transactions. However, given many of the funding sources required for development, this is not always possible; federal and state funding can prohibit this type of criteria. Also, if a community's current residential makeup is not diverse, identifying a local preference or requirement could essentially exclude a protected class from qualifying, which puts the community in violation of the Fair Housing Act.

Photo: Wonderlane.com, Linda Lane

People are often surprised by who needs, and who lives in, affordable housing. Teachers, municipal staff, fire fighters, and police officers often struggle to afford homes in the Chicago region, but it is these people who make our communities stronger, better places to live and raise families.

Concern #2

Affordable housing = high density development.

In suburban communities, where the housing stock consists primarily of single-family, detached homes, an affordable development will likely have more homes per acre than residents are used to seeing. Higher density lowers per-unit development costs (especially for land), allowing the developers or sponsors to pass on the savings when calculating rents or sales prices.

Of course, not all high density housing is affordable, and not all affordable housing is high density. High density housing can be very expensive indeed – witness the prices of high-rise condominiums and rentals in downtown Chicago. More often than not, increasing density – even doubling or tripling the density of a typical new suburban single-family subdivision – will not automatically bring rents or prices down to a level affordable to low-income families. Density can be a tool and leverage point to request that developers incorporate some affordable housing, or to help affordable developers meet their goals. Additional sources of funding, such as LIHTCs and other subsidies, will also be needed.

Today's affordable housing developments may be denser than surrounding single-family neighborhoods, but they are far different than the high-rise public housing towers of the past. Styles for multifamily include wood frame, garden apartments, stacked flats, or townhouses that are virtually indistinguishable from nearby market-rate developments. LIHTC projects for families rarely have more than three stories – installing elevators is costly, and therefore unnecessary if building heights are kept low.

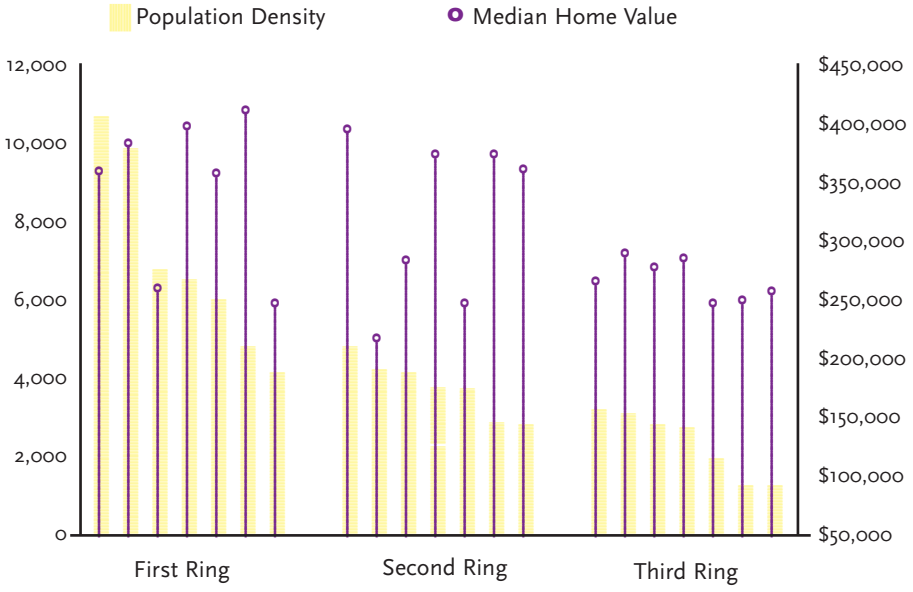
Photo: Alex MacLean for Lincoln Land Institute for Land Use Policy

Because it has a mix of housing types, sizes and designs, the community in the top picture is as dense as the community below, but does not look like it. Perception matters. Monotony of design can often be more of an issue than density.

Affordable seniors-only housing is typically a one-story garden style complex or a mid-rise elevator building with three to five floors. Affordable townhomes often have 1,200 square feet of space or more, with at least two bathrooms. Single-family, for-sale properties usually have three or more bedrooms. They may be smaller than new market-rate, detached homes because they lack "bonus" features that drive up costs (for example, having both a living room and family room, separate office, or screened porch room).

The graph shows the relative population density of various first, second and third ring Chicago suburbs and their median home values. First ring suburbs are oldest and closest to Chicago. Second ring suburbs were primarily developed in the 1960s, 1970s and 1980s. Third ring suburbs are the newest and farthest from the city, with most residential development occurring in the 1990s and later. Property values are higher in many of the higher density, first and second ring suburbs than in the less dense, second and third ring communities.

Population Density Per Square Mile and Median Home Value for Selected Chicago Suburbs, 2007



Source: Valerie S. Kretchmer Associates, Inc. based on data from Demographics Now and Chicago Tribune.

Concern #3

Affordable housing = Unattractive, cheap construction.

There is a common misperception that affordable housing is ugly and cheaply constructed. This is far from the current reality. Affordable housing today, if done right – with municipal and community input – is attractive and compatible with the surrounding housing stock. A demonstration of visually appealing new developments in communities with similar socio-economic characteristics can have a powerful effect on current residents.

Most developers understand good design is essential to the success of any development, affordable or not. New incentives for environmentally responsible design have recently become available, and developers have responded by incorporating more green principles where possible.

Photo: Josh Hawkins

It is lack of imagination, not affordability requirements, that produces unattractive homes. Affordable homes are often attractive and fit in with the neighborhood.

Showing slides, color renderings, and providing background information at public meetings can help to demonstrate good design and affordable prices can be accomplished simultaneously. Finally, it also can be helpful to take community leaders on a bus tour of successful developments.

HOMES INCREASINGLY OUT OF REACH

Each year, the National Low Income Housing Coalition (NLIHC) publishes *Out of Reach*, a detailed analysis of the household incomes required to afford a typical two-bedroom rental apartment in every metropolitan area in the U.S. In the Chicago-Naperville-Joliet area, in 2006, a household needed to earn $37,400 per year to afford such an apartment at the HUD fair market rent – $935, including utilities – assuming it spent no more than 30 percent of income for shelter.

NLIHC notes a full-time worker earning the minimum wage ($6.50 per hour) could afford to pay only $338 per month. An hourly wage of $17.98 was needed to afford the fair market rent – an equivalent of nearly three full-time wage earners per household. Non-working households that rely on Social Security (SSI) as their sole sources of income face an even bigger gap – an affordable monthly rent based on their SSI payments would be only $181. In some communities, where rents are much higher than the HUD fair market rent, the affordability crisis for renting families is even more acute.

Concern #4

Affordable buildings are property tax exempt and, therefore, don't contribute to the community.

In most cases, affordable buildings pay local property taxes to all taxing jurisdictions. Some municipalities may decide to place conditions relative to the payment of taxes when the project is approved (e.g., it cannot be sold to a tax exempt entity). If the building is developed by a nonprofit organization, the municipality can negotiate a payment in lieu of taxes or have ownership of the property in the hands of a for-profit affiliate. If the property is located in a TIF district, all real estate taxes go to the district rather than other taxing bodies, until the TIF expires.

Photo: Josh Hawkins

Evidence suggests proximity to affordable homes has little to no effect on property values. This is true within mixed-income developments such as Rolling Meadows' Riverwalk, and in the surrounding community as well.

Concern #5

If I have to move, it will be harder to sell my home. My property values will go down.

Homes are usually a household's single most important investment. Families will want to protect their property values, and will feel threatened if they think values will decline because of multifamily construction or small, single family-homes targeted to low and moderate-income households. According to the Housing Alliance of Pennsylvania, developers need a multi-faceted response to concerns about property values. They need to provide information from the most relevant research – for neighborhoods in the same general area. If such reports are not available, the developer may need to commission a new property value study. Appraisers and realtors should be asked to testify about value trends. Developers should provide residents with information on the planned budget for property maintenance and management to help allay concerns.

> *"...a substantial body of research, dating back to the early 1970s, has established that affordable housing has no detrimental effect on property values or on the time that homes spend on the market. Well over 100 studies, conducted by prestigious universities, state and federal government agencies, accounting firms and planning organizations, have concluded that neither conventional public housing, nor affordable private units, nor group homes for people with disabilities has a negative effect on surrounding properties."*

Source: The Housing Alliance of Pennsylvania, Addressing Community Opposition to Affordable Housing Development: A Fair Housing Toolkit, *2004.*

Concern #6

Multifamily housing – affordable or market-rate – will create traffic problems and generate too many school-age children. Households needing social supports will strain the capacity of public services. Taxes will go up as a result.

Residents of affordable housing complexes have, on average, fewer private vehicles per household. They tend to rely more on public transportation to get to work, and shop close to home. How much vehicular traffic will be generated depends on how far residents have to go for everyday needs and where they are employed. Locating affordable residential developments near existing transit and service will cut down on traffic demand considerably. In senior buildings, it is very common for management to work out an arrangement with the village, township, senior agencies, or nonprofit social service providers (such as Catholic Charities) for a scheduled shopping bus. Trips are provided at little or no cost, but must often be reserved in advance. In some locations, dial-a-ride will take residents of senior apartments to medical appointments.

Studies also have shown affordable and multifamily housing does not necessarily generate a disproportionate number of school-age children. In fact, creating a wider range of housing choices can help to attract singles, retirees, and couples with no children.

When affordable housing is built on infill sites, local governments collect service charges and real estate taxes, but often do not have to build and pay for new infrastructure. New residents patronize community businesses. For Illinois municipalities, there is the potential for additional sales tax collections with the increased purchasing power brought by new households.

Photo: Valerie Kretchmer

This multifamily building was once a Marshall Field's store. Its downtown Evanston location is more likely to attract seniors, singles, or couples without children. The belief that affordable or multifamily developments automatically generate more children is unfounded.

MULTIFAMILY DEVELOPMENTS GENERATE FEWER SCHOOL CHILDREN

Opposition to multifamily housing – and especially to affordable apartments – may reflect concern the new homes will overload the school system. This is especially true in communities that are attracting new home developments that are being marketed to families with young children. These families are eager to avoid overcrowded classrooms. Older residents fear an increase in real estate taxes to fund new school construction.

For more than 25 years, researchers at Rutgers University have studied Census and school district data to calculate multipliers – estimates of the number of people, and specifically school children – generated by housing type (single family, townhouse, garden apartment) and number of bedrooms. As American household sizes have trended smaller, Rutgers researchers have found a corresponding decline in multipliers. A report published in November 2006 provides updated information.

Although the results are based on New Jersey data, Illinois would likely show similar trends. As noted in Chapter 3, the densely developed HomeTown Aurora community actually generates a $1.2 million surplus for the local school districts. The national studies show multifamily housing generates far fewer children per unit than do single-family, detached homes with the same number of bedrooms. Additional guidance is provided in the full report, available on the Internet at www.policy.rutgers.edu.

"It is commonly assumed at the present time that each new housing unit contains about one public school child. The latest census data indicates that is the case only for large homes (four-or-more bedroom, single-family, detached homes); attached homes generate about 0.1 to 0.7 public school children per unit (e.g., 100 attached units contain about 10 to 70 publicly educated pupils). Further, residential construction of growing popularity in New Jersey, such as transit-oriented development (TOD,) generates yet fewer public school children. Exploratory New Jersey data suggests that each TOD unit contains only about 0.02 public school children. In other words, 100 units in a TOD contain, on average, only 2 public school children."

"Similarly, this study informs the demographic impact of affordable housing, a subject of much misinformation, by providing exploratory data on the household size and number of school-age and public school children in housing occupied by low and moderate-income households. To illustrate, about 19 public school children are generated by a 100-unit inclusionary condominium housing development in New Jersey (88 market-priced homes and 12 affordable homes.) Approximately three of the 19 public school children come from the affordable homes."

GOOD HOUSING, GOOD SCHOOLS

Passed by the Illinois state legislature in 2007, this bill created a school funding bonus for school districts in communities that approve multifamily housing developments to advance Live Near Work and Preservation goals of Illinois' Comprehensive Housing Plan. The annual amount of the school funding bonus for eligible developments would be $1,120 for each two-bedroom unit, with $560 awarded for each additional bedroom. Based on this formula, the state's annual estimated cost for the bonus is less than $5 million per year.

Many young families in Illinois are struggling to achieve the most basic of dreams: finding an attractive neighborhood with both housing they can afford and schools they can trust. Good Housing, Good Schools will help ensure more communities in Illinois fit this bill and advance the goals of the state's Comprehensive Housing and Planning Act.

Concern #7

If affordable housing is built, crime will increase.

Residents of modern affordable housing developments are carefully screened. To afford the fixed rents associated with LIHTC developments, adults have to be employed or on permanent disability. Potential residents with a history of problems in their previous places of residence are denied leases. If problems with noise, vandalism, or other issues occur after a tenant has moved in, a good management company will work to resolve them. If they cannot be resolved, the problem tenants will be asked to move. With so many households on waiting lists for new affordable housing, there is no reason for management to put up with problem tenants. Municipalities can support and encourage responsive management through trainings, dialogue, and dependable delivery of municipal services.

Good managers also develop partnerships with local service providers to offer after-school programs that keep children supervised and busy; many buildings have community rooms or clubhouses with computer centers or tutoring. Managers work closely with local police and neighborhood groups to prevent and resolve problems.

Today's housing designs incorporate better security provisions than are typically found in older apartment buildings. Windows have working locks, and more windows face the street or common spaces to keep more '"eyes" on potential trouble spots. Entry doors require access codes or electronic key cards. Parking areas may be gated with lighting. These environmental strategies, which municipalities can set with building codes, are very effective at mitigating crime.

"There is no evidence of an increase in crime resulting from the introduction of affordable housing into a neighborhood. In fact, much of the affordable housing now being developed in inner cities and older neighborhoods replaces broken-down and crime-ridden buildings and can serve to reduce the neighborhood crime rate."

Source: The Urban Institute, The Impacts of Supportive Housing on Neighborhoods and Neighbors, *April 2000.*

Photo: David Jenkins

Design features at Chicago's Northtown Village, which include gated entries and street-facing windows, can help reduce crime and are increasingly common in affordable and market-rate developments alike.

What's Next?

One of the great ironies of quality affordable or multifamily housing communities – when well designed and well managed – is they blend in so well with the surrounding neighborhood that they are often invisible. Many people's imagery of affordable housing is the buildings that have achieved notoriety due to their mismanagement, poor design, or both.

Even so, no matter how great the demand for quality affordable or multifamily housing, and no matter how skilled and experienced the development team, a certain amount of opposition is inevitable.

When addressing affordable housing, it is important to treat those opposed to the policy or housing proposal with respect, and be responsive to their concerns. Ask people why they are concerned, and acknowledge the legitimacy of their questions. Be willing to do the extra research needed to answer a question if you do not have all the facts. Affordable housing developers and their supporters do make mistakes. Not every development is perfect. Honesty is important. It is okay to acknowledge problems in design, construction, or management, as long as you show how the developer, manager, or community can resolve the problems.

This chapter detailed ways in which municipal officials and staff can work with developers, residents, neighbors, employers, and other stakeholders to ensure new projects address the needs of the community at large and become neighborhood assets. The workbook's concrete examples of how successful affordable and mixed-income sites are planned, designed, financed, built, and managed can be replicated in or tailored to almost any community in the Chicago region.

Resources and Appendices

Who to Contact for Housing Help

Business and Professional People for the Public Interest Works to increase affordable housing and improve public housing.
www.bpichicago.org | 312-641-5570

Center for Neighborhood Technology Provides technical and financial resources to building owners for energy-efficient investments.
www.cnt.org | 773-278-4800

Chicago Metropolitan Agency for Planning Helps communities plan for growth while maximizing transit opportunities and conserving natural resources.
www.cmap.illinois.gov | 312-454-0400

Community Investment Corporation Provides multifamily rehab loans and property management training for owners and managers throughout the Chicago metropolitan area.
www.cicchicago.com | 312-258-0070

Illinois Housing Council Promotes and facilitates the development of affordable housing in Illinois.
www.ilhousing.org | 312-491-4444

Illinois Housing Development Authority Provides financial and technical assistance to affordable housing developments throughout the state.
www.ihda.org | 312-836-5200

Local Initiatives Support Corporation Assists community organizations to revitalize distressed neighborhoods.
www.lisc.org/chicago | 312-360-0800

Metro Chicago Information Center Provides demographic and other data at little or no cost.
www.mcic.org | 312-580-2878

Metropolitan Mayors Caucus Along with its nine member Councils of Governments (COGs), points communities looking for economic development assistance in the right direction.
www.mayorscaucus.org | 312-201-4505
DuPage Mayors and Managers Conference
www.dmmc-cog.org | 630-571-0480
Lake County Municipal League
www.lakecountyleague.org | 847-270-3126
McHenry County Council of Governments
www.mchenrycountycog.org | 815-477-2090
Metro West Council of Governments
www.metrowestcog.org | 630-859-1331
Northwest Municipal Conference
www.nwmc-cog.org | 847-296-9200
South Suburban Mayors & Managers Association
www.ssmma.org | 708-206-1155
Southwest Conference of Mayors
www.swmayors.com | 708-403-6132
West Central Municipal Conference
www.westcook.org | 708-453-9100
Will County Governmental League
www.wcgl.org | 815-729-3535

Metropolitan Planning Council Provides technical assistance and public policy guidance, including coordination of employer-assisted housing.
www.metroplanning.org | 312-922-5616

Preservation Compact Provides access to resources and programs available through six keystone initiatives and other preservation-related resources.
http://chicago.uli.org | 773-549-4972

U.S. Dept. of Housing and Urban Development – Chicago Offers subsidies, information and assistance in all housing matters.
www.hud.gov | 312-353-5680

Data Sources

Public Data Sources

The U.S. Census Web site provides 2000 data on population, households, income, housing stock, building permits, rental and home values, employment by occupation, and other demographic measures for municipalities, Census tracts, and Census block groups. The American Community Survey provides more recent data for selected municipalities. The Census Bureau's new Longitudinal-Employer Household Dynamics (LEHD) service is an effective tool for determining where a community's residents go to work, and who comes to a community for employment.

HUD www.hud.gov; www.huduser.org
U.S. Census www.census.gov
LEHD www.lehd.did.census.gov
American Fact Finder www.factfinder.census.gov
American Community Survey www.census.gov/acs/www/
County Business Patterns censtats.census.gov/cbpnaic/cbpnaic.shtml
Census construction statistics www.census.gov/const/www/index.html
Chicago Metropolitan Agency for Planning www.chicagoareaplanning.org
State of Illinois www.illinois.gov
Illinois Dept. of Employment Security www.ides.state.il.us

Demographic Data Vendors

Demographic data, both current estimates and projections, are available for various levels of geography, including customized radii or polygons based on the definition of the market area. Vendor fees are based on individual reports, and may offer an annual subscription for unlimited use.

Claritas www.claritas.com
DemographicsNow www.demographicsnow.com
Scan/US www.scanus.com
ESRI www.esri.com

Competitive Property Information

Public, commercial and government sources on local housing market

- IHDA and HUD Web sites (for affordable properties)
- Area agencies on aging (for senior projects)
- Municipal planners (to identify projects recently completed, under construction, approved but not yet built, and proposed but not yet approved)
- Property transaction and foreclosure data vendors such as Record Information Services, which typically charge for reports.

Online Apartment Guides
www.apartments.com
www.apartmentguide.com
www.apartmentsusa.com
www.move.com
www.realtor.com
www.craigslist.com

Online Newspaper Apartment Guides
www.chicagotribune.com
www.suntimes.com
www.dailyherald.com
www.dailysouthtown.com
www.journal-topics.com
www.suburbanchicagonews.com
www.pioneerlocal.com
www.swnewsherald.com
www.starnewspapers.com

Glossary of Terms

Absorption Period The period of time necessary for a newly constructed or renovated property to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has a signed lease. The month that leasing is assumed to begin should accompany all absorption estimates.

Absorption Rate The average number of units rented each month during the absorption period.

Area Median Income (AMI) 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.

Assisted Housing Housing where the monthly costs to the tenants are subsidized by federal, state, or other programs.

Capture Rate The percentage of qualified households in the market area the property must be affordable to to achieve a stabilized level of occupancy for rental housing or sales for owner-occupied housing. The capture rate is calculated by dividing the total number of units at the property by the total number of qualified households in the market area. (See Penetration Rate for formula for entire market area.)

Community Development Block Grants (CDBG) Federal funding to help entitled metropolitan cities and urban counties meet their housing and community development needs. The program provides annual grants on a formula basis to carry out a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services for low and moderate income people.

Community Development Corporation (CDC) Entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

Comparable Property A property that is representative of the housing choices of the subject property's market area, and is similar in construction, size, amenities, or age. Comparable and competitive properties are generally used to derive market rent or sales price.

Competitive Property A property that is comparable to the subject and competes at nearly the same rent levels, sales prices, and resident profile, particularly age, household size, or income.

Contract Rent The monthly rent agreed to between a tenant and landlord.

Demand The total number of households in a defined market area that would potentially move into proposed new or renovated housing units. These households must be of the appropriate age, income, tenure, and size for a specific proposed development. Components of demand vary and can include household growth, turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

Effective rents Contract rent less concessions such as rent discounts, move-in specials, and free upgrades in finishes or appliances.

Elderly or Senior Housing Housing where (1) all of the units in the property are restricted for occupancy by persons 62 years of age or older, or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

Extremely Low Income Person or household with income below 30% of Area Median Income adjusted for household size.

Fair Market Rent (FMR) Estimates established by HUD of the gross rents (contract rent plus tenant-paid utilities) needed to obtain modest rental units in acceptable condition in a specific county or Metropolitan Statistical Area. HUD generally sets FMR so that 40% of the rental units have rents below it. In rental markets with a shortage of lower priced rental units, HUD may approve the use of FMRs that are as high as the 50th percentile of rents.

Gross Rent The monthly housing cost to a tenant, which equals the contract rent stated in the lease plus the estimated cost of all tenant-paid utilities.

HOME Program Federal grants to states and units of local government to implement local housing strategies designed to increase home-ownership and affordable housing opportunities for low and very low-income people.

Hope VI Federal program aimed at revitalizing severely distressed public housing by providing competitive grants to public housing authorities. HopeVI has been used extensively in the transformation of public housing to create mixed-income affordable housing.

Housing Choice Voucher (Section 8 Program) Federal rent-subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households to use for the housing of their choice. The voucher payment subsidizes the difference between the gross rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenant's income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

HUD Section 8 Federal program that provides project-based rental assistance. HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of the tenant's adjusted income.

HUD Section 202 Federal program that provides direct capital assistance (i.e., grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have incomes not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project-based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

Income Limits Maximum household income by county of Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes income limits annually for households with one through eight people.

Low Income Person or household with gross household income below 60% or 80% of the Area Median Income adjusted for household size. Some programs use 60% AMI, while others use 80% AMI in their definition of income-eligible households.

Low Income Housing Tax Credit A program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income; the rents on these units be restricted accordingly.

Glossary of Terms

Market Area A geographic area from which a property is expected to draw the majority of its residents.

Market Rent The rent an apartment, without restrictions or subsidies, would command in the open market considering its location, features and amenities. Market rent should be adjusted for concessions and owner-paid utilities included in the rent.

Moderate Income Person or household with gross household income between 80% and 120% of Area Median Income adjusted for household size.

Net Rent (**also referred to as Contract or Lease Rent)** Gross rent less tenant-paid utilities.

Project-Based Rent Assistance Financing from a federal, state, or local program allocated to a property or specific number of units in the property. It is available to each income-eligible tenant of the property or an assisted unit.

Qualified Census Tract (QCT) Any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of Area Median Income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credits may qualify for up to 130% of eligible basis for the purpose of calculating the tax credit allocation.

Saturation The point at which there is no longer demand to support additional housing units.

Subsidy Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's contract rent and amount paid by the tenant toward rent.

Tax Increment Finance District (TIF) A geographically designated district that meets specific legal criteria for being blighted. TIF districts are approved by municipalities for the purpose of redeveloping distressed areas and spurring private sector investment. The increase in the total real estate taxes paid in the TIF district after the base year it was created accrues to the TIF district, and is used to pay for eligible activities within the district. By law, TIF districts are allowed to run for 23 years, after which point they must be extended or disbanded. Municipalities often use issue tax-exempt bonds backed by the real estate tax increment accruing to the district to pay for capital improvements, land acquisition, and on-going services in the TIF district.

Very Low Income Person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

Additional Reading

A Community Guide to Creating Affordable Housing. Business and Professional People for the Public Interest, 2005. www.bpichicago.org/documents/CommunityGuidetoCreatingAffordableHousing.pdf

A Heavy Load: The Combined Housing and Transportation Burdens of Working Families. Center for Housing Policy, 2006. www.nhc.org/pdf/pub_heavy_load_10_06.pdf

Affirmative Fair Housing Marketing Plan. Illinois Housing Development Authority, 2006. www.ihda.org/admin//Upload/Files//a8dff534-2db1-415f-8635-e8d2f318cc60.doc

Affordable Housing: Proactive and Reactive Planning Strategies. American Planning Association, 1992. www.planning.org/APAStore/Search/Default.aspx?p=2370

Against All Odds: The Business of Managing Affordable Housing. Judy Turnock for Bay Area LISC, 2007. www.lisc.org/content/publications/detail/4580

Community Land Trusts. PolicyLink, 2008. www.policylink.org/EDTK/CLT/

Cook County Class 9 Tax Relief Program. Cook County Assessor, 2001. www.propertytax.com/pdf/CL9_Bulletin_10-2001.pdf

From NIMBY to YIMBY: Strategies and Techniques to Garner Support for Affordable Housing. California Dept. of Housing and Community Development, 2006. www.hcd.ca.gov/hpd/nimby_yimby0507.pdf

Guidelines for a Model Affordable Housing Plan. Metropolitan Mayors Caucus, 2004. www.mayorscaucus.org/pages/Home/Issues/Housing

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Home Grown: Local Housing Strategies in Action. Chicago Metropolis 2020, Metropolitan Mayors Caucus, Metropolitan Planning Council, 2006 and updated annually. www.metroplanning.org/homegrown

Homes for a Changing Region I. Chicago Metropolis 2020, Metropolitan Mayors Caucus, 2005. http://www.chicagometropolis2020.org/10_20.htm

Homes for a Changing Region II. Chicago Metropolis 2020, Metropolitan Mayors Caucus, 2007. www.chicagometropolis2020.org/10_20.htm

Housing and Transportation Cost Trade-offs and Burdens of Working Households in 28 Metros. Center for Neighborhood Technology, 2006. www.cnt.org/repository/H-T-Tradeoffs-for-Working-Families-n-28-Metros-FULL.pdf

Housing Trust Funds. PolicyLink, 2008. www.policylink.org/EDTK/HTF/

The Impact of Inclusionary Zoning on Development. Business and Professional People for the Public Interest, 2003. www.bpichicago.org/documents/impact_iz_development.pdf

Joint Ventures with For-Profit Developers: A Guide for Community Development Corporations. Local Initiatives Support Corporation, 2007. www.lisc.org/content/publications/detail/4957

Landlord and Tenant Rights and Laws. Illinois Attorney General, 2008. www.ag.state.il.us/consumers/landlord.html

Planning 1-2-3. Campaign for Sensible Growth, Metropolitan Mayors Caucus, Metropolitan Planning Council, 2005. http://metroplanning.org/cmadocs/archive/plan/planning123.pdf

Preserve, Renew, Rebuild: A Rental Housing Action Plan for Cook County. The Preservation Compact, 2007. http://chicago.uli.org/AM/Template.cfm?Section=The_Preservation_Compact

Rent and Income Limits. Illinois Housing Development Authority, 2008. www.ihda.org/ViewPage.aspx?PageID=134

Report on the Affordable Housing Planning and Appeals Act. Illinois Housing Development Authority, 2004. www.ihda.org/admin//Upload/Files//d26576d7-a23b-4aeb-a23c-5bf579cb143d.pdf

Residential Property Management Procedures Manual. Community Investment Corporation, 1999. www.cicchicago.com/htdocs/resources/downloadables.html

Retail 1-2-3. Campaign for Sensible Growth, International Council of Shopping Centers, Metropolitan Mayors Caucus, Metropolitan Planning Council, 2006. http://growingsensibly.org/cmapubs/retail123.asp

Sensible Tools for Healthy Communities. Campaign for Sensible Growth, Metropolitan Mayors Caucus, Metropolitan Planning Council, 2004. www.metroplanning.org/cmadocs/sensibletools.pdf

Stemming the Tide: A Handbook on Preserving Subsidized Multifamily Housing. Local Initiatives Support Corporation, 2002. www.lisc.org/content/publications/detail/893/

Tenant Selection Plan. Illinois Housing Development Authority, 2008. http://ihda.org/admin/Upload/Files//28dd2a5e-d353-41f7-96e4-29053845b5e0.doc

Valuing Housing: Public Perceptions of Affordable Housing in the Chicago Region. Housing Illinois, 2003. www.housingillinois.org/pdf/HI%20-%20Message%20Guide.pdf

Visualizing Density. Lincoln Institute of Land Policy, 2007. www.lincolninst.edu/pubs/PubDetail.aspx?pubid=1178

Appendix A: 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.

Depending on the use, a market study may be a summary or highly detailed. Whatever the final form, at minimum, it should consider the following items:

Demographics, housing and employment analysis Population, household size, income, housing, and employment trends in the community provide a basis for analyzing the demand for different housing types and prices. The answers to these questions form the basis of the demand side of the equation:

- What is our general understanding of the area's demographics and its nuances?
- How many people and households are in the targeted groups now and projected to be in the future?
- What are the population and household trends, including age distribution and household size?
- Is the area growing, stable, or declining in population and households overall and within sub-groups?
- What are the overarching economic trends? **1** income distribution, **2** median household income, **3** income by age, **4** employment by occupation for market-area households (resident employment), **5** unemployment rate, **6** major employers in the area, the area's employment base, and any forecast changes.
- What are the race and ethnicity trends in the market area?
- Judging from historical building permits, what types of homes have been built in the area?
- What are the characteristics of the current housing stock? **1** age, **2** type, **3** tenure (owner vs. renter) and occupancy, **4** unit sizes and number of persons per unit, **5** median rent or housing value, as well as distribution of rents and values, **6** affordability of the housing, **7** Need to renovate or replace aging/deteriorated units.

Strengths and weaknesses of the location Not all sites are equal. Understand why some locations are better suited for certain housing types by considering:

- Attractiveness and safety of the neighborhood.
- Proximity to amenities and services such as schools, shopping, transit, highways, parks, recreation, health care, etc.
- Site accessibility and visibility. (Is it easy to get to and see?)

Delineation of the market area It is important to evaluate the demand for different products in the municipality or at a specific site. Keep in mind housing market areas, just like retail market areas, are not necessarily the same as a municipality's boundaries. There are many questions to ask, including:

- Where will the majority of residents originate?
- What and where is the competition for this development?
- What are the physical and perceptual barriers such as highways, railroad tracks, large non-residential areas (industrial parks, airports, forest preserves, etc.)?
- What are the municipal and state boundaries?

- What are the community's socio-economic characteristics?
- Are there any likely changes in the area that will expand, contract, or change the nature of the market area (e.g., new highway or nearby interchange, new transit station or line, large employer moving in or out)? What is the timeframe for these changes?
- What was learned from interviews with area planners, developers, property managers, and realtors?
- Based on knowledge of the area and its nuances, what is the overall perspective about the market?

Existing and planned competition It is important to understand the characteristics of competing developments that are similar to or could potentially compete with new development. Looking at new or planned developments provides a picture of the quantity and quality of future competition. The answers to these questions form the basis of the supply side of the equation:

- What is the nature of the competition?
- How many competitive properties and units are there, and of what type? **1** for sale – single-family detached, single-family attached, condominiums, age-restricted, etc., **2** rental – low-rise, mid-rise, high-rise, market rate, affordable, age restricted, **3** rents or prices by unit size and type, concessions offered, and rent or price per square foot, **4** lot sizes, if applicable, **5** in-unit and common-area amenities, monthly assessments, and social services, if applicable, **6** occupancy and waiting lists, **7** use of government programs for affordable developments.
- Based on the quantitative and qualitative assessment of competitive properties, how does the planned development compare?

Compatibility with the surrounding area and municipal plans Once a municipality has completed the housing element of its comprehensive plan and an accompanying housing plan, it is important to demonstrate how proposed developments are compatible with their neighborhoods. For each development, assess:

- Building design, height and density.
- Availability of public services.
- Consistency with municipal and regional plans.
- Opportunity to participate in programs such as the Regional Housing Initiative or employer-assisted housing.

If the community has adopted the Metropolitan Mayors Caucus' Housing Endorsement Criteria, the study should confirm the proposed development is consistent with its guidelines.

Absorption of competitive properties Lessons can be learned from the sales or lease-up pace of other nearby properties – in other words, how the community "absorbed" those properties. Understanding what worked well and what went wrong can result in more successful developments. If no directly competitive properties exist in the market area, look for comparable developments in other locations. Explore the following:

- Rate of units sold or rented per month since marketing started or the property opened.
- Number of units currently for sale in owner-occupied developments.

Development niche, quantification of demand, and capture rate A developer should identify the development's targeted market and build a product for it. Since it is unlikely a new development has no direct competition, the study needs to quantify the demand for the product type and whether there is adequate support to sell out or lease-up within a reasonable period of time. Examine the following:

- What and who is the target market?
- How will this development fill this niche?
- What is the demand in relation to building design, height and density?
- Are there lessons learned from mistakes at other developments that can enhance this development's marketability?
- Is the market already saturated with this type of development, based on occupancy and sales at the competition?
- What is the existing and projected number of target households for this development?
- What share of the potential market does this development need to capture? Is this reasonable?
- What is the affordability of the rents or prices for the targeted niche, based on such typical criteria as no more than 30 to 35 percent of income for housing?

Conclusions and recommendations This is a synthesis of the analysis, incorporating the supply and demand for the proposed housing, and recommendations for specific unit sizes, prices, rents, amenities, etc. A thorough conclusion will include the following:

- Summary of the project and location.
- Summary of existing market conditions as they relate to the project.
- Summary of supply and demand in the market area.
- Recommendations on price or rents, unit sizes, unit mix, amenities, and absorption.
- Recommendations on any changes that should be made to the project to enhance marketability.

Appendix B: Overview of the Uniform Relocation Act (URA)

The Uniform Relocation Act, passed by Congress in 1970, is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The Uniform Relocation Act's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects.

- 49 CFR Part 24 is the government-wide regulation that implements the URA.
- HUD Handbook 1378 provides HUD policy and guidance on implementing the URA and 49 CFR Part 24 for HUD-funded programs and projects.

What are the URA's objectives?

- To provide uniform, fair and equitable treatment of persons whose real property is acquired or who are displaced in connection with federally funded projects.
- To ensure relocation assistance is provided to displaced persons to lessen the emotional and financial impact of displacement.
- To ensure no individual or family is displaced unless decent, safe and sanitary (DSS) housing is available within the displaced person's financial means.
- To help improve the housing conditions of displaced persons living in substandard housing.
- To encourage and expedite acquisition by agreement and without coercion.

How do URA requirements impact your project?

Agencies conducting a program or project under the URA must carry out their legal responsibilities to affected property owners and displaced persons. Agencies should plan accordingly to ensure adequate time, funding and staffing are available to carry out their responsibilities.

Some of the responsibilities for Real Property Acquisition include:

- Appraise property before negotiations.
- Invite the property owner to accompany the appraiser during the property inspection.
- Provide the owner with a written offer of just compensation and summary of what is being acquired.
- Pay for property before possession.
- Reimburse expenses resulting from the transfer of title such as recording fees, prepaid real estate taxes, or other expenses.

Please note, agency responsibilities for voluntary acquisitions differ. (Please see Voluntary Acquisition vs. Involuntary Acquisition in this training module for additional information.)

Some of the responsibilities for Residential Displacements include:

- Provide relocation advisory services to displaced tenants and owner occupants.
- Provide a minimum 90 days written notice to vacate prior to requiring possession.
- Reimburse for moving expenses.
- Provide payments for the added cost of renting or purchasing comparable replacement housing.

For Nonresidential displacements (businesses, farms, and nonprofit organizations), requirements include:

- Provide relocation advisory services.
- Provide a minimum 90 days written notice to vacate prior to requiring possession.
- Reimburse for moving and reestablishment expenses.

Which HUD community development programs are covered by URA Requirements?

URA requirements apply to HUD-provided grants, loans, or contributions, including HOME, CDBG, or Section 108 loan guarantees. There are, however, a few exceptions to this general rule.

For example, the American Dream Downpayment Initiative (ADDI), which was signed into law in 2003, under the American Dream Downpayment Act (Public Law 108-186). By law, ADDI is not subject to the URA requirements. (See the URA Exemption for additional information on ADDI.)

A sample listing of HUD programs covered by the URA is provided below. This list is representative and may change as new programs are enacted. Refer to HUD's program rules to determine whether the URA covers a particular program. When in doubt, grantees should contact their HUD Regional Relocation Specialist for assistance.

- Community Development Block Grants (CDBG) Entitlement Program
- Section 108 Loan Guarantees
- CDBG HUD Administered Small Cities Program
- State CDBG Program
- Urban Development Action Grants
- HOME Investment in Affordable Housing
- Rental Rehabilitation Loans
- Housing Opportunities for Persons with AIDS
- Supportive Housing Program
- Emergency Shelter Grants
- Transitional Housing Program
- Permanent Housing Program for Handicapped Homeless Persons
- Supplemental Assistance for Facilities to Assist the Homeless
- Shelter Plus Care
- Section 312 Rehabilitation Loans
- Special Purpose Grants
- Supportive Housing for the Elderly
- Supportive Housing for Persons with Disabilities

More information on the URA is available online at www.hud.gov/offices/cpd/affordablehousing/training/web/relocation/overview.cfm

Appendix C: Assessing Units Needed to Reach 10 Percent Threshhold

As of the Affordable Housing Planning and Appeals of 2005, if less that 10% of the housing stock in an Illinois county or municipality is deemed affordable, developers may appeal to IHDA when affordable housing proposals are rejected by local governments.

The Illinois Housing Development Authority (IHDA) maintains the list of exempt and non-exempt communities. If a community wishes to determine on its own what percent of its housing is considered affordable, the local government must:

1. Total the number of for-sale housing units that are affordable to households with a gross household income less than 80% of the median household income within the county or Primary Metropolitan Statistical Area:[1] 80% of $51,680[2] is $41,344, so owner-occupied units would have to be affordable to a household earning $41,344 per year and spending no more than 30% of its income on housing expenses (including mortgage, taxes, etc .)

2. Total the number of rental units in each local government that are affordable to households with a gross household income that is less than 60% of the median household income within the county or primary Metropolitan Statistical Area: 60% of $51,680 is $31,008, so rental units must be affordable to a household earning $31,008 per year and spending no more than 30% of its income on housing expenses (rent, utilities).

For example: With an annual income of $31,008, a household earns $2,584 per month; 30% of $2,584 is $775.20. Therefore, units must rent for $775.20 or less per month to be considered affordable.

3. Add the number of for-sale and rental units for the locality from items (1) and (2).

4. Divide the sum of (3) by the total number of year-round housing units in the locality as contained in the latest decennial census. Multiply the result by 100 to determine the percentage of affordable housing units within the jurisdiction of the local government.

If this number is less than 10 percent the municipality should:

5. Calculate the total number of year-round housing units in the community, based on the decennial census, and multiply that number by 10%.

6. Take the results of item (5) and subtract the sum of the total number of for-sale and rental units that meet the affordability criteria (3 above) to determine the total number of affordable housing units that are necessary to achieve a minimum of 10% affordability.

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1 This is the language of the law. IHDA's policy regarding this issue states that communities within a PMSA must use the PMSA figure for comparison, while communities only within a county and not belonging to a PMSA should use the county figure for comparison.

2 As of 2008, the AMI for a four-person household in Chicago's MSA was $75,375.

Appendix D: How to Find Consultants

If a municipality decides to hire a consultant, it must develop a list of candidates from which to choose. This list can be developed by searching a number of sources: personal referrals; professional directories; award winners identified through professional organizations; news items in newsletters, newspapers and magazines; consultant calling cards; consulting firm brochures; and, as a last resort, the telephone directory.

Some municipalities use a more formal procedure for establishing the list of available consultants. They maintain and periodically update a list of consultants developed from procedures involving responses to requests for qualifications (RFQs). Consultants who want to be placed on the list may apply for consideration. Maintaining a formal pool is particularly useful for a large community or municipality that may use consultants relatively frequently. In order to make this preselected list of consultants most useful, it can be divided into specialty groups. Many consulting firms have expertise in a number of fields. Consequently, if you list consultants under functional categories, you should cross-tabulate them in all the categories in which they have expertise, a process easily accomplished with a database program.

The following information should be solicited and filed for each firm:

- Name, address, and telephone number.
- Types of services for which the firm is qualified.
- Year the firm was established, as well as former firm names.
- Names of principals and key personnel, and their experience and qualifications.
- Size of staff.
- Illustrative list of recent projects completed for purposes of referral.

Organize for selection: Define the task

Perhaps the most important step an agency must take before initiating the consultant selection process is defining the problem, task, or project. There are, of course, circumstances when defining the assignment is difficult. In this case, consider retaining a consultant for that purpose. In defining the assignment, factors to be considered include:

- Precise goals of the project; technical, political and administrative parameters; division of labor between staff and consultant; desired product; timetable for completion; total project budget; and expected problems and constraints.

Developing a good definition of the task is important. If the task definition is too specific, it may limit the creativity of the consultant. If the definition is too general, it may result in the consultant producing something that constitutes satisfactory professional work, but does not resolve the problem. If the hiring agency is uncertain how to define the task, it can provide a background description of the problem or issue as context for the RFQ or Request for Proposal (RFP) process.

Organize for selection: Define the roles

Defining the respective roles of consultants and staff also is important. In many cases, the community already has much of the data that will be necessary to complete a project. In other cases, little or no reliable data exists. Gathering data is expensive. Thus, a clear definition of what data the planning agency can provide from its own files or other local departments and entities is very important in helping the consultant define the tasks. It also is important to define the level of support and review local staff will provide for the project.

This material is a revised and edited excerpt from Selecting and Retaining a Planning Consultant: RFPs, RFQs, Contracts, and Project Management *by Eric Damian Kelly, AICP. It is Planning Advisory Service Report No. 443, published by the American Planning Association, February 1993. It is used by permission.*

Appendix E: What to Include in a request for Proposal (RFP)

A Request for Proposal (RFP) may be accompanied by appendices, maps, drawings, and other backup material. However, the RFP itself should be a relatively brief document. Even on a rather large or complex project, the various elements can generally be covered in 10 to 25 single-spaced pages.

Cover sheet

An RFP should have a cover sheet giving the RFP title, project or program title, name of the issuing entity, and date the proposal is due.

Introduction

The introduction should identify and describe, in no more than one paragraph, the project or program for which the consultant is required and its current status. It should then state briefly the nature of the consulting assistance being sought. This should be carefully worded. If the job requires an interdisciplinary team, it is best to talk about the end product or type of activity (e.g., an environmental impact assessment or a development plan), rather than a specific type of firm. Your preferences about the type of firm can be better explained later, in the qualifications section. The introduction should state the amount budgeted for the proposed work. Finally, the due date for the proposal should be included in the introduction, with a reference to the directions for submission that will be described later in the RFP.

Describe the issuing agency and its relationship to other entities, if that is not obvious. This suggestion is not necessary for a planning department that is clearly a line agency within a municipal government. However, it can be very important for intergovernmental agencies and other entities. Names of public authorities and special districts, such as sewer districts, can be particularly misleading. Such an entity is often named after a city, town, or county with which the agency may or may not be coterminous. The difference should be pointed out, though it need not be explained in detail in the introduction.

Description of the project or program

This section should establish the context for the work to be performed to help the consultant judge the level of effort required for various tasks. If the project or program is very complex, the details can be relegated to an appendix or other attachments. The important points to cover here are:

- The purpose of the project or program (what it is supposed to accomplish and for whom).
- Its basic components – management, structure, processes, and personnel.
- Any innovative or unusual aspects.
- The site(s) or geographic area(s) involved.
- A proposed schedule and present status of the project or program.

Description of services required

This is the heart of the RFP. Take great care with it because this is the section the consultants will read again and again, weighing its every nuance. If carelessly written, this section can defeat the purpose of the RFP by misstating the agency's needs or conveying inaccurate signals about how the proposals will be evaluated.

Write clearly. Avoid jargon. Use commonly understood terms, rather than acronyms or abbreviations. Do not use general terms like "facilities" if you mean "roads."

Emphasize what the agency needs from the consultant. Although the RFP certainly should identify any critical or mandatory steps in the process, such as public meetings, the proposal process often works best if it leaves the work program open to suggestions from proposing consultants. Unless the purpose of hiring the consultant is simply to

augment staff on a project, the same expertise the consultant brings to the substantive aspects of the project should enable the consultant to develop a responsive work program. There are two reasons for encouraging consultants to do so. First, if the consultant has significant experience with the type of work involved, the firm's personnel should know more about what should be in such a work program than agency staff. Second, evaluating independently developed work programs is an excellent way to evaluate a consultant's understanding of the project and approach to it, as well as the quality of the consultant's work.

This section also should provide a schedule for the completion of the project that identifies major project milestones. If there is a particular number of public meetings involved in the project, or if the goal is to have a report or plan ready for a meeting that already has been scheduled, that information should be included in this section of the RFP.

Budget

Most agencies do not include budget information in an RFP. The theory is consultants who know what the budget is will automatically submit proposals that "spend the budget." This may be a legitimate concern. On the other hand, a consultant with no idea of the budget for a proposed project may have great difficulty in submitting a responsive proposal. When an agency fails to specify a budget, cost proposals may range up to a high of four or five times the lowest-cost proposal. In those circumstances, there may be only one or two proposals that are within the project budget of the local government and thus only one or two proposals from which to choose. A proposal that falls far below the anticipated budget probably will include far less in the way of services than the agency wants or needs. It is very difficult to compare proposals with extreme variations in budget because there are too many variables. If two qualified firms offer exactly the same range of services at significantly different prices, the agency has something to compare. If two qualified firms offer vastly different scopes of services at the same price, the agency can select the scope of services that best suits its needs. However, when there is little in common among proposals from qualified firms, comparison is extremely difficult.

There are few disadvantages to sharing budget information. The agency that publishes the budget can still rank proposals competitively based on which qualified consultant will provide the best value – the most appropriate package of services within the agency's budget. If an agency's expectations of services far exceed its proposed budget, it is easier on all parties if consultants are aware of that discrepancy upfront, and can inform the agency without putting the consultants or the agency through the demanding process of preparing and reviewing proposals. If an agency's budget exceeds its expectations (a very rare circumstance), one or more reputable firms will bid less than the budget or offer a range of additional and perhaps unneeded services. The agency can then select one of the lower-priced proposals or negotiate a reduced contract for less than the full scope of services proposed by the selected firm.

An agency can maintain some price competition in the process and still provide guidance to consultants by publishing a budget range. However, the real issue in selecting a consultant is not price but value. If every consultant competing for a proposed project submits a budget for the same amount, the agency can easily compare the proposals to determine which offers the best value. That is a far more practical exercise than attempting to compare diverse proposals with vastly different budgets, hoping to renegotiate one of the proposals to the appropriate level of services for the budget.

Type of contract

Indicate what type of contractual arrangement the agency will use. Professional services contracts generally fall into one of two categories: fixed-price (also called lump sum), in which the agency receives a defined scope of services for a fixed price; and time-and-expense (also called cost-plus), in which the agency reimburses a consultant on a fixed formula for professional time and expenses.

Qualifications

An agency that uses the two-part, Request for Qualifications (RFQ)/RFP process will have most of the information about qualifications that it needs from the RFQ. At the RFP stage, it should ask for an update to the RFQ if there has been a significant lapse of time since it was provided. The agency also will want one additional set of information specifying what personnel will work on the project, including short resumes on those specific individuals.

The RFP need not be very specific when requesting information on consultant qualifications. A firm that submits a standard brochure unrelated to the proposed project without other information probably will not give the project the attention that it needs and does not deserve serious consideration.

Evaluation criteria

Explain how the proposals will be evaluated and, in general terms, by whom. It is helpful to both parties if the consultants know how much weight will be given to specific aspects of their proposals, such as cost, technical approach, relevant experience, qualifications of the project team, familiarity with the geographic area, and logistical capabilities. It also is useful to let the consultants know what type of group will review the proposals. A consultant may prepare a proposal in one way if the planning commission is to make the selection and in a very different way if technical experts from the staff will make the selection. Some consultants probably will learn who is on the selection team. Disclosing that information in the RFP keeps the process fair to all. If state law or local rule prohibits the consultants from contacting selection team members directly, the RFP should say so. Selection team members should be instructed to turn away (and probably report) any attempted contacts from consultants. Planning consultants typically do not attempt to lobby selection committee members, but some do. If there are rules on the subject, they should be stated clearly.

Directions for submission

The RFP should include a simple statement of the time (date and hour) and place for submission of the proposal and the number of copies required. Because proposals often are delivered by messenger or overnight delivery service, give a street address (with office number), as well as the agency's mailing address. If there are sealed-bid requirements or cost proposals should be submitted separately, those directions should be contained in this section.

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