



REVISED AGENDA
Regular Meeting of the
HOUSING PROGRAMS ADVISORY COMMITTEE

Wednesday, August 15, 2018

Village Hall
123 Madison Street
Room 215
7:00 PM

1. Call to Order
2. Roll Call
3. Review and Approval of Meeting Agenda
4. Non-Agenda Public Comment
5. Approval of Minutes – July 18, 2018
6. Loan Approvals
 - a. Single Family Rehabilitation Loan (SFR-080)
 - b. Small Rental Rehabilitation Loan (SRP-036)
7. Affordable Housing Funds
8. Multi-Family Housing Incentive Program
9. Review of the HPAC 2019 Work Plan
10. Other Business
11. Adjourn

Contact the Neighborhood Services division for additional information at (708) 358-5410 or housing@oak-park.us. Office hours are from 8:30 AM to 5:00 PM Monday through Friday.

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If you require assistance to participate in any Village program or activity, contact the ADA Coordinator at 708.358,5430 or e-mail ADACoordinator@oak-park.us at least 48 hours before the scheduled activity.

Report on Affordable Housing Strategies

Housing Programs Advisory Committee

October 1, 2008

Updated August 18, 2010

Introduction

The Housing Programs Advisory Committee (HPAC) for the Village of Oak Park was charged with the task of reviewing the 2003 Affordable Housing Study and updating the study. Over the summer of 2008, HPAC reviewed the 2003 Study, the 2005-2009 Village of Oak Park's consolidated plan and the Tracy Cross April 2008 Housing Needs Assessment.¹ In addition, the Metropolitan Planning Council presented to HPAC on issues affecting the region, and HPAC held a public forum on affordable housing strategies that could be implemented in the Village of Oak Park in August 2008. A draft report was prepared that fall and submitted to the Board.

When HPAC was in the process of preparing their initial report in the fall of 2008, the Board asked HPAC to look at the current Village funded housing programs and housing partner agencies funding requests for the 2009 budget. The Village housing programs have been primarily funded using CDBG funds for single-family rehab activities and proceeds from housing bonds issued over 10 years ago for multi-family housing activities. In the potential solutions section of this report, HPAC identifies what strategies could be used to fund current programs.

Since completion of the original draft report, the Village contracted with the firm of Mullin & Lonergan Associates to prepare a new five year Consolidated Plan and an Analysis of Impediments to Fair Housing Choice (AI) and Fair Housing Action Plan. The last time the Village prepared an AI was in 1997. One of the recommendations contained in the AI was that the Village should develop an Affordable Housing Plan. HPAC hopes that the recommendations contained in this plan will be the start of the Village's formulation of an Affordable Housing Plan. In spring and summer 2010, HPAC reviewed the October 2008 draft and updated the report presented herein.

This report is divided into three sections:

- I. What are the current programs which address affordability;
- II. What needs are not being addressed; and
- III. What are the potential solutions to address those needs. Based on the information presented to the HPAC, we have prepared this report for review by the Board of Trustees and seek further direction from the Board on which initiatives, if any, the Board would like us to pursue.

Finally, HPAC recognizes the needs, goals, and strategies addressed in the Village's Consolidated Plan which was also recently updated. This report is meant to be read in combination with the updated Consolidated Plan. For ease of reading, a brief summary of the activities related to affordable housing is set forth below. Readers desiring more information about the programs below should review the Consolidated Plan or contact directly the entity responsible for the program.

¹ After the draft report was prepared, the Village prepared a new Five-Year Consolidated Plan and 2010 Annual Action Plan. The new Consolidated Plan was reviewed for this update to the original draft.

I. Current Programs

The Village of Oak Park is recognized as a pioneer in the area of fair housing and a leader in welcoming individuals of all backgrounds and economic levels. HPAC recognizes the continued need for the current housing programs and understands the difficult economic times faced by the Village and its residents. In this section of the report, HPAC will highlight current Village programs which help address affordability issues.

A. Village of Oak Park Housing Programs

Currently, the Housing Programs Division is responsible for administering programs for both single family homeowners and multi-family owners, which help to preserve affordability goals for all economic levels.

(1). Single Family Programs Rehabilitation Loans and Grants

Funded by Community Development Block Grant (CDBG) revolving loan funds, rehab loans of up to \$25,000 are given to low- and very low-income households living in single family homes. By utilizing rehab dollars, eligible households are able to remain in the Village and make needed repairs to their homes. The program also prevents neighborhood blight because properties are repaired on a timely basis. The Revolving Loan Funds will be depleted by the end of calendar year 2011. Future funding of this program will require CDBG funds to be budgeted.

(2). Multi-Family Housing Incentives Program

Heralded as an innovative program that affirmatively furthers the fair housing goals of the Village, as well as affordability goals, the Multi-family Housing Incentive (MFHI) program has a multi-prong approach. Village funds are used to provide grants, as leverage, to property owners to enable them to make needed repairs and keep their apartments in a marketable condition. In exchange for the financial incentives, property owners are required to engage the services of the Oak Park Regional Housing Center. The Housing Center works with property owners to make affirmative moves to their building, thus, ensuring the racial diversity of the Village's rental properties. Additionally, the Village may provide rental reimbursement, up to 80 percent of the last month's rent, to the property owner for any vacancies that last between 31 and 90 days.

The Board has budgeted \$100,000 in grants in 2009 and \$90,000 in 2010, and \$100,000 in rental reimbursement contracts through 2010. HPAC moved to a single point in time application process so that limited Village resources could be targeted to ensure that the goals of the program were met. In 2009, for the first time since 2006, the Board approved the applications of 24 buildings into the MFHI program. HPAC received a total of 18 applications for the 2010 application cycle. HPAC recommended ten applications to the Board for approval totaling \$88,000. Those grants have been approved and processed.

(3) Education Programs

The Housing Programs Division provides educational programs to condominium associations and multi-family building owners. Each year the Housing Programs Division conducts the Annual Management Seminar. The Seminar is an opportunity for landlords to learn of Village requirements that may affect their buildings and about any new programs or state requirements. For example, outside presentations have been made by the Center for Neighborhood Technology on the Energy Savers program, CEDA on the multi-family weatherization program, the Shriver Center on Poverty Law on the Safe Homes Act and ComEd on Smart Meters.

The Condominium Network is a very popular education program that focuses on issues related to condominium management. For the past two years, the Village has sponsored the Learn and Lead Series with the Association for Condominium, Townhomes, Homeowners Association. The Village also promotes the Small Condo Project which is administered by the Oak Park Residence Corporation. The Residence Corporation will work with smaller condominium associations on management issues facing the association.

B. Low-Income Housing

(1). Oak Park Residence Corporation

The Oak Park Residence Corporation's mission is to create and preserve affordable housing and reduce neighborhood blight. The Village of Oak Park and the Residence Corporation are long time partners. Until recently, the Village of Oak Park provided the Residence Corporation with administrative support. In the past, the Village has also provided the Residence Corporation with Community Development Block grant development and acquisition loans and other Village support for acquisition and rehabilitation of troubled buildings. Presently, the Residence Corporation is not receiving general administrative support or loan funding and is only receiving limited building specific support under the Multi-family Housing Incentives Program. The Residence Corporation, a vital partner to the Village, acquires properties in substandard condition and rehabs the properties to prevent neighborhood blight.

The Residence Corporation owns 21 conventional apartment buildings with 438 units. The Residence Corporation rents approximately 90 housing units, or 20% of the total number of units to households earning below 50% of the Area Median Income. Without those affordable housing units, the Village's affordable housing stock would be substantially decreased. Additionally, the Residence Corporation, through subsidiaries, owns 2 HUD-subsidized buildings and manages 2 others owned by the Oak Park Housing Authority containing a total of 299 units that serve Very Low Income special needs populations such as seniors, persons with disabilities, and persons living with HIV/AIDS.

(2). Oak Park Housing Authority

In addition to owning the public housing units mentioned above that are managed by the Residence Corporation, the Housing Authority also administers the Housing Choice Voucher program. Currently, the Housing Authority administers 427 housing choice vouchers, 50 mainstream vouchers for persons with disabilities and 70 vouchers ported in from other communities. The Vouchers holders are normally very low-income households that but for the voucher assistance would not be able to reside in the Village. Without those vouchers and public housing units, the Village would have very limited affordable housing for very low-income households.

C. Special Needs Housing

The Village of Oak Park, through community organizations such as West Suburban PADS, Vital Bridges and Sarah's Inn offer outreach intake assessment, emergency shelter, transitional shelter and support services for homeless individuals, as well as for homelessness prevention activities. In 2010 West Suburban PADS served approximately 800 people from the region including 66 people from Oak Park in emergency shelter services in area churches and transitional and permanent supportive housing. Currently, PADS has 14 of units of transitional housing, 3 of which are managed by Residence Corporation, with the other 11 under private landlords and an additional 4 units in their permanent, supportive housing program.

Vital Bridges offers services to low-and moderate-income persons living with HIV/AIDS such as Showalter Residence, managed by the Oak Park Residence Corporation, that provides six housing units to HIV positive persons. Sarah's Inn provides transitional housing services to victims of domestic violence.

D. Other

Additionally, the YMCA has approximately 120 single room occupancy units available for rental on a weekly basis. The Interfaith Housing Development Corporation is proposing a 51 one-bedroom unit building for the old Comcast building on Madison and Grove. If approved, the development is scheduled to be completed sometime in late 2011.

II. The Need

In addition to the continued support of the affordable housing strategies being pursued above, the 2003 Affordable Housing Study identified the following further affordable housing needs faced by the Village of Oak Park:

- Housing appropriate for seniors living in the Village of Oak Park
- Rental housing for families earning below 80 percent of the area median income
- Transitional housing for low-income residents as well as low-income disabled individuals
- Assistance for first-time homebuyers
- Foreclosures (Although not addressed in 2003 study, HPAC feels that given the current economic realities that foreclosures must be discussed.)

Based on the information presented, HPAC finds that the needs articulated by the 2003 Commission are still valid with some caveats. Additionally, HPAC believes that the health of our aging housing stock, including single family homes, multi-family homes and condominium buildings needs to be further monitored and the programs addressed above related to rehabilitation needs maintained and in some instances further developed.²

A. Senior Housing

The Oak Park Residence Corporation presented information that currently very low income seniors earning below 30 percent of the area median income and who are able to live independently qualify for public housing at both Mills Park Tower, 198 units, and the Oaks, 74 units. Both facilities maintain a waiting list. Currently a resident of Oak Park, someone who lived in Oak Park within the last 10 years or an individual who has a child that lives in Oak Park are able to be housed at one of these two facilities within one year and often within six months after their name is added to the waiting list. This is often the amount of time needed by most senior households to close out their current housing and be ready to make a move to a new unit. Additionally, there are many private facilities available for upper income seniors earning above 120 percent of the area median income. However, low income residents needing more assistance with activities of daily living but who are not yet ready for skilled nursing care have fewer options for housing in the Village.

Based on the above, it appears that while there may be a limited wait, most very low-income seniors are able to find affordable housing options in Oak Park or nearby. HPAC

² The November 2009 Five-Year Consolidated Plan and 2010 Annual Action Plan also contains a section on the housing needs for the following categories: 1)Extremely low income households with incomes less than 40 percent of the Median Family Income (MFI); 2) Very low income households with income between 30 percent and 50 percent of the MFI; 3) Low income households with income between 50 percent and 80 percent of MFI; and 4)Households with income above 80 percent of MFI.

understands the Oak Park Township, in partnership with the Village of Oak Park and the Oak Park Residence Corporation, received funding from the Illinois Department of Commerce and Economic Opportunities to conduct a market and feasibility study to determine the affordable housing needs of our senior population. The Market Study found that there was demand for 40-49 additional independent living units for Oak Park residents with incomes between \$20,000 and \$50,000. Additionally, there could be future demand for a supportive living facility (SLF) that offers assisted living to low-income seniors through a State of Illinois program. It will likely be several years before the state will accept applications for additional licenses.

B. Rental Housing for Low-Income Families

(1). Larger Families Earning Below 120 percent of the Area Median Income

The Tracy Cross study supports the 2003 Affordable Housing Report that there is a lack of rental housing for larger families, especially affordable three bedroom rental units. According to the Cross study, there are 230 three bedroom and larger units with an average gross monthly rent of \$2,399 with new construction renting at a slightly higher average of \$2,488. The average rental amounts for those units are above the maximum affordable gross rent for a family earning below 120 percent of the area median income. Moreover, the rental amounts do not include parking costs which are often an additional charge of \$500 to \$800 per year per car. Families earning between 60 percent and 120 percent of the area median income are unable to afford the limited number of larger unit rental housing in Village. (See attached chart listing area median income levels and maximum rent levels).

(2). Families Earning Between 50 percent and 80 percent of the Area Median Income

The Village has a total of approximately 9,900 rental units. The Cross study finds that with the exception of three bedroom units, Oak Park's rental housing is affordable to populations earning at or above 80 percent of the area median income. Additionally, according to the 2003 study, because of state or federal subsidies, 12 percent of all rental units are affordable to individuals earning below 50 percent of the area median income. Based on this information, the Cross study concludes that Oak Park has more than a sufficient basis of affordable rental housing. However, the Cross Study fails to address the need for increased affordable rental housing for households earning between 50 percent and 80 percent of the area median income. The rent ranges cited in the Cross study are not affordable to that income level.

(3). Low-Income and Transitional Housing

The 2003 Affordable Housing study found that the Village of Oak Park has roughly 1,200 subsidized units, including housing choice vouchers, representing approximately 12 percent of Oak Park's available rental stock. Subsidized housing is typically targeted to those households earning below 30 % of the Area Median Income. According to a

2004 report produced by the Chicago Area Fair Housing Alliance, Oak Park has the highest number of voucher holders, 473, or 4.7 percent of the total rental units than any of the surrounding suburbs in the region. Berwyn has 100 voucher holders (1.3 percent of their total rental units) and Cicero has 289 voucher holders (2.8 percent of their total rental units).³

While not subsidized housing, it appears that the YMCA single room occupancy units were included in the 2003 Study count of subsidized housing units, probably because they serve a similar population. It appears that for the time being, the YMCA units will remain in the Village. At the time of the original report, the YMCA units were scheduled to close within next two years and the Village would have lost approximately 120 of the 1,200 available units at that time. West Suburban PADS provided information during the public forum held by HPAC that despite the transitional housing available in the Village, more transitional housing units are still needed and will be needed even more so if the YMCA had closed its housing development.

While Oak Park is certainly a leader in the region in providing housing for households earning below 30% of the area median income, there is still an unmet need in the Village. The Oak Park Housing Authority reported that there are 971 households on the Housing Choice Voucher waiting list as of June 30, 2010. Approximately 90% of those households qualify for an Oak Park preference which means that either the household lives in Oak Park or someone in the household works at least 30 hours a week in Oak Park. The Housing Authority believes that some of the households currently living in Oak Park are either in over-crowded housing or paying more than 30% of their income towards rent. The 2010 Consolidated Plan found that 1,596 renter households earning below 30% of the area median income had some form of housing problem; either they were paying more than 30% of their income for rent or had some other housing problem such as overcrowding.

Additionally, the Oak Park Housing Authority has 50 mainstream vouchers for individuals with physical and/or mental disabilities to secure housing in the private market. All of the individuals with a mainstream voucher qualified for the Oak Park residency or work preference. There are 422 individuals on the waiting list. Approximately 37 of those individuals qualify for the Oak Park preference and are at the top of the waiting list. The Housing Authority estimates that approximately 10% of the vouchers in the mainstream program turn over each year. Therefore, it will take approximately 7 years to reach all of the individuals with an Oak Park preference. The Housing Authority reported that many of these voucher holders have to return the voucher because they are unable to locate suitable housing which will accommodate their disability within the six month search period. The lack of affordable accessible housing for people with disabilities was also cited as an impediment in the AI.

The Oak Park Residence Corporation owns a 21-unit apartment building named the Ryan Farrelly Apartments that was built to serve very low-income persons with disabilities,

³ *Putting the "Choice" in Housing Choice Vouchers (Part 3)*, a report by the Chicago Area Fair Housing Alliance Housing Choice Voucher Advocacy Project, July 2004.

generally severe mobility limitations. Oak Park residents are given a preference for residency at this building. As of July 1, 2010, there were 82 applicants on the waiting list for this building, including 11 who claim an Oak Park residency preference. Unit turnover at this building is very low, generally fewer than 5 units per year. Therefore it will take approximately 3 to 5 years to serve all Oak Park residents on this waiting list.

C. First Time Homebuyers

The final need raised by the 2003 study was the inability of first time homebuyers to find affordable housing to purchase in the Village. The study found that the condominium market was the primary point of entry for the first time homebuyer. When the 2003 study was completed, housing costs were increasing at a rapid rate. Over the past two and one half years, housing prices have decreased. Through June 30, 2010, 150 single family homes closed with an average sale price of \$411,745 and averaged 103 days on the market. In 2009, 335 single family houses were sold with an average sale price of \$400,699 and an average market length of 138 days compared to 2008 when 331 single family houses closed with an average sale price of \$484,748 and were on the market for an average of 134 days.

The condominium/townhouse market has suffered an even greater decline in value. In the first half of 2010, there 120 condominium/townhouses sold for an average sale price of \$197,708 and average market length of 202 days. In 2009, there were 190 closings with an average sales price of \$205,021 and the average market length was 190 days. In 2008, there were 251 closings with an average sales price of \$241,669 and the average length on the market was 178 days. Most significantly, as of July 6, 2010 there were 409 active condominium/townhouse listings which is a twenty month supply at the current absorption rate.⁴

Despite the decrease in housing costs, housing prices are still out of reach for many moderate-income households. According to the Cross study, a family of four earning \$60,300 a year (80 percent of the area median income) can afford a home priced between \$167,500 and \$201,000. In 2007, 23 percent of the total number of closings (199 homes) were below \$201,000 and 12 percent (106 of the homes closed) were for below \$167,500. Based on 2007 closings, there should be 2,887 homes (including condos) in the Village worth less than \$201,000. For families earning 120 percent of the area median income (\$90,480 for a family of four), an affordable home would be priced between \$251,333 and \$301,600. In 2007, 43 percent of the total closings (373 homes) sold for below \$301,600 and almost 34 percent (373 homes) sold for below \$251,333 which would translate to a total of 5,411 homes valued less than \$301,600 in the Village. However, the Cross study includes all condominium units and does not factor into account the bedroom count of the units. So, factoring in bedroom size would probably result in fewer available units.

⁴ Oak Park Area Association of Realtors

Further exacerbating the problem, financing options for first-time homebuyers have changed since the 2003 Study was conducted. In 2003, conventional financing with low down payments and lower interest rates were common. Additionally, many borrowers were able to secure non-conventional financing or high risk financing. In 2007, 20 percent of all loans taken out for home purchases in Oak Park were high cost loans meaning they either had a high interest rate or a rapidly adjustable rate mortgage.⁵ Because of the mortgage fallout, these non-conventional or high cost loan products are not as prevalent as they once were. At present, one of the best sources of conventional financing for first time homebuyers is a Federal Housing Administration (FHA) insured loan product. With an FHA insured loan, the homebuyer can secure a mortgage with 3.5 percent down payment and interest rates are about one half a percentage point higher than conventional financing. However, FHA financing requires condominium associations to submit numerous documents to assess the health of the association. Factors examined include the number of renter-occupied units, adequate reserves collected, and collection of assessments. Many associations, especially smaller ones, have difficulty meeting these standards.

D. Foreclosures

A consequence of the more lax non-traditional high cost financing prevalent a couple of years ago has been an increase in the number of foreclosure filings in the Village of Oak Park. From 2000 to 2009, the Village of Oak Park realized a 259 percent increase in the number of foreclosure filings. In 2000, we had 64 filings. In 2009, there were 230 filings. Despite a lower number of first quarter filings, there have been 161 foreclosure filings in the first half of 2010, a 98% increase over the first half of 2009 filings. The percent of single family homes has fallen from 54% of the total number of foreclosure filings to 37% while the percent of condominiums in foreclosure has increased from 28% to 42% of the total number of new filings. Our percent increase from 2009 to 2010 in the number of foreclosure filings is higher than our neighboring communities. According to the Woodstock Institute, Berwyn experienced a 35.6 percent increase (going from 270 filings in first half 2009 to 366 in the first half of 2010), Cicero experienced a 32.6 percent increase (going from 408 in first half 2009 to 541 in first half 2010), while, Forest Park had a 53.5 percent increase (going from 45 in first half 2009 to 69 in first half 2010).⁶ HPAC believes that the larger increase in Oak Park is due primarily to the increase in foreclosure filings of condominium units. It is not surprising that we are seeing an increase given that the market used condominiums as an entry path in Oak Park for first time homebuyers.

Because of the increase in foreclosures, the number of bank owned properties have increased in the Village. In 2007, there were 54 auctions in the Village and 49 of those properties were purchased by the lender as real estate owned (REO) properties. The median value of the REO properties was \$230,444 and the aggregate value was

⁵ Data provided by the Woodstock Institute

⁶ Data provided by the Woodstock Institute

\$13,694,592. In 2009, there were 96 auctions and 94 were REO properties.⁷ So far in 2010, we had 28 auctions and 28 were REO properties which is a 12.5 % decrease over the first half 2009. Because of the financing abuses over the past five years, many of these properties may be worth less than the bank's investment in the property causing the properties to remain vacant for longer periods of time.

The Oak Park Regional Housing Center did inform HPAC that it has expanded its mission to include pre- and post-purchase housing counseling. Housing counseling educates borrowers about credit options and how to evaluate mortgage options. Counseling also will help borrowers focus on credit issues prior to obtaining a mortgage, thus ensuring that the borrower qualifies for the best financing option. Additionally, post-purchase housing counseling when a borrower is facing a default situation enables the borrower to negotiate with the lender prior to a serious delinquency in the loan. A borrower in that situation may be able to avoid foreclosure and possibly remain in their home.

Over the past several years, condominium units have gone from representing 28% of the Village's foreclosure filings to 42% of the total filings. More small condominium associations are experiencing foreclosures in their buildings. Often this means that the association is unable to collect assessments for those units, resulting in falling behind in bills and not able to make needed repairs. During the condominium network meetings, many associations report needing to make repairs to their building but being unable to afford to do so. The Village can assist individual unit owners under the single-family rehab program for repairs to units but there currently does not exist any programs for helping condominium associations maintain their buildings.

⁷ *Foreclosure Fallout: An Analysis of Foreclosure Auctions in the Chicago Region*, Woodstock Institute, August 2008.

III. Strategies to Promote Affordable Housing

A number of strategies were presented to HPAC during the August 14, 2008 presentation. *At the outset, HPAC believes that the Village of Oak Park should continue to pursue a regional approach to affordable housing issues.* The 2003 study made this recommendation as well. Oak Park has taken the lead in forming a regional group of municipalities that is willing to tackle the issue of affordable housing, the West Cook County Housing Collaborative comprised of Berwyn, Bellwood, Forest Park, Maywood and Oak Park. The Collaborative secured funding from the Chicago Community Trust for a regional coordinator, IFF. Additionally, technical support is being provided by the Metropolitan Mayors Caucus and the Metropolitan Planning Council. The Collaborative approach has secured over \$5 million dollars in State of Illinois and Cook County Neighborhood Stabilization Program funding for the five municipalities. Additionally, the Collaborative is applying for funding from the Department of Housing and Urban Development under the Sustainable Communities Initiative. The Collaborative, with financial support from Charter One, brought together area employers to discuss employer assisted housing initiatives. The Collaborative is partnering with the Oak Park Regional Housing Center to do follow-up outreach to interested employers.

Similar coalitions are working in other parts of the country and the region. The San Francisco region has adopted a regional report which is outlined at www.greatcommunities.org. During the August forum, the Metropolitan Planning Council presented the committee with examples of regional collaboratives throughout the Chicago metro-region. In the northwest suburbs, 10 communities are collaborating with the Charter One Workforce Housing Initiative and have made some meaningful progress over the last year. Two communities have launched their own employer assisted housing programs and are meeting with local employers to follow suit. Two other communities are meeting with employers in their communities to encourage them to establish employer assisted housing programs. Nine of the ten communities are preparing to enter into a first of its kind, a joint housing trust fund that would pool resources across boundaries to address shared workforce housing needs and local volume bond cap allocation.

HPAC firmly believes that the Village of Oak Park should remain a leader in the West Cook Collaborative to address affordable housing needs regionally rather than piecemeal within community boundaries. HPAC recommends that the strategies discussed below be looked at using a broader regional context, as well as solely by the Village of Oak Park. When appropriate, we indicate which strategies should be considered as part of regional approach.

Additionally, HPAC believes that we need to retain the services we are currently providing to address the affordable housing needs of the Village's residents. During tough economic times, we cannot afford to stop investing in our housing stock. Our historic and architecturally significant housing stock is what makes the Village unique, as well as its storied history as a model for successful integration. Many of the Housing

Programs Division programs are integral to the success of continued integration and also preserve affordability.

A. Creation of Small Rental Rehabilitation Program

In addition to continuing the Multi-family Housing Incentives (MFHI) Program, HPAC is further recommending that in 2011 a CDBG-funded program focused on rental housing for buildings under 8 units be developed in addition to the current MFHI program. Any CDBG funded program would require that the owners maintain at least 51% of the units affordable to households earning below 80% of the AMI. HPAC is recommending that priority be given to funding properties with three-bedroom units. Housing Programs Division Staff has had conversations with the Illinois Housing Development Authority (IHDA) about the possibility of applying for State of Illinois HOME funding for a small-rental housing rehab program. However, IHDA does not anticipate having another round of applications for HOME funding until late 2011 for 2012. HPAC suggests that Oak Park create a CDBG-funded program for 2011 until HOME Funds are available that is modeled after the IHDA HOME funded requirements. Hopefully, CDBG funding would only be necessary until the HOME funding could be obtained. HPAC is planning to present the Board with proposed guidelines later in September 2010.

B. Condominium Associations

HPAC is concerned about the health of condominium buildings. While the Village currently inspects those buildings, HPAC is worried that because of the high number of foreclosures that buildings will have difficulty making needed repairs. HPAC recognizes that Village funds are limited but believes that the Village should consider developing a matching loan or grant program similar to the Multi-family Housing Incentives Program that would focus on exterior improvements.

C. Metro Mayors Housing Endorsement Criteria

In the October 2008 draft, HPAC encouraged the Board to adopt a policy statement regarding the need for affordable housing for all economic levels and suggested that the Board consider adopting the Metro Mayors Caucus Housing Endorsement Criteria which was developed as part of a joint initiative of the Metropolitan Planning Council and the Metropolitan Mayors Caucus Housing Task Force. A number of municipalities in the region have adopted the criteria. The Housing Endorsement Criteria sets general principles and criteria for evaluating new developments. It is not a mandatory set of criteria but rather a tool for evaluation. Many communities adopt the criteria as a first step in establishing an affordable housing plan.

The West Cook Collaborative adopted the Housing Endorsement Criteria as general criteria to use when evaluating how to allocate NSP funds. The Collaborative asked each community to adopt the Housing Endorsement Criteria. In January 2010, the Village of Oak Park did adopt the Housing Endorsement Criteria.

HPAC supports the recommendation in the Analysis of Impediments to Fair Housing that the Board adopt a general policy statement about the need for affordable housing, the income levels to be targeted and what strategies will be employed to develop and maintain affordable housing. HPAC requests that the Board adopt this report as the Board's general statement of affordable housing need.

D. Communication Campaign

Often the biggest hurdle to address when discussing affordable housing is the definition of affordability. Affordability is determined by household income. Housing is generally considered affordable when a household is paying no more than 30% of income towards its housing cost. Recently, advocates have begun to consider transportation costs as part of the equation. Housing is considered affordable when a household's transportation and housing costs do not exceed 45 % of the household's income. Given Oak Park's varied and extensive transportation options, HPAC recommends that we begin to talk about affordability in terms of housing plus transportation costs. Many people living in Oak Park rely on public transportation to commute to their job. We need to focus on lower transportation costs as a means of marketing Oak Park as an affordable community notwithstanding the higher property taxes and higher home prices.

In 2009, the Village partnered with the Oak Park Area Association of Realtors and the Oak Park Regional Housing Center to develop communication materials to use to attract prospective residents to Oak Park (see attached). The communication materials will take the place of the community profile and will be a marketing tool for the realtors and the Housing Center. Each individual sheet can be printed depending on a person's interest and can be easily and cost-effectively updated. The communication material has a section on Oak Park's transportation options and can be used as a tool to attract residents and to begin to market Oak Park as an affordable community when transportation costs are factored into a household's budget. HPAC recommends that the Board consider using Channel 6 and the OP/FYI to talk about what is affordability and to use the media to promote Oak Park's proximity to transit as a way to reduce housing costs.

Additional community education is still needed to address concerns about increasing affordable housing opportunities for our neediest of residents. HPAC recommends that the Village look at the Housing Illinois media material attached. Cable ready commercials are available for Village use on Channel 6. HPAC recommends looking at how the Village can structure communications to focus on the need to address affordability for all income levels . One idea could be to have a specific Oak Park vehicle sticker that deals with affordability.

E. Revisions to the Equity Assurance Program

During the 1970's as an effort to combat residents' fears that integration efforts would result in a decrease in property values, the Village developed the Equity Assurance Program that provided insurance to owners that if their property values decreased as a result of integration that the Village would compensate the property owner. The Equity

Assurance program proved to be very popular, many residents signed up their properties in the program but the Village never had to pay out a claim. HPAC recommends that the Board consider amending the Equity Assurance Program to provide similar assurances when an affordable housing development is being proposed in a neighborhood. The Program would have to be narrowly tailored to address only a decrease in values directly attributable to the new housing development and not to the general housing market.

F. Inclusionary Zoning

Inclusionary Zoning (IZ) is a tool that municipalities use to require the production of a certain percent of affordable housing units in market rate developments. Many IZ ordinances also contain a “fee in lieu of” provision that allows a developer to opt out of the affordable housing requirement by paying a fee into a dedicated trust fund discussed more fully below. The following communities in the Chicago Region have adopted IZ ordinances: Chicago, Evanston, Highland Park, Lake Forest and St. Charles (see attached chart). A representative from Housing Oak Park presented the attached specific IZ proposal as a strategy that the Village should consider. The Village Planner prepared the attached chart which shows how an IZ ordinance as proposed by Housing Oak Park would have impacted prior developments. HPAC believes additional information is needed to fully evaluate the IZ proposal. While mentioned as a strategy in the 2003 Study, the committee did not specifically recommend that the Village adopt an IZ ordinance.

According to the data compiled by the Illinois Housing Development Authority (IHDA) as part of the Affordable Planning and Appeals act requirements, 35 percent of the Village’s total housing units were affordable. The IHDA data is based on 2000 census data and does need to be updated with new census information. Oak Park does a much better job addressing affordability than any of the other communities with IZ ordinances in the Chicago region. IHDA calculations show Evanston was at 26 percent; Highland Park was 8 percent; Lake Forest was at 5 percent and St. Charles was at 16 percent.⁸

An IZ ordinance could target affordability levels for households earning below 80 percent of the area median income. HPAC sees this as a long term strategy that the Village may consider. At a minimum, HPAC would like to see the Village focus on strategies to address priority populations and enter into negotiated set-aside agreements with developers. The Plan Commission also recommended that a compensating benefit for developers could include “for sale” housing that fell within the limits established by the first time homebuyer program and affordable 3-bedroom apartments. HPAC believes the findings in the Cross report support the Plan Commission’s recommended compensating benefits.

While an IZ ordinance is a powerful tool, it does have the potential to affect future development. Further direction is needed by the Board on whether this is a strategy they are interested in pursuing and how it should be pursued. The Chicago Metropolitan

⁸ *Report on Affordable Housing Planning and Appeal Act*, Submitted to: Illinois Housing Development Authority; Submitted by: University of Illinois, Building Research Council; Submitted on: July 23, 2004.

Agency for Planning (CMAP) prepared a report on Inclusionary Zoning as a strategy in June of 2008. CMAP's report stated that Inclusionary Zoning creates the most benefit in areas with (1) high growth rates; (2) good access to transit and jobs; and (3) little existing affordable housing. While Oak Park has excellent access to transit and jobs, the other two factors may not be present at the level necessary to believe that IZ ordinance would increase the affordable housing levels in Oak Park.

G. Creation of an Affordable Housing Trust Fund

An affordable housing trust fund would be a separate fund within the Village that could be used for a variety of affordable housing activities such as production of affordable housing units; acquisition; grants to non-profits; pre-development costs; rental subsidies, down payment assistance; and preservation and maintenance of existing affordable units. Funding could be from a variety of sources such as fee in lieu of developing affordable housing either as part of an IZ ordinance or a negotiated agreement; a percentage of the real estate transfer tax; an increase in building permit fees or demolition tax and an increase in the fee for multi-family dwelling licenses. These funds could be used for future support of affordable housing activities including Village Housing Programs. For many years, the Village has utilized funds from a housing bond issued in the mid-1980s. At present, the fund balance remaining from those bonds is not sufficient to continue funding of the housing programs and partner agencies

The West Cook County Housing Collaborative applied for funding from the HUD's Sustainable Communities Initiative to establish a pool of funds for affordable housing and green initiatives in the six communities' transit oriented development areas. HPAC recommends exploring the creation of a regional affordable housing trust fund. Oak Park could take the lead in sponsoring a regional conversation about how best to accomplish that goal. The northern suburban collaborative is putting together a regional trust fund and would be a good source to learn from.

H. Creation of a Community Land Trust

Land trusts are used to purchase or acquire property and using the property to develop affordable housing, usually with long-term affordability restrictions. Funding could be through an affordable housing trust fund or from municipal bonds or perhaps from new federal dollars that the West Cook Collaborative is applying to receive. A Community Land Trust maintains long term ownership of the property through a ground lease. The resale amount is determined by a formula that provides a return on the investment to the homeowner but also ensures the property remains affordable to future purchasers. HPAC recommends that this is an ideal strategy for the Village to consider implementing as a regional approach; the municipalities would pool their resources and acquire property throughout the region. Lenders could be encouraged to donate their REO properties to the community land trust to increase the supply of affordable housing. The lenders would probably be eligible for a state donation tax credit and/or federal tax deduction.

I. Donation of Village Owned Land

Several groups suggested that the cost to build affordable housing could be substantially defrayed if they did not have to purchase land. The Oak Park Residence Corporation feels that an unmet need for seniors is affordable assisted living. In partnership with a for-profit developer, ResCorp has looked at developing a supportive living facility for seniors that would be for lower income seniors who need some level of assistance but do not yet require skilled nursing services. The main problem with pursuing the project has been the high cost of land acquisition. If the Village donated property or considered a long-term low-cost lease this would help make a deal financially feasible. Also, West Suburban PADS suggested that the Barrie Park homes previously owned by the Village could have been donated to a non-profit for rehab and used for affordable rental housing. HPAC recommends that the Village look at all currently owned properties to determine if any properties would be suitable for an affordable housing development that would address the supportive housing needs.

J. Technical Assistance to Developers

Either Village staff or another Village sanctioned entity such as the Oak Park Residence Corporation, the Illinois Facilities Fund (IFF) or the Chicago Community Loan Fund (CCLF) could work with private developers interested in developing in Oak Park to think about affordable housing funding mechanisms or other cost cutting alternatives. IFF is a Midwest regional non-profit whose real estate staff will partner with developers to make better real estate and space decisions to support affordable housing goals of a municipality. The CCLF will provide low-cost, flexible financing to community development organizations engaged in affordable housing, social service and economic development initiatives that benefit low-and moderate-income neighborhoods and families throughout metropolitan Chicago.

The West Cook Collaborative contracted with IFF to coordinate the effort of the collaborative. IFF is working to help develop a regional strategy to deal with foreclosure and develop other affordable housing programs. IFF is willing to meet with developers interested in pursuing affordable housing to discuss how partnering with a non-profit such as the Oak Park Residence Corporation could enable a developer to include affordable housing in its project.

Developers may be able to make some units more affordable by considering lower grade interior finishes in some units which could lower the costs sufficiently to make the units more affordable. Either alone or in partnership with a non-profit developer, developers could apply for tax credits, state and federal affordable housing grants and loans for some of the units. A recent example of an affordable housing rehab project in the Village using Cook County tax incentives is the Bon Villa Apartments. Properties receiving Class 9 status are assessed at 16 percent of market value from the date of completion of major rehabilitation with renewals of the incentive in ten-year terms. In exchange, 35 percent

of the building must be designated as Class 9 units, meaning the income levels of those tenants cannot exceed 80 percent of the Area Median Income.⁹

The HUD is recommending that communities create a task force to examine how the local zoning and permitting process may be creating a regulatory barrier to affordable housing production.¹⁰ HPAC recommends that the Village join in HUD's efforts to reduce regulatory barriers and set up a task force to evaluate the development process and determine if there are ways to streamline the process, thus, encouraging affordable development. An outcome of the task force could be a more streamlined process with the availability of technical assistance including information about sustainability initiatives that would reduce energy consumption and reduce operation costs.

K. Employer Assisted Housing

Employer Assisted Housing (EAH) is a tool for employers to provide down payment or rental assistance to their employees. Employers that target employees earning below 120 percent of the AMI are eligible for a state donation tax credit that provides a 50 percent tax credit on state income tax liability for every \$1 invested in an EAH program. Employees earning below 80 percent of the AMI are eligible for state matching funds, an additional \$3000 to \$5000 of the employer contributed down payment. HPAC recommends that the Village should lead by example and should provide assistance to its employees and sell the state donation tax credit. The Village should encourage local employers to establish programs and work regionally to establish a pool of employers which would cover a number of municipalities. During the August forum, Harris Bank offered to partner with the Village to explore a public/private partnership to create an EAH program. HPAC recommends that the Village seriously consider such a partnership and work to expand it. Given Oak Park's large rental market, HPAC recommends that the Village partner with the Metropolitan Planning Council to attempt to develop a pilot Employer Assisted Rental Housing program which could become a model for other municipalities.

As part of the West Cook Collaborative, Charter One hosted a lunch for the employers within the member communities. During the lunch session, employers were educated about how the program would work and how it would be beneficial to them. A number of employers have asked for follow-up meetings.

L. Coordinating Pooled Resources For First Time Homebuyers

For the past several years, the First Time Homebuyer Program has not had the impact it once had in the Village. As discussed above, this is likely the result of several competing factors, the availability of alternative sources of low-cost financing and the cost of housing in the Village. However, if the program could be pooled with an additional

⁹ Given the recent changes in computation of assessed values, Class 9 benefits may not be as beneficial to an owner as they once were.

¹⁰ *Creating a Task Force on Regulatory Barriers to Affordable Housing*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2007.

financing source, it is likely that it would have a higher utilization rate. An example of this strategy is working with local lenders to establish a pooled loan resource that first time homebuyers could use to either finance a portion of the cost of their home at a reduced interest rate or could provide down payment assistance. If the Village establishes a trust fund it could also use those funds to provide down payment assistance that could be forgiven or paid back at some future date. Additionally, this is also a strategy that may make sense to pursue on a regional basis. HPAC recommends that the Village consider working with lenders to return foreclosed properties to the community as quickly as possible and there may be opportunities for using the properties to support affordable housing goals for first time homebuyers.

Since the October 2008 draft of this report, the Oak Park Regional Housing Center, supported by the West Cook Collaborative secured funding to offer down payment assistance and second mortgages funded by the Illinois Housing Development Authority. HPAC applauds this great first step and is pleased that the West Cook Collaborative was able to support the addition of new resources into the member communities.

M. Eliminating Barriers To Financing

The Oak Park Area Association of Realtors has been working on an educational campaign for condominium associations about a barrier faced by first time homebuyers looking to purchase condominiums. When an owner has less than 20 percent down to purchase a home, he must have some type of mortgage insurance to secure the loan either through a private mortgage insurance company or through the Federal Housing Administration (FHA). During the past several years, private mortgage insurance companies had very relaxed standards and were insuring mortgages with very small down payments and even for borrowers with less than stellar credit. However, as a result of the mortgage foreclosure crisis, private mortgage insurers are implementing stricter underwriting criteria. Most private companies are requiring a minimum of 10 percent down. As a result, more and more first time homebuyers are seeking FHA insured mortgages that require only 3.5 percent down as of October 31, 2008. FHA still requires a good credit standing for insuring a mortgage.

Over the last year, the Village and the Realtor Association have presented a series of educational programs designed to educate condominium associations and realtors about the benefits of FHA financing. Additionally, the seminars were designed to help condominium associations alleviate barriers to the acceptance of FHA financing. HPAC recommends a continued dialogue with realtors on how to alleviate barriers to financing.

IV. Conclusion

In summary, HPAC made the following recommendations in its October 2008 report. However, the Village has made progress already on several of these recommendations so HPAC is updating and noting where progress has been made below:

Within the next six months:

- Adopt Metro Mayors Caucus Housing Endorsement Criteria - completed
- Develop a communications campaign – initial materials completed
- Continue participating in West Cook Regional Housing Collaborative
- Adopt Small Rental Housing Rehab Program
- Authorize creation of program for condominium buildings
- Establish task forces or assign to a current committee to further develop ordinance changes such as Inclusionary Zoning and the elimination of regulatory barriers
- Continue work on the West Cook County Housing Collaborative and explore creation of regional trust fund and community land trust
- Review Equity Assurance Program to determine if modifications can be achieved to deal with perceived fears of affordable housing developments reducing property values
- Provide Technical Assistance to Developers to discuss ideas on how to include affordable housing units in their developments including sustainability initiatives

Within the next 12 months:

- Dissemination of communication campaign materials and further communication efforts
- Determine viability of an Inclusionary Zoning Ordinance
- Prioritize local and regional initiatives and establish a timeline for achievement

HPAC believes that, while much more needs to be done, the Village of Oak Park is leading by example in the affordable housing arena and is very happy that the Village took the lead in starting a regional dialogue and collaborative about affordable housing. HPAC hopes that the Board finds the above information helpful in evaluating affordable housing needs in the Village of Oak Park and the region. HPAC is eager to receive further Board direction on initiatives that the Board would like developed further.



Affordable Housing

September 25, 2017

What is affordability?

- 1) Anyone paying more than one-third of their household income on housing costs is considered “housing cost burdened.” This could be any family at any income.
- 2) It is widely recognized that households on the lower end of the income spectrum are much more likely to experience housing cost burden and have a narrower range of housing options available.

Current Conditions

Different affordable housing programs have different income limits.

Income	30% AMI*	50% AMI	60% AMI	80% AMI	Median	120% AMI
Family of 4	\$24,300	\$38,450	\$46,140	\$61,500	\$76,900	\$92,280

Housing Choice Voucher Program

Low Income Housing Tax Credit Program

Single-Family and Small Rental Rehab Programs (VOP)



Source: US Department of Housing and Urban Development (HUD) available at https://www.huduser.gov/portal/datasets/il/il2016/select_Geography.odn

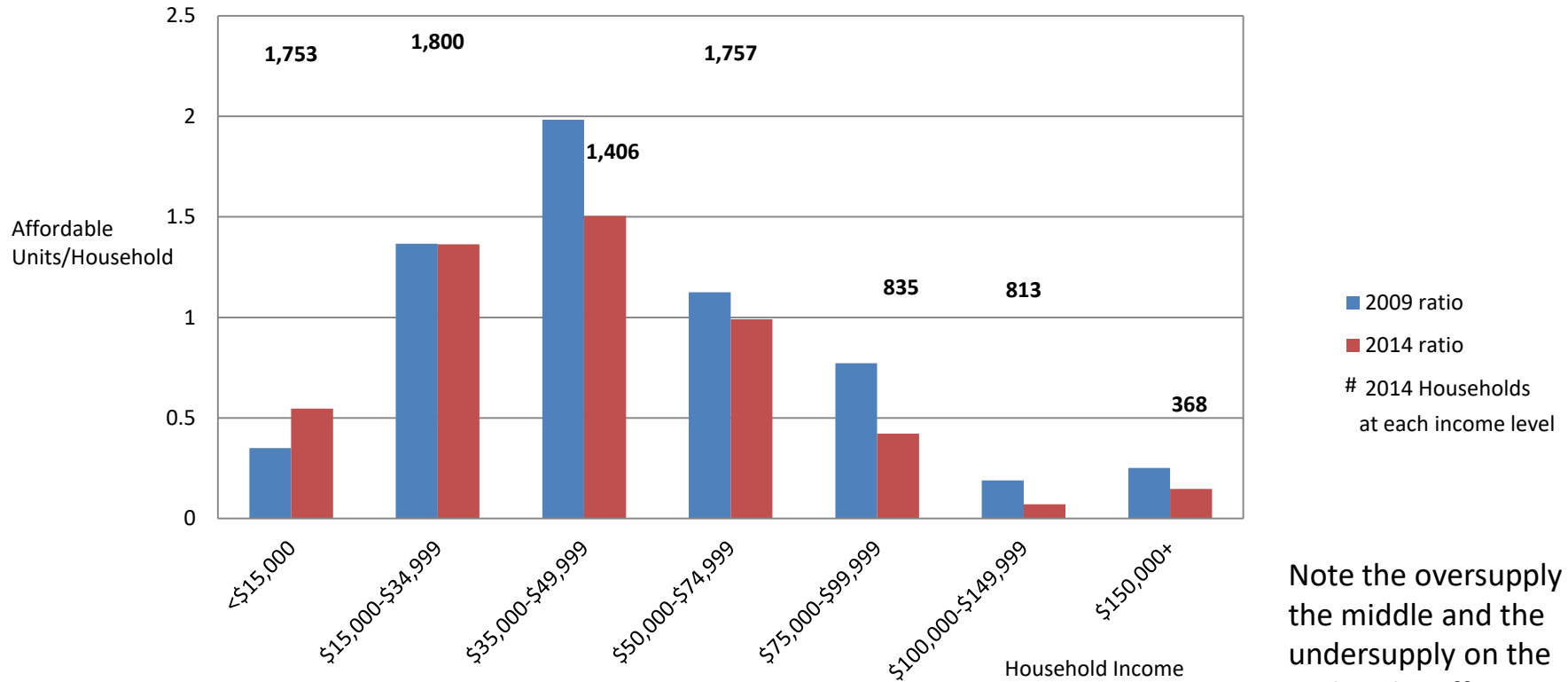
* "Extremely Low Income" limit set by HUD. May not be exactly 30% AMI.

Overview

1. Current Conditions
2. Review options for utilizing the funding
3. Future mechanisms to support the Affordable Housing Fund

Current Conditions

Affordable Renter-Occupied Units/Renter Household by Income in Oak Park



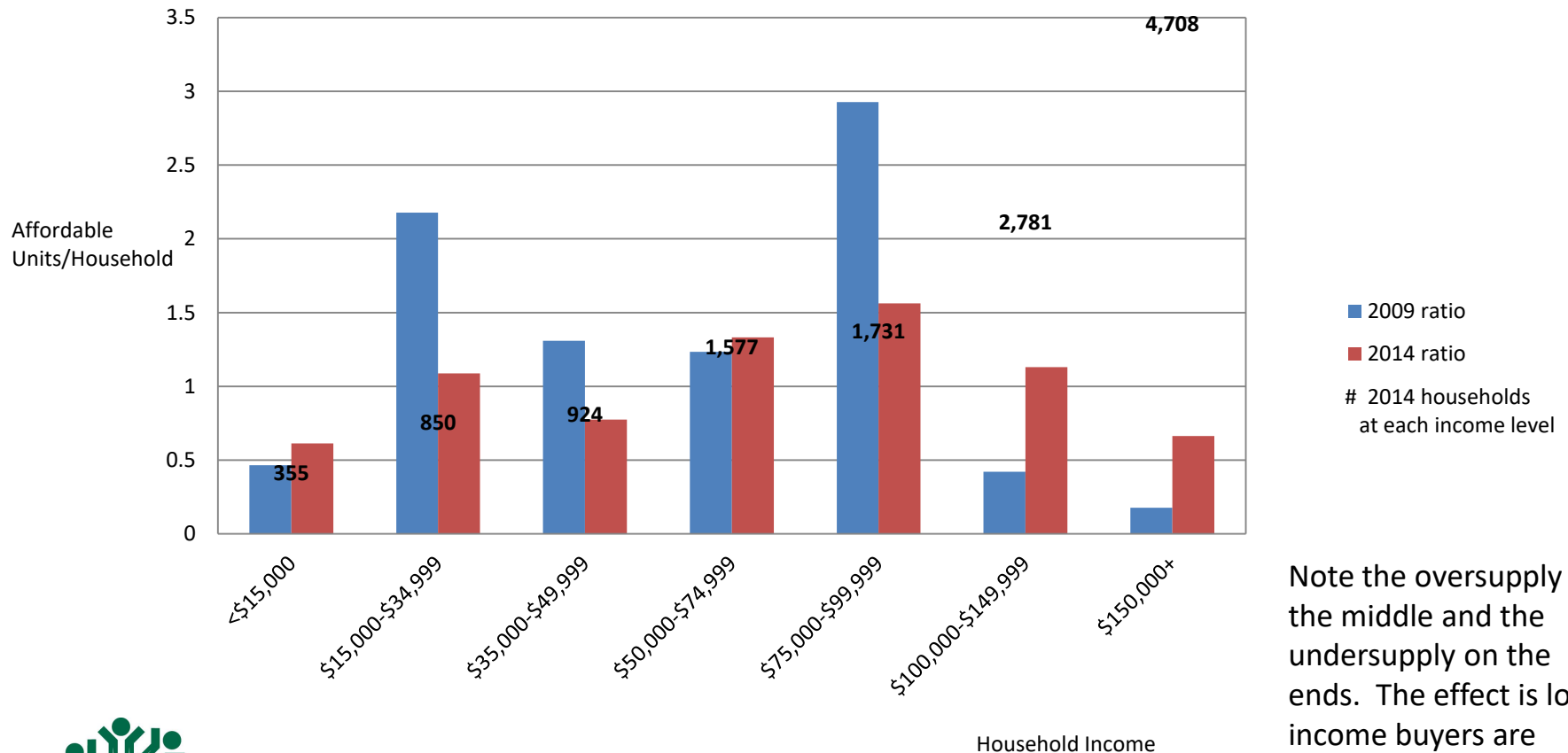
Note the oversupply in the middle and the undersupply on the ends. The effect is higher income renters are living in middle-income units.



Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2005-09 and 2010-14.

Current Conditions

Affordable Owner-Occupied Units/Owner Household by Income in Oak Park



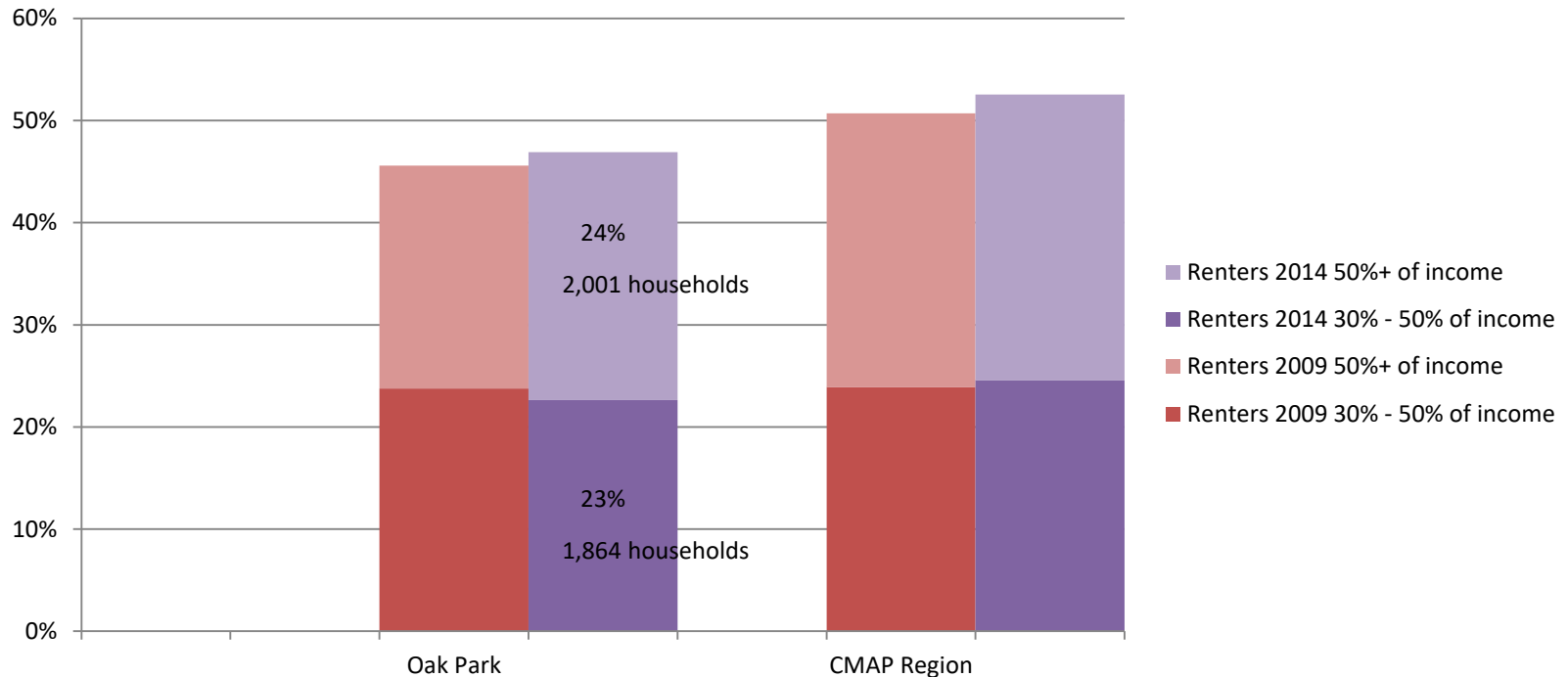
Note the oversupply in the middle and the undersupply on the ends. The effect is lower income buyers are outbid by higher income buyers.



Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2005-09 and 2010-14.

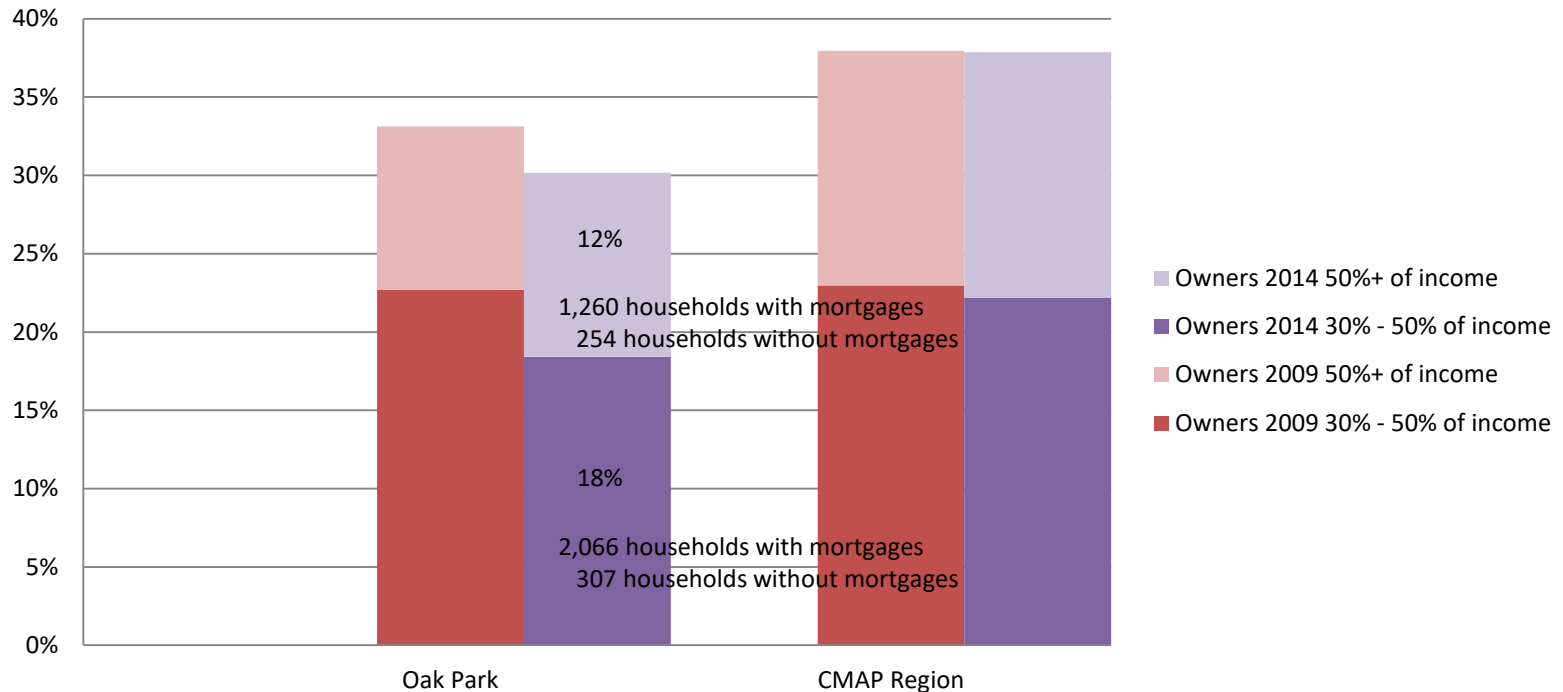
Current Conditions

Percent of renter occupied households paying more than 30 percent of income on gross rent



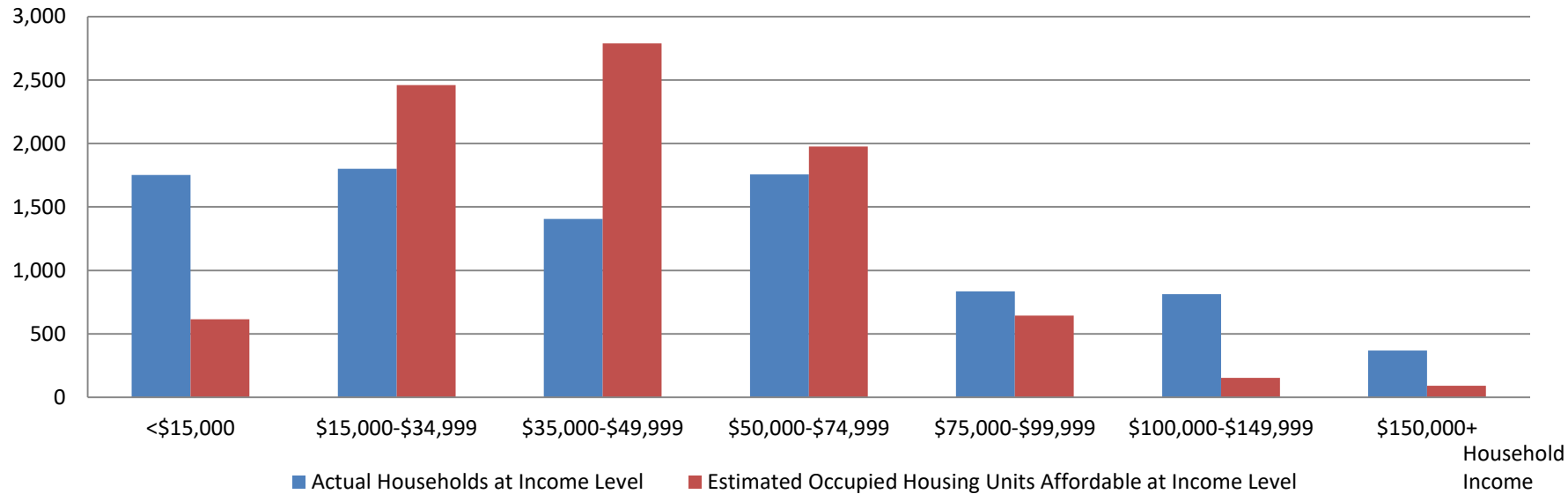
Current Conditions

Percent of owner occupied households paying more than 30 percent of income on monthly owner costs



Current Conditions

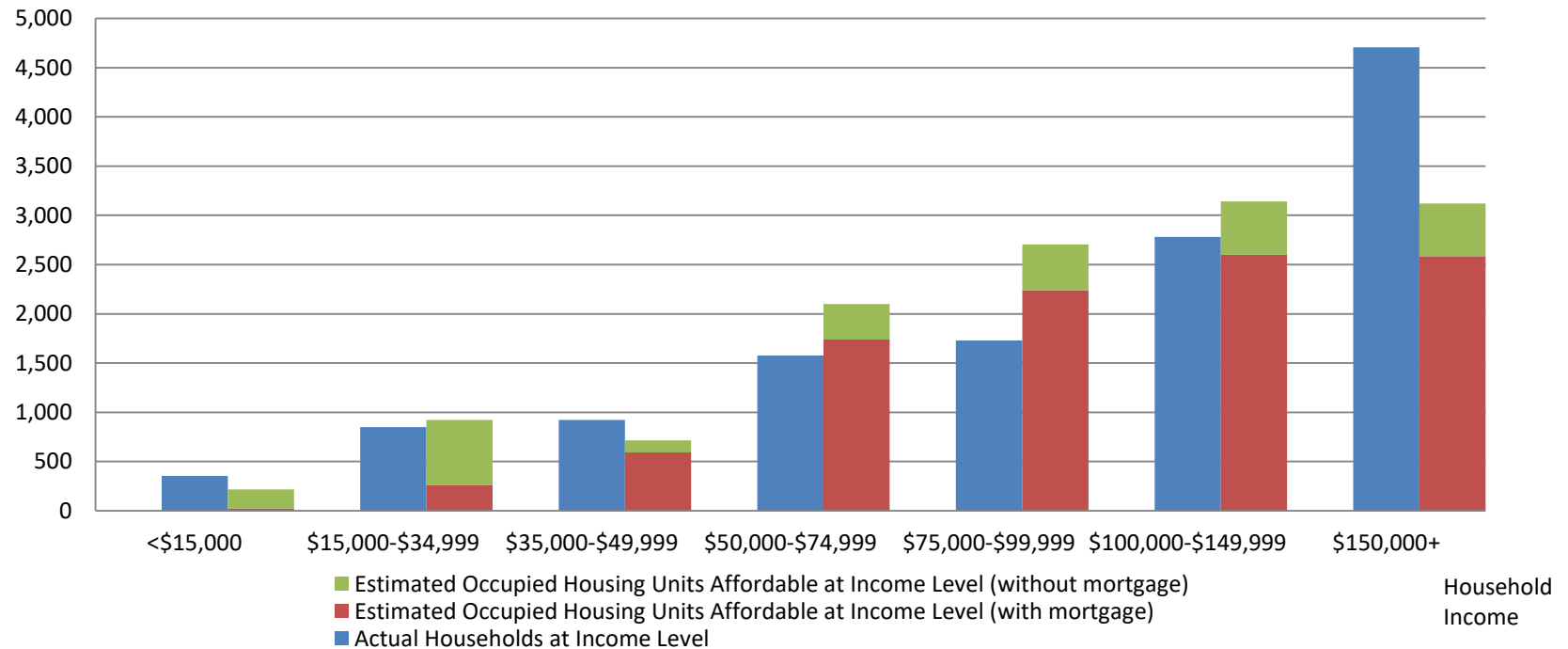
Oak Park comparison of rental household incomes with occupied units affordable at each income level



Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2010-14.

Current Conditions

Oak Park comparison of owner household incomes with occupied units affordable at each income level



Source: Chicago Metropolitan Agency for Planning analysis of Fregonese Envision Tomorrow Balanced Housing Model using American Community Survey 2010-14.

Current Conditions

According to analysis by the Illinois Housing Development Authority conducted in 2013, Oak Park has

3,991 Units of Affordable Housing, or **18.4%** of all housing units in the Village are affordable to homebuyers at 80% regional median household income and to renters at 60% of the regional median household income.

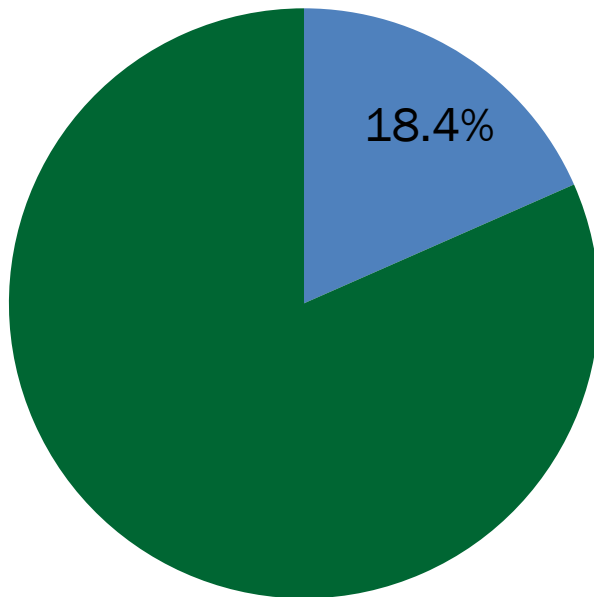
This puts the Village in the “at risk” category for becoming a community that is not exempt from the Illinois Affordable Housing Planning and Appeals Act. Only communities with less than 10% of affordable housing are considered “non exempt” from the act.

Current Conditions

Supply

3,991 affordable housing units in Oak Park

(of which, 1,088 are subsidized or income restricted)



Municipality	% Affordable
Forest Park	42.4
Berwyn	37.1
Elmwood Park	30.3
Oak Park	18.4
Evanston	15.4
River Forest	4.4

Current Conditions

According to Oak Park Housing Authority, there are

543 Housing Choice Vouchers

11 Project Based Vouchers (The Grove)

51 Low Income Housing Tax Credit (The Grove, incl above)

197 Mills Park Tower (senior)

76 The Oaks (senior or disabled)

21 Ryan Farrelly (disabled)

200 Heritage House (senior or disabled)

1,088 units of publically subsidized, income restricted housing in Oak Park.

Current Program Funding

Since 2012, Oak Park has invested \$9,926,669 in Village Housing Programs and three partner agencies: the Oak Park Regional Housing Center, Oak Park Residence Corporation, and Oak Park Housing Authority. This funding comes from both General Revenue and Federal Grants (CDBG).

Current Program Funding

Housing Partners:

1. Oak Park Regional Housing Center (\$425,000 GRF; \$167,000 CDBG)
2. Oak Park Residence Corporation (\$35,000)
3. Oak Park Housing Authority (\$35,000)
4. Housing Forward (\$115,300 ESG;\$32,000 CDBG)

Housing programs currently administered by the Village

1. Single-family Rehabilitation Loans (\$175,000 CDBG)
3. Small Rental Rehabilitation Loans (\$100,000 CDBG)
4. Multi-Family Incentives Program (\$150,000 GRF)

Prior Direction from the Board

Affordable Housing Fund has approximately \$1 million

Board did not want to use funds to offset current funding levels.

Wanted staff to look at down payment assistance and rental housing subsidy program.

Wanted staff to look at future funding options for the fund.

Direction needed from the Board

Down Payment Assistance Program

Number of Participants	Cost of Down Payment Assistance	Cost of Program Administration
20	\$100,000	\$2,000
40	\$200,000	\$4,000
60	\$300,000	\$6,000
80	\$400,000	\$8,000

Direction needed from the Board

Rental Housing Support Program – offset rent directly to landlord in exchange for renting to low- income persons

Affordable Housing Working Group recommends using the funds to assist homeless or at risk of homeless.

Staff presented an alternative for a higher income level.

Direction needed from the Board

Condominium Support Program

Create program for buildings under 12 units or less to provide funding for major repairs or could explore a program to de-convert those buildings into rental housing.

Number of Buildings Participating	Cost of Subsidies	Cost of Program Administration
4	\$100,000	\$4,000
8	\$200,000	\$8,000
12	\$300,000	\$12,000
16	\$400,000	\$16,000

Future Funding Options

1. Negotiated agreements with Developers related to Village Owned property.
2. Inclusionary Zoning Ordinance – Each development of a certain size would either provide some percentage of affordable housing to a determined income group or pay a fee in lieu of those affordable units. See chart.
3. Demolition Tax – Highland Park model \$10,000 per unit. So far in 2017 we have had 4 demolitions. See Highland Park Handout.

Future Funding Options

4. Inclusionary Zoning Ordinance – Each development of a certain size would either provide some percentage of affordable housing to a determined income group or pay a fee in lieu of those affordable units.

5. Increase in fees such as Multi-family licensing. Currently charging \$20 per unit. The Village of Oak Park is on the high end of charge. We recently adopted an ordinance to reward good owners with no violations making them eligible to receive a 3 year license.

Future Funding Options

6. Increase in Real Estate Transfer tax – need voter approval. It must be done by referendum by a home rule municipality and there must be a public hearing on the proposed increase prior to adoption of the resolution for the referendum. The statute is below. The current rate is \$8.00 for every \$1000 or fraction thereof and it is paid by the seller. Oak Park Village Code at Sec. 23A-1-2. There is no maximum statutory rate.

Staff Report: Options for Investing Affordable Housing Funds
Development Customer Services Department

Introduction

The Board of Trustees held a study session on July 25, 2016 to review housing market conditions, reaffirm existing housing programs, and explore options for investing the anticipated \$1,000,000 in Village funds negotiated through planned developments and redevelopment agreements over the past several years. Those funds are earmarked for affordable housing and expected to be available in 2017. A memo summarizing that discussion was distributed to the Board on August 5, 2016. The following report digs deeper into the options contemplated by the Board at the July study session. Broadly, these include the expansion of existing programs and the creation of new programs.

Existing Program expansion

The Village could probably double the productivity of our existing affordable housing rehabilitation programs for two years if the full \$1,000,000 were devoted to this purpose. As it stands the Village invests about \$544,000 per year in loans, grants, and staff time to the Single Family and Small Rental Rehabilitation programs. Combined, the programs typically rehabilitate 7 single family and 10 small multi-family rental units per year. By adding two additional contract staff for two years, increasing the funding available for rehabilitation and lead control activities, raising the income limits to 120% of Area Median Income (AMI), and increasing marketing efforts, Village staff estimate that 14 single family and 20 small multi-family units could be rehabilitated per year.

New Program: Down Payment Assistance

Down Payment Assistance Programs typically provide low interest loans to homebuyers to assist with the upfront cost of purchasing a home. Terms of these programs can vary, including the amount of assistance, interest charged (if any), and time for repayment. Most programs forgive these loans after a certain period of time or when certain conditions are met. Others are offered only to first time homebuyers or those that have not owned a home for a certain amount of time. These loans may be restricted to down payment, but some allow proceeds to support closing costs as well.

The Illinois Housing Development Authority (IHDA) currently offers the 1st Home Illinois and @HomeIllinois programs, which provide down payment assistance. 1st Home Illinois targets first time homebuyers in northeast Illinois and includes a \$7,500 cash grant for down payment and closing costs. A portion of the grant must be repaid if the home is sold within five years. The @HomeIllinois program targets those interested in refinancing or buying a new home. The program provides a \$5,000 no-interest loan for down payment assistance, which must be paid back within 10 years.

Participants must be both credit and income qualified, but the income limits are significantly higher than most HUD programs at around 130% of Area Median Income (AMI). Both programs combine the down payment assistance with a 30-year, fixed rate mortgage and limit the total upfront costs to buyers at

\$1,000 or 1% of purchase price, whichever is greater. Participants are required to complete homeownership counseling sessions. Homes purchased through either program cannot exceed the maximum price of \$344,819. In 2016, 404 single family homes and 627 condominiums were sold in Oak Park below that price. Only 20 of those were purchased through either of IHDA's programs using down payment assistance.

Staff Recommendation: If the Board chooses to direct staff to create such a program, staff recommends playing a supporting role in the IHDA programs described above. Under this scenario, homebuyers would receive a no-interest loan for \$5,000. If the homeowner moved out after one year, \$4,000 would be due for repayment. A similarly pro-rated repayment would be due unless the owner occupied the house for five years. After five years of ownership and occupancy, the loan would be forgiven. Any amount repaid would be put back into the fund. Since eligibility would essentially be certified by IHDA under this scenario, the cost of administrating the program would be low. It could also be defrayed by charging an application fee of up to \$100. The table below shows the cost of both down payment assistance and program administration, based on the number of approved participants.

Su	Cost of Down Payment Assistance	Cost of Program Administration
20 ¹	\$100,000	\$2,000
40	\$200,000	\$4,000
60	\$300,000	\$6,000
80	\$400,000	\$8,000

New Program: Rental Assistance

There are essentially two types of rental assistance programs: tenant subsidies and unit subsidies. Tenant subsidies follow the tenant if they move out of one unit and into another. Unit subsidies remain with the unit, and are therefore lost to the tenant if they move out. Perhaps the most easily recognized tenant subsidy is the federal Housing Choice Voucher program. Commonly known as "Section 8," the program is administered by the federal Department of Housing and Urban Development (HUD) through local Public Housing Authorities (PHA). Oak Park is lucky enough to have its own PHA, the Oak Park Housing Authority, who administers 543 vouchers in the community.

To be eligible for a voucher, households must provide documentation that they earn less than 50% of AMI, which is \$38,000 per year for a family of four. The Housing Authority selects an income eligible family from a waitlist and issues it a voucher. Unfortunately, because Oak Park is a high demand community, the Housing Authority's waitlist has been closed for several years. The voucher allows them to find a suitable unit in Oak Park. The household will then typically pay 30% of its income to pay for rent and utilities, while the Housing Authority pays the remaining amount directly to the landlord. If they wish to move at the end of a lease, the family can use the same voucher in another unit. This is why it is a tenant subsidy.

¹ According to IHDA records, this was the total number of Oak Park program participants in 2016 that used down payment assistance to purchase homes.

One example of a unit subsidy is the Rental Housing Support Program administered by the IHDA through Housing Choice Partners (HCP) in suburban Cook County. Households must earn less than 30% of AMI to qualify for a subsidized unit, which is about \$23,500 for a family of four. HCP verifies the income eligibility of each household, which qualifies them to rent one of the subsidized units. There are relatively low restrictions on the cost of rent, so many qualified tenants will pay up to 40% of their income. HCP pays the remainder directly to the landlord.

HCP also verifies each landlord, building, and unit for eligibility. The process includes validation of ownership, an interview, periodic building inspections, and periodic unit inspections. After eligibility is certified, HCP enters into a contract with each building owner. Under the contract, the owner receives full rental payments quarterly and in advance from HCP for each tenant that has been certified as eligible. If they wish to move at the end of a lease, or they break the lease, they do not retain the subsidy.

Staff Recommendation: If the Board chooses to direct staff to create a rental assistance program, staff recommends moving forward with a unit subsidy program. To apply, the building owner would need to submit an application including proof of ownership and insurance, undergo a building inspection, correct all violations, and complete an interview with Village staff. Once the building is certified as eligible, the Village would enter into an agreement to provide unit subsidies not to exceed \$50,000 per building for one year, with the option to extend the contract, at no cost, to a maximum of three years.

The landlord would be responsible for verifying income eligibility for each tenant. To verify eligibility, tenants would provide previous year's tax returns or documentation of receiving benefits from another government program open to low- or moderate income families. Landlords would be required to keep income verification documents for the duration of the subsidy. The Village would audit these documents at random. Landlords would provide monthly reports, listing each unit, household size, household income, rent collected, and subsidy requested from the Village. The Village would review the report for accuracy and pay the requested amount.

Under this scenario, staff recommends that income limits be set higher than the voucher program, at 120% of AMI, so that moderate income families are able to have access to high quality units. Renters already living or working in Oak Park would receive priority for subsidized units. Each building owner would also be required to accept a certain number of tenants verified as eligible by a local accredited homeless services provider. Each tenant would typically be required to pay 30% of household income each month to the landlord directly. The remainder would be paid by the Village, up to Small Area Fair Market Rent (SAFMR) for the ZIP code, which is higher than regional Fair Market Rent (FMR) to account for Oak Park's high demand rental market.

ZIP	Median Rent*	Median Renter HH Income*	SAFMR for 2 bedroom unit**	Median Income HH Pays/month	Subsidy Pays/Month	Cost of 1-Year Subsidy	Subsidized Units for \$50,000
60301	\$1,784	\$47,835	\$1,600	\$1,195.88	\$588.13	\$7,057.50	7
60302	\$1,340	\$40,497	\$1,110	\$1,012.43	\$327.58	\$3,930.90	12

* Source: 2011-2015 American Community Survey 5-year estimates

**Source: HUD proposed Small Area Fair Market Rents by ZIP (2017)

The table below estimates the cost of the program based the number of buildings that successfully apply and participate. The cost of program administration is estimated to be about 10% of the subsidy which would include the cost of eligibility review, building inspections, income audits, and processing of payments. The cost is probably low.

Approximate Number Participants	Cost of Subsidies	Cost of Program Administration
14	\$100,000	\$10,000
28	\$200,000	\$20,000
42	\$300,000	\$40,000
56	\$400,000	\$60,000

New Program: Condominium Support

There are 286 condominium buildings in Oak Park. About half of those (144) include 12-or-fewer units. These smaller condo buildings are often self-managed and may be challenged with asset management, specifically with major repairs or the replacement of major building components. Such repairs include tuck pointing and the replacement of roofs or common heating systems (furnaces or boilers). Condominium associations without the funds in reserve to make these repairs often avoid them, which eventually results in risks to the health and safety of occupants.

The long term solution is to collect monthly assessments that include the costs associated with the monthly depreciation of these items. Those funds are set aside in a reserve account. If the accounting is done properly, the association will have the funding to make the repairs when they are needed. Unfortunately, and for many reasons, condominium associations may not be collecting assessments based on this type of accounting. One of those reasons is that owners may not have sufficient income to increase assessments appropriately.

Unfortunately, there are no public funds available to condominium associations in our area. In other states, counties, and municipalities, matching grants have been provided to associations to help reduce public costs in the long run. Both the Village and Community and Economic Development Association of Cook County (CEDA) provide funding for furnace replacement in individual condominium units, but neither provides funds to condominiums with common heating units.

Staff Recommendation: If the Board chooses to direct staff to create a condominium support program, staff recommends creating a revolving condominium loan fund. The program would be open to condominium associations representing buildings up to 12 units in size to remain consistent with the Village’s small condominium program. Eligible associations would have to commit to Board training and provide documentation verifying that at least 75% of units are occupied by households earning less than 120% of AMI or at least 51% of units are occupied by households earning less than 80% of AMI.

Acceptable income documentation would include previous year's tax returns or documentation of receiving benefits under another government program offered to low- and moderate income households. Renter occupied households could also be counted for income eligibility.

Associations representing buildings that meet the above eligibility criteria would be able to apply for a low-interest loan of up to \$25,000 to repair or replace major building systems. The application would include documentation of having received three proposals from licensed contractors, ownership, credit, equity, and ability to repay. If approved, the association would be required to pay for 20% of the total project cost. The association would enter into a 10-year mortgage with the Village. Upon repayment, funds would be returned to the revolving loan fund for future use.

The table below estimates the cost of the program based the number of buildings that successfully apply and participate. The cost of program administration is estimated to be about \$1000 per building and includes the cost of eligibility review, loan origination, closing, recording, board training, report monitoring, and processing of payments.

Number of Buildings Participating	Cost of Subsidies	Cost of Program Administration
4	\$100,000	\$4,000
8	\$200,000	\$8,000
12	\$300,000	\$12,000
16	\$400,000	\$16,000

Conclusion

There are advantages and disadvantages to creating and implementing any one of these programs. The down payment assistance program would provide homeownership assistance to moderate income families at a low administrative cost and with dependable outputs. A rental assistance program would have a greater impact on renting families by keeping their housing costs at or below 30% of household income. It would also be the only program with the potential to benefit homeless families. However, the administrative cost would be relatively high and the impact would end when the funding for subsidies is gone. A condominium support program would address health and safety concerns in small condo buildings while improving fiscal responsibility, but the program would likely have the highest administrative cost.

Village staff is prepared to answer questions and draft necessary resolutions to move any of the above described programs forward. The Board of Trustees has the prerogative not to fund any above the above recommended programs, to fund one program alone, or to fund more than one program with the anticipated funds.

Future Funding Options

Inclusionary Zoning Ordinances

To date, the Village of Oak Park has not adopted an Inclusionary Zoning (IZ) ordinance. Instead, the Village has negotiated the development of affordable housing units through redevelopment agreements guiding development on Village-owned properties. At its last study session on affordable housing, the Board asked staff to review existing IZ ordinances in Illinois. These ordinances, also known as affordable housing “set aside” ordinances, require that new housing developments include a certain percentage of affordable housing units. The parameters can vary, including the size and type of new developments that trigger the requirement, the percentage that must be set aside for affordable housing, and the income range of households eligible for affordable units. Many IZ Ordinances provide the developer with the option to pay a fee in-lieu of developing any affordable housing units. That fee can then be used to support the development of affordable housing units elsewhere in the community.

In Northeast Illinois, at least five municipalities have adopted inclusionary zoning ordinances: Chicago, Evanston, Highland Park, Lake Forest, and St. Charles. Details on each of these ordinances are presented as a table in Appendix 1. All of the suburban ordinances give preference to households living or working in the municipality. All of these ordinances include provisions that require affordable units to blend in with market rate units from the exterior, but allow for a difference in interior finishes. All of them allow covered developments to seek a density bonus, which allows the developer to build more dwelling units than would otherwise be allowed. If approved, a density bonus allows a developer to build more units in exchange for including affordable units in the same building. This is intended as an incentive to offset the costs of building affordable units to the developer. While the Village does not currently use density bonuses, it may consider the inclusion of affordable housing when a developer requests relief from the Zoning ordinance through the Planned Development process.

A recent reportⁱ, published by the Urban Land Institute (ULI), studied the impacts of IZ ordinances across the country and globally. It indicated that these policies have resulted in modest production of new affordable units. It also posed three key findings: IZ ordinances depend on a steady flow of new development to be effective, they must be carefully crafted to avoid adverse effects, and they tend to create units affordable to moderate income households as opposed to low income households. However, the same study, as well as a previous studyⁱⁱ by Business and Professional People for the Public Interest (BPI), found that IZ ordinances do not have a dampening impact on development. The first 2017 Volume of CityScapeⁱⁱⁱ, included a review of affordable housing production in jurisdictions with IZ ordinances and concluded that these ordinances only produce very small numbers of units compared to other tools for producing affordable housing.

Staff Recommendation: Based on the findings of these studies, staff does not recommend adopting an IZ ordinance. Instead, staff recommends continuing to leverage redevelopment agreement negotiations and the requirement for compensating benefits in planned developments to produce new affordable units when appropriate and at the Board’s discretion. Based on findings from the ULI study, an IZ

ordinance would not be effective in Oak Park. After the current large-scale projects are complete, there will not be enough land available to create the steady flow of development that makes an IZ ordinance effective. As identified in the CityScape study, other tools are more effective in producing new affordable units. In 2016, the Board approved a development at Highland and Madison that would have used tax credits to create 55 affordable housing units. While the tax credit application was ultimately denied, this would have created more affordable units than any other suburban IZ ordinance in the Chicago area.

ⁱ <http://uli.org/wp-content/uploads/ULI-Documents/Economics-of-Inclusionary-Zoning.pdf>

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https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwingKenrAbPAhUJ7oMKHZuYCq8QFggeMAA&url=http%3A%2F%2Fwww.bpichicago.org%2Fdocuments%2Fimpact_iz_development.pdf&usg=AFQjCNHIXiK68UJtKuO6450ItLewLHs4dQ&sig2=zSof716q5X-WH4D2tVSy1A

ⁱⁱⁱ <https://www.huduser.gov/portal/periodicals/cityscpe/vol19num1/article11.html>