



MANAGER'S MEMORANDUM

Prepared for: **Naperville City Council**

By: City Manager's office

5/20/2021

A. MANAGER'S MEMORANDUM

	Source:	Subject:	Action:
1.	Director of Public Works	Central Parking Facility Renovation - Status	FYI
2.	TED Business Group	Affordability Calculations	FYI

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: May 19, 2021

TO: Doug Krieger, City Manager
Marcie Schatz, Deputy City Manager

FROM: Dick Dublinski, Director of Public Works

SUBJECT: Central Parking Facility Renovation - Status

BACKGROUND:

On March 2, 2021, City Council awarded the bid for maintenance improvements at the Central Parking Facility to J Gill and Company.

DISCUSSION:

On April 1, The City of Naperville, in partnership with both Walker Consultants and J.Gill and Company began a seven-phase project to repair the Central Parking Facility at 75 E. Chicago Avenue. This project consists of repairing the concrete and replacing the sealant on all three levels of the Central Parking Facility. Additional work will include repainting the parking facility and coating the roof level. This maintenance will prevent water from leaking through to the lower decks which contributes to deterioration of the structure.

Phases I through III include repairing concrete and replacing sealant on the top and second levels of the deck, moving from west to east. The phasing allows for work to be completed efficiently while taking no more than 180 parking spaces out of service. To date, the work in Phase I, the west side, is complete along with structural repairs to the ramp. Phase II is in progress and scheduled to be complete the beginning of June with the work in Phase III to follow.

The remaining phases, IV through VII, include the application of traffic coating, striping and painting on all three levels of the deck. The goal is to have the deck fully open to parking for Labor Day weekend. At this time, work is progressing ahead of schedule and if the pace continues, the deck will be fully open well in advance of the holiday weekend.

The second part of this deck renovation includes lighting improvements, proposed to begin in the early Fall. No closures are anticipated for this work.

RECOMMENDATION:

Please distribute this information to the City Council in the Manager's Memorandum.

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: May 20, 2021

TO: Doug Krieger, City Manager
Bill Novack, Director – TED Business Group

FROM: Allison Laff, AICP, Deputy Director – TED Business Group

SUBJECT: Affordability Calculations

PURPOSE:

To provide City Council with information regarding affordability calculations.

BACKGROUND:

Under new business at the May 18, 2021 meeting, City Council requested that staff provide an overview of the concerns previously raised regarding IHDA's affordability calculations, as well as an overview of upcoming discussions regarding Naperville's affordable definitions.

AHPAA

The Illinois General Assembly passed the Affordable Housing Planning and Appeal Act (AHPAA) in 2003 to address the lack of moderately-priced housing that exists in many communities. The law identifies "non-exempt local governments" as those communities which have less than 10% of their housing stock qualify as affordable (per the income requirements listed below). For those communities identified as non-exempt, the law requires submittal of an Affordable Housing Plan, in which the community identifies the goals that will be set to increase the local affordable housing stock.

For Naperville, affordability is defined as:

- Homebuyers at 80% of regional median household income with no more than 30% of income spent on mortgage, taxes, and insurance): equates to a home value of not greater than \$133,000.
- Renters at 60% of the regional median household income with no more than 30% of income spent on rent and utilities: equates to an apartment rent of no more than \$950 per month.

Using the above formulas, the City was notified in December 2018 that 7.5% of its' housing stock qualifies as affordable.

DISCUSSION:

Methodology Concerns - AHPAA

Upon review of the data used for the AHPAA in 2018, City staff identified a significant concern regarding the calculation methodology used by IHDA to derive their affordable housing percentages, as follows:

IHDA uses the following calculation to determine affordability for ownership units:

- 80% of Chicago Metropolitan Statistical Area (MSA) Area Median Income (AMI) x 30%/12 months = Maximum Monthly Income that can be spent on Housing (mortgage and taxes)
- Maximum Monthly Income – Average Property Taxes Paid Per Year in Naperville = Maximum Monthly Mortgage Payment
- Maximum Monthly Mortgage Payment determines Affordable Purchase Price

For Naperville:

- 80% of \$63,327 Chicago MSA AMI x 30%/12 = \$1,266.54/month that can be spent on housing
- \$1,266.54/month - \$690.33 property taxes/month* = \$576.21 mortgage payment/month = **\$133,083 Affordable Purchase Price**
**Assumes an average of \$8,284.00 in property taxes are paid in Naperville*

The concern with IHDA's methodology is that the average property taxes used in the above calculation significantly skews the resulting affordability levels. If it is assumed, as a standard rule of thumb, that property taxes are typically 2% of the home value, Naperville's average property tax level of \$8,284/year is equivalent to a home valued at \$414,200.

In contrast, property taxes assessed on a \$133,083 affordable home would be closer to \$2,700/year (or \$222/month). Accordingly, it would not be appropriate to assume payment of \$690.00 property taxes/month on a \$133,083 home. If a lesser (but still conservative) Property Tax assumption of \$5,000/year (or \$250,000 home value) is used, Naperville's Affordable Purchase Price increases to \$196,291. **This, in turn, increases Naperville's affordability levels to 11.3%, which would be in compliance with AHPAA requirements.**

Other AHPAA Program Concerns

In addition to the above, staff identified the following concerns with the AHPAA findings:

- AHPAA's calculations generate one affordable purchase and one affordable rental price for the City of Naperville; these amounts are not adjusted based on household size or number of bedrooms. This approach is different (and less representative) than the affordability calculations used by HUD which provide a range of affordability based on household size and number of bedrooms.
- The AHPAA percentages issued every 5 years are also impacted by market factors beyond Naperville's control, such as interest rates (which are a factor in the calculation methodology) and existing affordable developments, such as the

Fairways, which choose to revert to a market rate development after their prior HUD funding expires.

Meeting with IHDA Representatives

City staff met with representatives of the Illinois Housing Development Authority (IHDA) on March 19, 2019 to better understand the AHPAA findings as they apply to the City of Naperville. During these discussions, *IHDA confirmed that the City is not at-risk for losing its CDBG or other HUD funding as a result of the AHPAA findings.* IHDA also acknowledged the flaws in their current calculation methodology and stressed that the importance of AHPAA is *not only the affordable percentages, but also the plan each community has to address affordable housing.*

Upcoming Affordability Discussions

In January 2021, the City Council directed staff to begin work on an Inclusionary Zoning Ordinance (IZO). In March 2021, the City Council approved the hiring of consultant SB Friedman to undertake the IZO work at a cost of \$40,000.

On June 21st, the City Council will hold a workshop at which SB Friedman will present their findings regarding successful IZOs that have been implemented in comparable communities, feedback that they have received from members of the development community regarding a potential IZO, and a menu of potential IZO options for Council discussion.

One of the potential IZO options that City Council will discuss is the manner in which “affordable” is defined in Naperville’s IZO ordinance. As noted above, AHPAA defines owner-occupied affordable housing as housing which is affordable to a person at 80% of the regional median household income. However, amongst the comparable communities surveyed, the adopted IZOs vary in their definition of affordability. While most of the IZOs target affordable income between 50-80% area median income (AMI), others recommend less than 50% of AMI; 81-120% AMI; and 120%+ AMI.

In this respect, Naperville’s IZO can be customized to address Naperville’s specific housing affordability needs. And while the selected affordability definition may differ from AHPAA’s, it will still be in support of Naperville’s housing needs and complimentary to the overall housing goals and plan recommended by AHPAA.

RECOMMENDATION:

Include this information in the May 20, 2021 Manager’s Memorandum.