Refining Arlington Heights Affordable Housing Guidelines

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The Village of
Arlington Heights
Illinois
Planning & Community Development Department

Recipient of the Daniel Burnham Award for Excellence in Planning for Affordable Housing Development

Refining Arlington Heights Affordable Housing Guidelines

Attachments

1. Summary Arlington Heights Guidelines
2. History of Affordable Housing in Arlington Heights
3. Affordable Housing Outreach and Survey 2019
4. Income Restricted and Special Needs Housing in Arlington Heights

Refining Arlington Heights Affordable Housing Guidelines

A. *Background / Introduction*

Last year during the discussion of the Arlington Downs Amendment and the 4 North Hickory proposed development, the Village Board expressed a desire to see actual affordable units included within new developments. This direction resulted in extensive discussions during review of the Arlington 425 and Sigwalt 16 developments. As part of the negotiations and hearings relative to the Arlington 425 development, it was recommended that moving forward the Village's Affordable Housing Guidelines be refined with input from the development community, interested parties, Housing Commission, Staff, and the Village Board. It was noted that it was important to develop an acceptable standard of furthering the inclusion of affordable housing units at different locations, while still encouraging quality developments. While the 2018-19 Business Plan calls for the draft Phase I Report on Housing needs and trends to be completed before year end, Staff recommended refining the Affordable Housing Guidelines first and deferring the aforementioned report. In the aftermath of the Arlington 425 development discussion, Staff has continued to explore options and approaches to refining the affordable housing guidelines.

B. *Affordable Housing in Illinois*

In 2003, the State of Illinois adopted the Affordable Housing Planning and Appeals Act. The Act was created based upon a shortage of affordable housing within the state and requires municipalities with less than 10% affordable housing, to adopt an Affordable Housing Plan and also contains an appeal procedure for aggrieved developers to seek relief from local decisions. Communities that exceed the 10% stipulation are identified as exempt on a list that is periodically distributed by the State. The most recent calculation indicated that Arlington Heights had 19.1% of units as affordable.

Based upon best available information, there are currently six communities in Illinois, in addition to Arlington Heights that have Inclusionary Housing Ordinances. These include, Chicago, Highland Park, Evanston, Lake Forest, St. Charles, and Oak Park. Oak Park adopted their ordinance in March. Other communities have the same challenges that Arlington Heights does in implementing their requirements without stifling development. Arlington Heights does not have its guidelines adopted by ordinance. They are detailed in a toolkit and each proposed development has been negotiated on a case by case basis over the years, taking into account factors such as the economy, the proposed development, and input from the community.

C. *History of Affordable Housing in Arlington Heights*

The Village's efforts in the area of affordable housing can be traced back to the Joint Study Committee on Low-Moderate Income Housing report adopted by the Village Board in March 1972. This report recommended the creation of the Village's Housing Commission and set certain goals for the creation of affordable housing units in Arlington Heights.

During the 1970s and 1980s, the Village experienced an increase in affordable housing apartment building. During this time, 388 subsidized apartment units were developed at Albert Goedke Apartments, Cedar Village of Arlington Heights, and Linden Place.

Also at this time, six apartment buildings and complexes were built using financing from the Industrial Revenue Bond (IRB) program required 20% of the units be set aside for affordable tenants. The total number of affordable apartments was approximately 300. The affordable housing restrictions on most of these buildings has expired leaving only Dunton Tower where 20% of the units (44 units) must meet the affordable housing requirements of the IRB bond financing.

In the late 1970s, the Village began receiving federal funding through the Community Development Block Grant (CDBG) program, a portion of which has been used for affordable housing programs in the Village including the Single Family Rehab Loan Program, Multi-Family Rehabilitation Loan Program, and Group Home and Transitional Housing Grant Program.

From 1996 to 2006, the Village received Federal HOME funding through the Illinois Housing Development Authority (IHDA) to provide a First Time Homebuyer Program. IHDA now operates first-time homebuyer programs directly, for which residents of Arlington Heights are eligible.

In December 1998, the Village Board adopted the Multi-Family Affordable Housing Policy that states, ***"It is the policy of the Village of Arlington Heights to promote adequate housing for all the community's people; to create and/or maintain sound viable neighborhoods; to meet the needs for housing by increasing the number of housing units for low and moderate income families and individuals; and to expand housing opportunities for all members of the community."***

In 2008, the affordable housing tool kit ("for sale") was created, and in 2010 the affordable housing tool kit ("rental") was created. After the great recession, the tool kits began to be implemented on a case by case basis.

Also in 2008, the Village was the recipient of the prestigious Daniel Burnham Award for Excellence in Planning for the affordable housing development at Timber Court Condominiums

In 2013, the Village Board created an Affordable Housing Trust Fund. Also, several community and regional housing reports were completed in 2013.

In 2018 and 2019, increased focus on affordable housing has led to increased discussion and a request to re-evaluate the affordable housing guidelines in the toolkits.

D. Process Undertaken

The following process has been followed for evaluating the affordable housing guidelines.

Step 1: Staff met and held telephone conferences with developers of market rate and affordable housing. The purpose of this step was to meet and discuss with developers the importance of affordable housing, the challenge providing units present to them, efforts to determine an acceptable percentage without jeopardizing market rate developments, while still pushing for the maximum feasible number of units that could be included under various scenarios. At the conclusion of these meetings and calls, a survey was distributed.

Step 2: Meetings with interested parties and groups such as non-profits and other agencies that manage and operate affordable housing developments took place.

Step 3: Further detailed research on other communities on their efforts and challenges on implementing an Affordable Housing program has occurred.

Step 4: A detailed report has been prepared.

Step 5: Commence discussions with the Housing Commission and Village Board.

E. Current Pending Developments

The Village has or is currently in discussions with other proposed developments, each of which have provided differing responses to the affordable housing guidelines and are summarized as follows.

The Boulevard - located at Arlington Heights Road and Seegers Road. The developer had requested early review with the Village Board relative to their concerns over providing affordable units in the development. The proposal consists of 240 units. The developer's initial proposal to meet the current 15%, 36 unit requirement was $360,000 or $10,000 per unit. Staff has been waiting for a revised proposal from the developer before placing this matter on the Village Board agenda for early review. On May 7, and July 16, Village Manger Randy Recklaus and Charles Witherington Perkins met with the land owners who need to provide an extension to the real estate contract to the developer. The land owners expressed their concerns about providing affordable units for future developments moving forward, and suggested that they may not be able to provide affordable units and that the Board consider lower standards, for different areas of the community. After the July meeting, they were planning to respond with a proposal or what they felt may be feasible.

Former Molon Motors Property at Ridge and Northwest Highway - A Real Estate Group had proposed a conceptual plan for 228 rental units. This plan has not been forwarded to any commission at this point and preliminary staff comments were provided to the developer. The developer contacted the Village and indicated that they no longer were moving forward with this proposal due to two concerns. First, the affordable housing requirement and the fact that there could be no buy out and units would need to be provided. Second, a bigger concern relative to market absorption and to how deep the market was especially relative to the close proximately to Arlington 425. Charles Witherington Perkins contacted the developer's representative on May 7, and they confirmed the above with commentary that they felt they could find some work around for some affordable units, but their bigger concern for them was market absorption

4 North Douglas, Phase 2 - This is the phase 2 development located in the Hickory/Kensington TIF District. The first phase was approved with a fee in lieu of $25,000 per unit. This development is a TIF assisted rental apartment development for phase 2, the developer has initially proposed 5 units out of 64 for 7.5% as affordable units to be included in the development.

F. Application of Current Affordable Housing Guidelines

Since the Affordable Housing Guidelines were developed they have been applied to several developments. Some have provided actual units, others have been exempted for some portion and/or paid a fee in lieu of providing units. Each project has been reviewed and recommended by the Housing Commission. The most recent amount negotiate is the highest the Village has received to date. The following is a quick summary as follows:

2004: Timber Court, for sale units received a density increase in return for providing 14 affordable units, 20% out of 72 units total plus 7 additional units in the third unbuilt building. The Village paid $100,000 in road improvements.

2011: Arlington Downs original approval (including One Arlington) first 300 units 0% after that 5% of all units to be affordable or fee of $100,000 per unit in lieu. Second phase has been renegotiated.

2012: Arbor Lane, for sale, 2 affordable units required, and payment in lieu provided in the amount of $15,189
per unit. $30,378 has been paid into the trust fund.

2014: Parkview, rental, 15%, 7 units out of 45 units provided as affordable. Project funded through low income tax credits. Village recently advised 41 units are affordable.

2016: Lexington Town Homes, for sale, 15%, 7 units required out of 48 units. Fee approved at $15,312 per affordable unit not provided or $2,500 per unit spread across all units. Development is under construction.

2017: Hearts Place, supportive housing for persons with disabilities, 15%, 2 units required. Funded by low income tax credits and Illinois Housing Development Authority. 100% affordable provided.

2017: CA Ventures, rental, 15%, 80 units proposed, 12 affordable units required, fee proposed $25,000 per affordable unit or a total of $300,000 or $3,750 spread across all units. The development was not approved.

2018: 4 North Hickory, rental, 15%, 11 units required out of a total 76 units, fee proposed $25,000 per affordable unit or $275,000 total or $3,666 spread across all units. TIF assisted. Development has not commenced yet.

2018: Arlington Downs amendment Phase II, rental, Housing Commission approved, 39 affordable units required out of 263 units, $25,000 per affordable unit or $975,000 or $3,707 spread across all units or a combination of affordable units and fees with a strong recommendation that some affordable units be provided. After direction from the Village Board for a desire to see actual units, Staff renegotiated with the developer. The Village Board approved 9 actual affordable units (3.4%) at 60% AMI and 4 units in lieu of $25,000/unit or $100,000. Total 13 units, 5%.

2019: Arlington 425, rental 15% at 361 units or 54 units required. Approval 5%, 18 included units and a fee of $25,000 per unit in lieu of providing 9 additional units totaling $225,000. Total 7.5%, 27 units.

Sigwalt 16, for sale 10% 1.6 units. Approved fee in lieu of providing units at $75,000 for 1.6 units totaling $120,000

Since inception of Affordable Guidelines, fees in lieu have moved from $0 to $25,000/unit at 15% or $100,000/ unit at 5%. Actual units provided have ranged from 100% to 0%. Unsubsidized market rate rental units actually provided have moved from 0% to 3.4% Arlington Downs phase II to the Arlington 425, 5% plus 2.5% fee at $25,000 for 9 additional units, or a total of 7.5%. Most recently in 2019, 5% of actual units and 2.5% at $25,000 fee has been obtained for Arlington 425 and for sale fee in lieu at 15% $75,000 per unit.

G. Affordable Housing Trust Fund

A Housing Trust Fund Task Force was created and held their first meeting in 2011. The Task Force membership included representatives from the business community, Housing Commission, and Village Staff. After significant research and discussion, the Village Board, in July 2013, adopted the Affordable Housing Trust Fund Ordinance. The Trust Fund Ordinance delineates the purpose, procedures, sources of funds, and eligibility requirement for use of funds. Sources of funds as delineated in the ordinance, are from three primary sources.

1. Cash payments in lieu of constructing affordable units.
2. Income from fees collected from the Village’s transfer of Industrial Revenue Bond Cap
3. 1% of all gaming revenue received annually by the Village after the first full fiscal year the Village receives any gaming revenue as well 10% of any gaming revenue from slot machines received by the Village in the full first year.

The Housing Trust Fund currently has a fund balance of approximately $188,000 and is projected to have a fund balance of approximately $870,000 upon completion of all residential developments that have committed to pay a fee in lieu of providing affordable units. The Trust Fund Ordinance establishes eligibility of requirements for use of the funds as follows:

a. The use of Housing Trust Fund resources shall be limited to supporting, in whole or in part, one or more of the following Eligible Activities:

   1. Creation and preservation of Attainable Housing including, without limitations, new construction, rehabilitation, and adaptive reuse;
   2. Acquisition and disposition, including without limitation, vacant land, single family homes, multi-unit buildings, and other existing structures that may be used in whole or part to provide Attainable Housing;
   3. Payments for costs incurred in connection with administering the Housing Trust Fund. No costs shall be reimbursed except pursuant to a written agreement between the Village and any third-party approved by the Village to administer a program or a funded program.

b. All Housing Trust Fund resources shall be applied exclusively to Eligible Activities within the corporate limits of the Village. Criteria shall be developed by the Village, in consultation with the Housing Commission, for the award of grants and loans prior to accepting any applications..

Up until recently, there has been insufficient funds in the Affordable Housing Trust Fund to utilize and create or maintain affordable units in the community. As funds in the account begin to grow, the Housing Commission is charged with developing criteria for utilizing these funds in accordance with the ordinance.

H. *Outreach & Survey*

As part of the research to refine the Arlington Heights Affordable Housing guidelines, staff met with, and or held telephone calls with residential developers, non-profits, Senior and Affordable Housing Developers. The purpose of this outreach was to discuss the importance of affordable housing, understanding the challenges of providing affordable units to the development sector, and discussing various options and alternatives.

As part of this process, background information was provided regarding a summary of affordable housing guidelines in Arlington Heights. A survey was distributed to 23 for-profit residential developers, affordable housing developers, senior institution for profit developers, non-profits or interested groups. 13 responses were received, broken down as follows: 6 for-profit residential developers, 2 non-profit developers, 2 affordable housing developers, and 3 non-profit/interested group or senior for-profit housing developers.

Analysis of the responses to the survey, are attached in two reports. One analysis is for all 13 responses and the other analysis is for the 6 for-profit developers only.

I. *Affordable Housing Research/Summary of Findings*

The Northeastern Illinois region in the seven county Chicago Metropolitan Agency for Planning (CMAP) area contains 284 communities. Based upon the available information the following six (6) suburban communities (excluding the City of Chicago) have inclusionary affordable housing programs: Arlington Heights, Evanston, Highland Park, Lake Forest, Oak Park, and St. Charles. All programs other than in Arlington Heights have been adopted by ordinance. This section summarizes the 5 communities' affordable housing requirements, compared to Arlington Heights requirements, national trends, and local feedback from developers.

Inclusionary Affordable Housing Program Type

In order to maintain flexibility, Arlington Heights' affordable housing inclusionary program parameters have been communicated to developers through the Village's Tool Kits and responses to the Village's guidelines have been negotiated on a case-by-case basis. The other Chicago suburban communities have all adopted their inclusionary affordable housing policies as ordinances but are also negotiated as part of development approvals.

Covered Projects

There are differences among the communities according to the types of developments that are subject to their inclusionary housing requirements. The Village's Multi-Family Affordable Housing Policy states that the policy applies to new multi-family PUDs and substantial amendments to existing multi-family PUDs. The Village has applied its guidelines to new construction rental and for-sale developments. The guidelines have not been applied to residential renovation projects or residential developments that do not require any type of zoning approvals, as they are currently exempt.

Other communities apply their inclusionary affordable housing policies to certain renovations of existing multi-family structures. In these instances, the projects are covered by the inclusionary housing ordinances if 50% of more of the square footage of the building(s) is affected by the renovation; the renovation results in changes in the numbers of bedrooms in the buildings; and/or the renovation involves an increase in the number of units in the building(s). Some suburbs also apply their policies to instances when the use of buildings or developments is changed from non-residential to residential and when buildings are converted from rental to condominiums or vice versa. Most suburbs exclude single family home developments although some have linkage fees in the form of demolition fees. Some communities apply their policies to certain geographical areas or have different requirements for different areas.

Arlington Heights may wish to evaluate:

1. Make no changes in the types of development covered by the guidelines;

2. Creating a tiered approach based upon criteria such as location and assistance provided;
3. Applying the guidelines to substantial rehabilitation or reconstruction of existing multi-family residential buildings;
4. Applying the guidelines to adaptive reuse of non-residential buildings to residential use; and
5. Applying the guidelines to conversion of apartments to condominiums or vice versa.

RECOMMENDATION

Address current guidelines first with a tiered approach and as a future phase explore renovations, adaptive re-use, and condominium/apartment conversions.

Percentage Affordable Housing Requirement

Staff compared the percentage of affordable units required in the Arlington Heights guidelines to the other 5 Chicago suburban communities. The Village of Arlington Heights' guidelines call for:

Arlington Heights Current Requirements	
Total Units in Project	Percentage to be Affordable
0 – 5	0%
6 – 25	10%
26 or more	15%

For privately financed developments Arlington Heights' 10% requirement for developments of 6 – 25 units is consistent with the policies of three other suburbs (St Charles, Evanston and Oak Park) but the 15% requirement for development over twenty-five units exceeds the requirements of these communities.

Affordable Housing Requirement
Percentage of All Units in Developments

	Number of Units in Development	Percentage Affordable
Arlington Heights	0 – 5 6 – 25 26 or more	0% 10% 15%
St Charles	1 – 15 More than 15	5% 10%
Evanston*	5 or more	10% in privately financed developments 20% if there is public funding
Oak Park	25 or more	10%
Lake Forest	5 or more	15%
Highland Park	5 or more	20% (15% after bonuses are applied)

Evanston, if any variances are granted, requires that a minimum of 5% of the units in any development be provided as on-site units with the exception of condominium development which may fulfill their obligation by paying 100% of the obligation as a fee-in-lieu but at 1.5 times the established fee in lieu amount.

The City of Lake Forest requires 15% affordable units in developments of 5 or more dwelling units.

The Village of Highland Park requires 20% affordable units in developments of 5 or more units. However, once density bonuses and other incentives are applied, the actual proportion of affordable units in market-rate developments is reported by the Village of Highland Park to be 15 – 16%.

An article in the Patch (June 11, 2019) reports that since Highland Park adopted its inclusionary housing ordinance in 2003, Highland Park has created 53 affordable housing units through grant making (presumably through Highland Park's Affordable Housing Trust Fund) and the following numbers of affordable units in market rate developments:

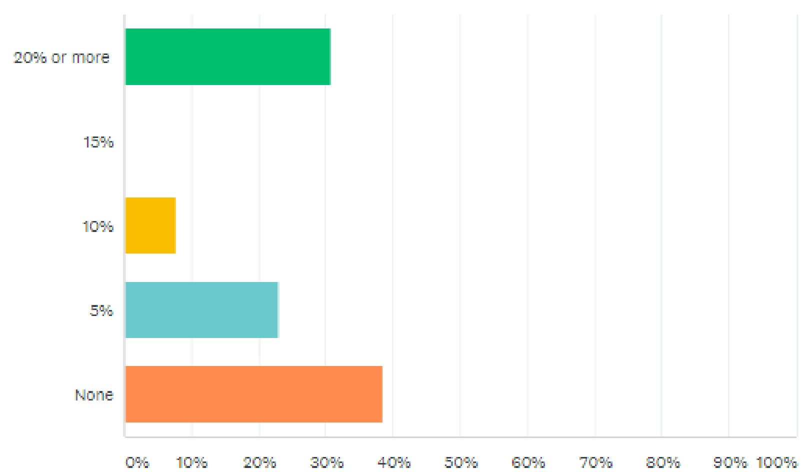
Number of Affordable Units in Market Rate Developments 2003-2019		
	Highland Park	Arlington Heights
Completed affordable units in market rate developments	19	23*
Affordable units in market rate developments that are approved or under construction	29	27
Total	48	50

This 23 includes the actual 14 affordable units of the 21 affordable units approved at Timber Court. It also includes only the 7 units at Parkview Apartments that the Village required be affordable although 41 units are reportedly affordable; and it includes only the 2 units at Hearts Place that the Village required be affordable although all 18 units are Hearts Place are affordable. The total of all Arlington Heights required and non-required affordable units created since the inclusionary guidelines have been put into practice is 100.

Developers responded to a recently conducted Arlington Heights survey with the percentage of affordable units they could reasonably provide. Five (5) of the thirteen responded none. Four (4) for-profit developers responded 5% or 10%. Four (4) non-profit developers responded 20% and stated that this could be achieved using financing sources such as HOME, CDBG and TIF funds. These non-profit developers have experience and interest in stacking various types of public and private financing to create affordable housing.

3. What is an agreeable percentage of actual affordable units you could provide in a development?

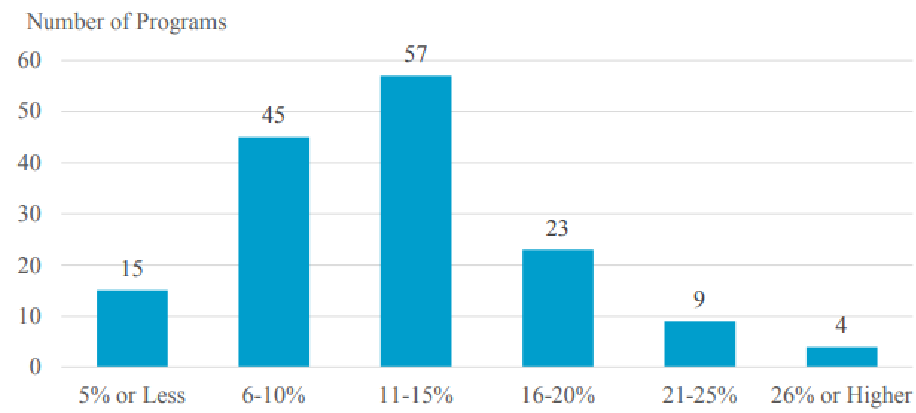
Answered: 13 Skipped: 0



ANSWER CHOICES	RESPONSES	
20% or more	30.77%	4
15%	0.00%	0
10%	7.69%	1
5%	23.08%	3
None	38.46%	5
TOTAL		13

According to Inclusionary Housing in the United States: Prevalence, Impact, and Practices. Working Paper WP17ET1, Emily Thaden and Ruoniu Wang, September 2017, the highest percentage of communities surveyed require that 11 – 15% of units in new development be affordable. The second highest range is 6 – 10%. It is important to note that some states such as California have more strict affordable housing mandates.

Figure 8: Number of Inclusionary Housing Programs with a Minimum Percentage of Units in a New Development that are Required to Be Affordable by the Percentage (n = 153)



(Thaden and Wang 46)

Arlington Heights may wish to evaluate:

1. Keeping the percentage of affordable housing requirement as-is.
2. Lowering the percentage of required affordable units in developments of 6 or more units.
3. Requiring a minimum percentage of on-site units with developer having the option of paying the fee in lieu for the balance of the required number of units.

RECOMMENDATION

It is recommended that the 15% requirement be lowered and that a tiered approach be developed for downtown, community-wide, and developments receiving financial assistance; and also require that a minimum percentage of the required units be provided on-site. Apply to developments of 6 or more units.

Fee in Lieu

Arlington Heights includes the payment of a fee in lieu of providing affordable housing units as an option for developers to meet their affordable housing obligation. Originally, the Village's fee in lieu amount was $100,000 but the amount was reduced in 2014 at the recommendation of the Housing Commission to $75,000 in response to housing market conditions and the cost of some affordable condominium units at that time and in order to not discourage private development which has slowed during the great recession of the 2000s.

All of the communities surveyed provide a fee-in-lieu alternative to providing actual affordable units. There is a wide range in fee in lieu amounts among these suburbs. At the lower end (under $100,000) are St Charles which currently requires $39,665.75 per unit in lieu of affordable units and Arlington Heights which requires $75,000.

In the middle are Oak Park at $100,000; Highland Park at $125,000; and Lake Forest at $130,000. Highland Park and Lake Forest's fee amounts were set before the great recession. Oak Park's fee at $100,000 was set most recently, and under current housing market conditions, in 2019.

At the high end is Evanston which requires $175,000 in all Downtown and Research Park zoning districts and $150,000 in other zoning districts in lieu of affordable units. These fees were recently increased from $150,000 and $75,000 respectively. At the same time that the minimum on-site units requirement was instituted in order to ensure more on-site units and to discourage the payment of fees. In Evanston, a minimum of 5% of the units must be provided as on-site affordable units. For condominium developments, the developer may provide no affordable units but then must pay 1.5 times the required fee in lieu amount.

In order to really compare fees across communities, a housing cost/rent comparison would need to be undertaken.

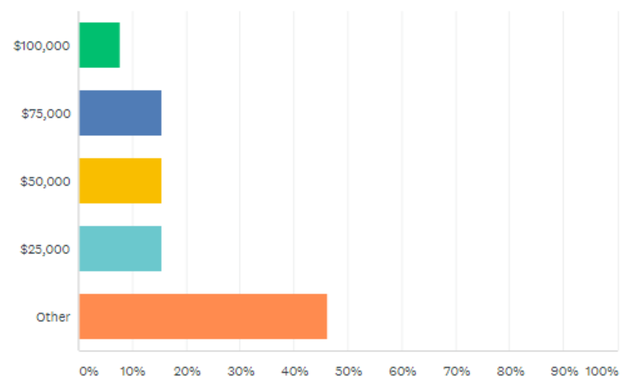
When the developer survey asked a question about the appropriate fee in lieu amount for affordable units not provided, five (5) responded $50,000 or more. Six (6) responded "other" with the following comments:

- 1 for-profit developer suggested $10,000/affordable units.
- 2 developers provide an insurance product, and preferred to continue to support residents through a life care program (senior housing).
- 1 non-profit developer suggested that the fee should be on a sliding scale depending on net profit.
- 1 for-profit, senior housing developer was uncertain because there are a lot of factors to consider.
- 1 for-profit developer suggested that 1% of the sale price be paid at the time of closing on for-sale affordable units.

Overall Survey result:

5. If a fee in lieu is allowed, what is an acceptable amount per unit?

Answered: 13 Skipped: 0

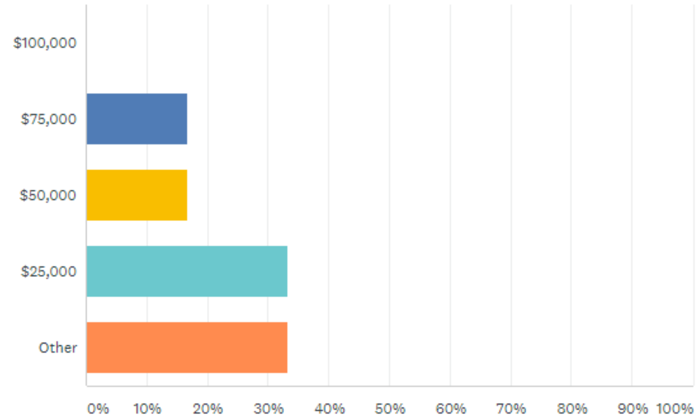


ANSWER CHOICES	RESPONSES	
$100,000	7.69%	1
$75,000	15.38%	2
$50,000	15.38%	2
$25,000	15.38%	2
Other	46.15%	6
TOTAL		13

Survey Result of For-Profit Developers Only

5. If a fee in lieu is allowed, what is an acceptable amount per unit?

Answered: 6 Skipped: 0



ANSWER CHOICES	RESPONSES	
$100,000	0.00%	0
$75,000	16.67%	1
$50,000	16.67%	1
$25,000	33.33%	2
Other	33.33%	2
TOTAL		6

Nationally, approximately 48% of inclusionary housing programs offer a fee in lieu option for meeting affordability requirements. “Interestingly, the share of programs offering the option to pay a fee in-lieu of on-site or off-site development was 15 percent less in programs established after 2006.” This trend could indicate a desire for local governments to optimize the impact of their programs. According to Thaden and Wang, “in-lieu fees are often set lower than the cost of producing an affordable unit in an area where the new development is located; hence, minimizing in-lieu fee options (or ensuring fees are priced correctly) may be an effective shift to promote affordable housing in asset-rich neighborhoods” (Thaden and Wang 57).

Arlington Heights may wish to evaluate:

1. Keeping the fee in lieu amount as is.
2. Requiring a minimum percentage of affordable units on-site and allow the balance to be paid as a fee.
3. Having different requirements for downtown and non-downtown areas.
4. Creating a modest linkage fee for small developments of 0 to 5 units.
5. Have the fee in lieu indexed to the Consumer Price Index (CPI).

RECOMMENDATION

Maintain the current fee in lieu amount to be adjusted annually to the CPI; and explore a modest linkage fee for small developments of 0 to 5 units.

Income Eligibility

Arlington Heights income eligibility standards set the maximum households incomes for participating in the Village’s guidelines at 80% of area median income (adjusted for household size) for home ownership units and 60% of area median income (adjusted for household size) for rental units. State of Illinois requirements is based upon 60% AMI.

Maximum sale and resale prices are determined according to a formula prescribed by the Village based on households spending no more than 30% of their monthly incomes for monthly housing costs. Maximum rents are tied to the Illinois Housing Development Authority's calculation (adjusted annually) of maximum monthly rent for a household at 60% of area median income.

2019 Household Area Median Income
Chicago-Joliet-Naperville Metro Area

Household Size	60% Area Median Income	80% Area Median Income
1	$37,440	$49,950
2	$42,780	$57,050
3	$48,120	$64,200
4	$53,460	$71,300
5	$57,780	$77,050
6	$62,040	$82,750

Source: U.S. Department of Housing and Urban Development

All of the communities surveyed also base eligibility for their affordable units on the income limits set by HUD for various percentages of area median income.

Income Eligibility for Home Ownership Units:
For home ownership units, the maximum household income for eligibility to purchase an affordable unit in Arlington Heights and St Charles is 80% of area median income.

Evanston's standard income eligibility for ownership units is 100% of area median income; however, a developer may propose a mix of affordability levels in an ownership program resulting in some units being affordable to households with income at lower levels (ex. 80% or 60% are area median income) while selling other affordable units to eligible households up to a maximum of 120% of area median income.

Highland Park and Lake Forest have tiered systems. In Highland Park and Lake Forest, at least one and no less than 50% of units must be sold to households at or below 80% or area median income. The remainder of the units may be sold to households at or below 120% of area median income. Allowing higher area median income percentages for for-sale units may result in more actual units, but these units would not meet the State's mandate for affordable units.

For Arlington Heights, using the maximum income eligibility standard of 80% of area median income results in an approximate sale price (calculated for 2019) of $150,000 - $158,000 for a one-bedroom affordable housing unit and $160,000 - $169,000 for a two-bedroom affordable housing unit. If Arlington Heights set the maximum income eligibility standard to 100% of area median income, the result would be a maximum sale price of $187,500 -$197,500 for a one-bedroom unit and $200,000 - $211,000 for a two-bedroom unit.

Income Eligibility for Rental Units:
Arlington Heights, Oak Park and St Charles all set their income eligibility maximum for rental units at 60% of area median income.

Evanston's standard income eligibility for rental units is 60% of area median income; however, a developer may propose a mix of affordability levels in an rental program resulting in some units being rented to households with lower income levels (ex. 50% or 30% are area median income) while are renting other units affordable up to households with income us to a maximum income of 80% of area median income.

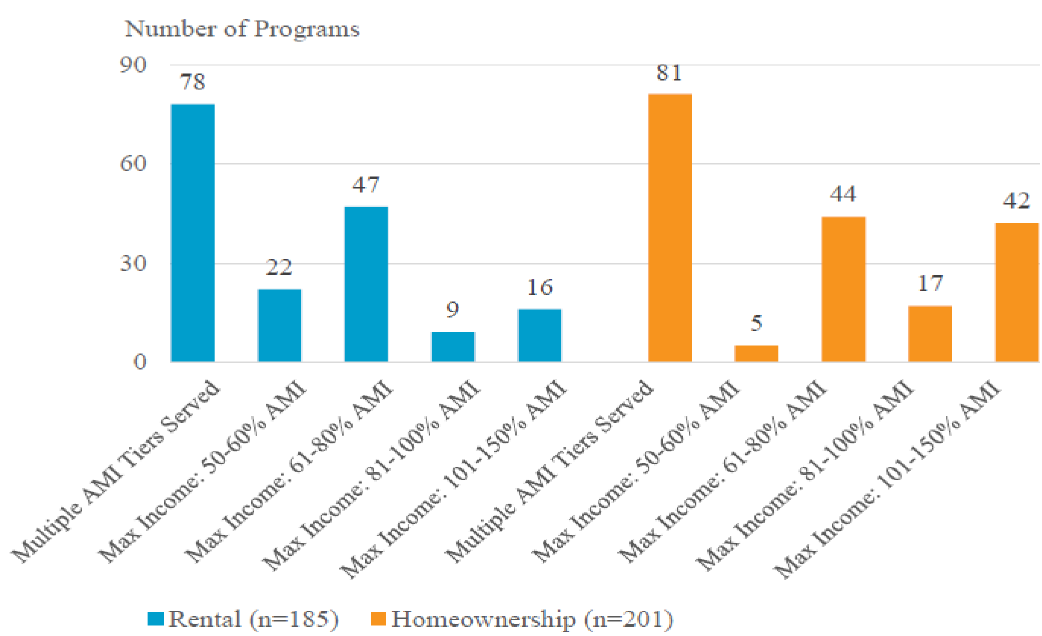
Arlington Heights applies the affordable income amounts calculated by the Illinois Housing Development Authority (IHDA) for households at or below 60% of area median income to affordable rental units in Arlington Heights. IHDA last calculated those rents using the 2018 area median income figures to arrive at the following maximum monthly rents: $889 for a studio unit, $952 for a one-bedroom unit, $1,143 for a two-bedroom unit, and $1,320 for a four-bedroom unit.

Again, Highland Park and Lake Forest use tiered approaches. In Highland Park no less than 33% of rental units must be affordable to renters at 50% of area median income, no less than 33% of the units must be affordable to renters at 51 - 80%, and no more than 33% of the units may be affordable to renters at 81-120%. In Lake Forest, at least half of affordable rental units must be affordable to households at 60% of area median income and the balance of the units must be affordable to households up to and including 80% of area median income.

Nationally, most inclusionary housing programs have multi-tier income eligibility levels such as those in Lake Forest and Highland Park. As shown below, among communities with a single income eligibility level for home ownership and for rental programs, most communities have higher income eligibility levels for home ownership programs than for programs. Among non-tiered programs like as Arlington Heights, 45.4% have maximum income eligibility levels for for-sale programs that are at or below 80% of area median income while 54.6% have maximum income eligibility levels at or above 81% of area median income.

In order to avoid confusion and complexity, a tiered approach is not suggested for rental units.

Figure 9: Number of Inclusionary Housing Programs by Income Level Served



(Thaden and Wang 47)

Arlington Heights may wish to evaluate:

1. Keep its income eligibility standards as is at 60% of area median income for rental units and 80% of area median income for home ownership units.
2. Consider raising the income eligibility level for home ownership programs above 80% of area median income.
3. Further evaluate income eligibility standards in home ownership developments.

RECOMMENDATION

Maintain the household income eligibility for rental units at 60% of area median income. Further evaluate income level for for-sale projects.

Term of Affordability

In Arlington Heights, affordable units created through the Village's inclusionary affordable housing program for home ownership and rental must remain affordable in perpetuity.

Home Ownership Affordability Periods

In most cases, the other communities require that the affordable units for home ownership must remain affordable in perpetuity. In the case of Evanston, home ownership units are required to be affordable for 99 years with the period renewable upon each sale of the property.

The exception to these long term affordability periods is St Charles where the affordability restrictions renew with each sale but under certain circumstances the unit may be sold at market value with excess sales proceeds being paid to the City.

Rental Affordability Periods

For rental developments, Arlington Heights, Lake Forest and St Charles require that rental units remain affordable in perpetuity. The affordability for affordable rental units in Evanston is 30 years; in Highland Park is 25 years; and in Oak Park is 30 years.

Nationally, "the vast majority of inclusionary housing programs require that the affordable housing units have long-term or lasting affordability restrictions." Twenty-seven 27% percent of programs apply affordability periods that are in perpetuity or for the life of the building for for-sale projects, and 25% apply affordability periods that are in perpetuity or for the life of the building for rental projects.

Arlington Heights may wish to evaluate:

1. Keep the affordability period for home ownership and rental units in perpetuity.
2. Consider a lower affordability period for rental developments.

RECOMMENDATION

Make no change. Maintain the "in perpetuity" affordability period.

Local Preferences

Arlington Heights' guidelines do not address local preferences for buyer or renters of affordable units. However, the Village included a condition for local preference in a recently approved development (Arlington 425).

The other Chicago suburban communities all provide for local preferences although they vary somewhat. Most provide preferences for current residents, former residents who previously resided with current residents (ex. an adult child of a current resident), and current employees of entities doing business (public or private) in the community.

It should be noted that some developments that receive some type of public financing may be limited or may not be able to comply with local preference guidelines due to conditions associated with the public financing.

Arlington Heights may wish to evaluate:

1. Continuing to discuss local preferences with developers on a case by case basis.
2. Including local preference guidelines in the Village's program to give notice to developer that these local preferences are desired when possible.

RECOMMENDATION

Include local preferences in the Village's guidelines for current Arlington Heights residents, employees of Arlington Heights businesses or organizations, and/or veterans.

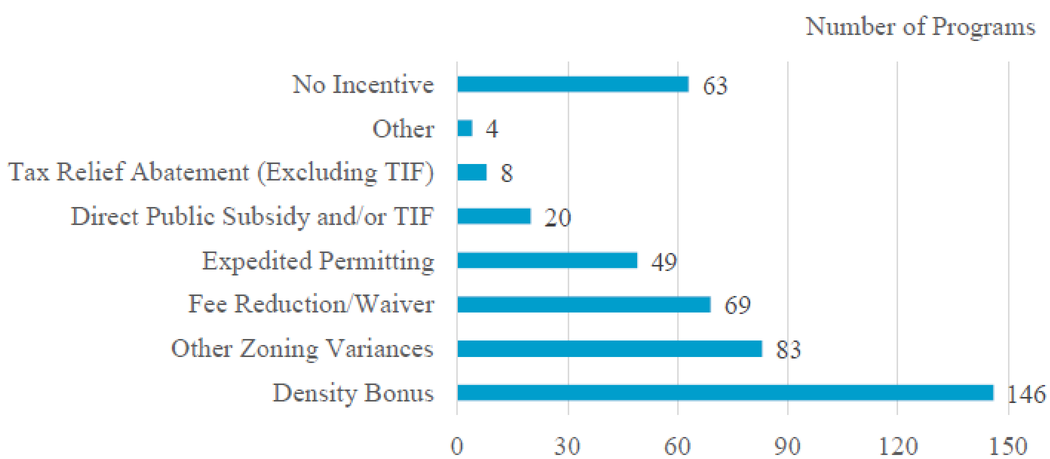
Developer Cost Offsets/Incentives in Ordinance/Guidelines

Arlington Heights reviews developments on a case-by-case basis, normally as part of a Planned Unit Development process. The inclusion of affordable units is taken into account when evaluating variances such as variance required for density, setbacks, floor area ratio, building height, parking, and building lot coverage. There are no explicit cost offsets/incentives for affordable units although densities in Arlington Heights are higher than in most communities surveyed. Allowing more density may made certain developments more economically viable and more able to provide affordable units. However, such an option needs to be carefully evaluated and should only be considered where appropriate.

The other communities surveyed all offer density bonuses for affordable housing units as specifically detailed in their ordinances. Other types of cost offsets offered by these communities are building permit and review fee waivers, impact fee waivers (with impact fees paid by the trust fund in Highland Park), parking reductions, and automatic variations within limits.

According to a national survey, of 250 survey respondents, 25% did not offer any cost offsets. Thirty-two percent offered one incentive with a density bonus being the most prevalent. Nineteen percent offered two incentives, 14% offered with three incentives, 6% offered four incentives, and 7% offered as many as five incentives. The frequency with which the cost offsets is shown below.

Figure 4: Number of Inclusionary Housing Programs by the Incentives They Offer to Developers (n = 250)

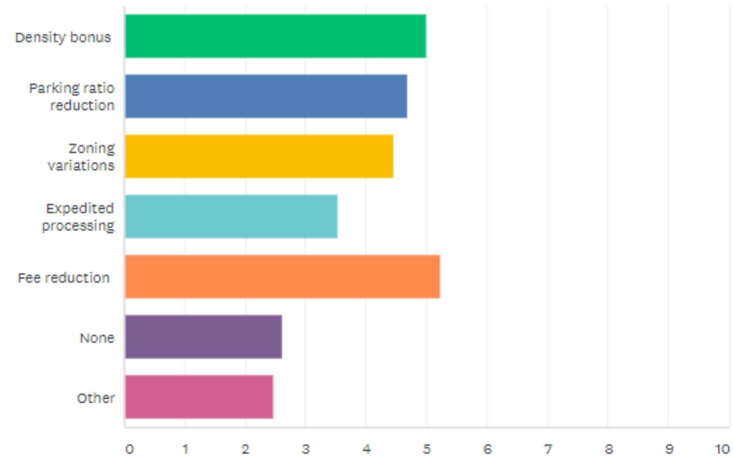


(Thaden and Wang 39)

When asked in the Arlington Heights survey which types of incentives would be most meaningful, developers responded with “Fee reduction” and “Density bonus” at their top two choices. Non-profits and Affordable housing developers favor “density bonus” over the overall “fee reduction” incentive favored by for-profit developers.

7. Which type of incentives would be most meaningful in assisting you to provide affordable units in a development?

Answered: 13 Skipped: 0



Currently Cook County offers a Class 9 tax abatement for multifamily developments with at least 35% affordable units at 80% AMI. Properties are assessed at 10% of the market value for 10 years with renewal of the abatement permitted. Unfortunately, this does not help most market rate developments that may provide 5% to 10% of units as affordable. If a new program for a potential abatement, (with lower % of affordable units provided) could be developed with support from other communities, perhaps Cook County would consider a new Class 9B proposal.

Arlington Heights may wish to evaluate:
1. Continuing to discuss local preferences with developers on a case by case basis.
2. Consider providing guidance on permissible density bonuses for covered projects
3. Consider fee waivers for covered projects

RECOMMENDATION

Explore offering a density bonus for affordable housing developments in certain districts if deemed appropriate. Evaluate a percentage permit fee reduction. Further research and discuss with Cook County the possibility of creating a new Affordable Housing Class 9B Tax Abatement for developments with 5 to 10% affordable units at 60% AMI.

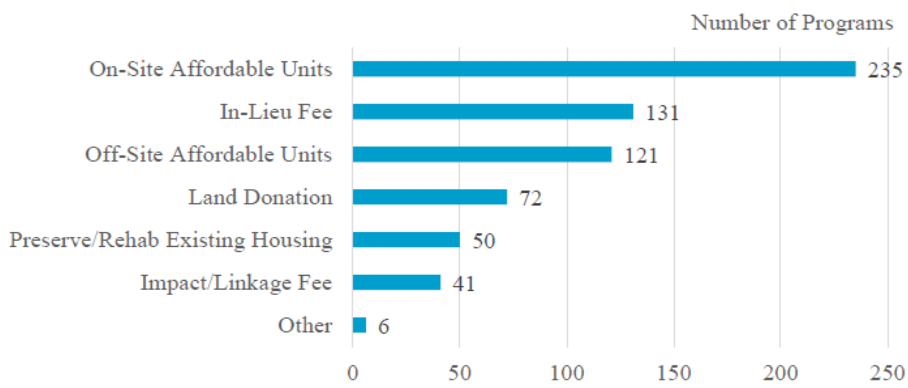
Alternative Developer Contributions (other than fee in lieu) and Sources of Revenue

Paying a fee in lieu of all or a portion of the affordable units called for in a development is offered as an alternative to constructing actual affordable units.

Alternative Contributions (other than fee in lieu) are means by which a developer may choose to provide affordable housing units. Of the six suburban programs, Arlington Heights and Oak Park offer only a fee in lieu alternative. Evanston, Highland Park, Lake Forest, and St. Charles each offer some or all of the following options: providing comparable affordable units off-site, converting existing market-rate units into affordable units; dedication of land; or rent subsidies.

In a 2017 national survey of 258 programs, 22% of programs required on-site affordable housing units as the only way to meet the affordable housing requirements. A fee in lieu option is provided in 51% of the communities surveyed and 47% of the communities' permitted off-site affordable units. Twenty-eight percent of programs allowed for land donation, 19 percent allowed for preservation or rehabilitation of existing affordable housing, and 16 percent allowed for the payment of an impact or linkage fee. Three additional options were listed: (1) provision of senior housing, housing for people with disabilities, and childcare facilities, which are required by the California Density Bonus program; (2) credit transfer, which allows developers to request inclusionary unit credits in the event a project exceeds the total number of inclusionary units required on a site; they can use these credits to meet the inclusionary requirement for another project; and (3) any other creative concepts from applicants, which are subject to approval. (Thaden and Wang 42).

Figure 5: Number of Inclusionary Housing Programs by Developer Options to Contribute to Affordable Housing (n = 258)



(Thaden and Wang 43)

Arlington Heights may wish to evaluate:

1. Continuing to discuss alternative contributions on a case by case basis..
2. Offer some or all of the following alternative contributions deemed comparable in benefit to units if provided on-site: off-site affordable units, land donation, preservation/rehab of existing housing, and/or impact/linkage fees (ex. tear down fee).

RECOMMENDATION

Allow the ability of alternative contributions, such as comparable off-site affordable units, to be reviewed on a case by case basis.

J. Options/Considerations or Percentage and Fee Requirements

After negotiating the affordable housing to be included in several developments, as well as this research and analysis, several alternative options could be considered subject to further refinement. It is believed that the current guideline of 15% is too high and it has been unable to implement at that level for developments that receive no public assistance. Staff has given significant thought to a possible tiered approach for different housing product types. This is a starting point for discussion with the Board and Housing Commission.

A. Rental Apartments

For rental housing, the Village could consider a three tiered approach.

Tier one: Downtown market rate development. These are developments that would have higher density, closer to transit, and walkability to stores. Arlington 425 eventually agreed to 5% actual units and 2.5% fee at $25,000.

RECOMMENDATION

5% actual units included and 2.5% fee at $25,000 per unit, or if no units provided 10% fee of $75,000 per unit.

Tier two: Community wide market rate with no public assistance developments. This would typically be lower densities than in Downtown and while cost of construction may be lower, the densities would result in lower gross overall rents. Preliminary feedback from developers have expressed concerns at the idea of providing actual units or even the fee at $75,000.

RECOMMENDATION

5% actual units included, or if no units provided 10% fee of $75,000 per unit.

Tier three: Community wide market rate developments receiving some form of financing assistance. This could be public financing through low income tax credits, other state or federal programs, or tax increment financing. Developments receiving such assistance should provide a higher percentage of actual units, for example 10%.

RECOMMENDATION
10% actual units included.

B. For Sale Multi-Family Developments

Staff does not recommend requiring actual units to be provided in a "for sale" multi-family product at this time for several reasons, outlined in prior memorandums.

RECOMMENDATION
10% fee of $75,000 per unit.

C. Conversion and Renovation

Conversion and Renovation of existing apartment developments can have significant impact on the affordability of the units, when older developments are acquired and totally renovated with modern amenities, the rents subsequently are increased. This has an impact on losing affordable housing stock. Currently the Village has no requirements in place to retain a percentage of affordable units or obtain a fee in lieu of in developments that are renovated or improved.

RECOMMENDATION
Further evaluate realistic requirements for renovations and/or conversions.

D. Senior Housing and Institutional Housing

The Village receives numerous inquiries regarding Senior and Institutional housing and in the past has approved substantial amendments to the Moorings, the Lutheran Home, as well as new developments such as Waverly Place and Autumn Leaves, which are both Alzheimer's facilities. Currently, there are no affordable housing criteria for these types of development, yet there is a significant need in the community for affordable units in this type of development.

RECOMMENDATION
After further review, it is recommended that senior institutional developments that included assisted living Alzheimer and nursing care provide a written plan, and report of how they plan to provide affordable life cycle/insurance type care. Independent living facilities should meet the market rate rental and for sale requirements.

K. Policy/Guidelines

The Village's current policy is implemented within its guidelines as outlined in the Affordable Housing toolkits. Other communities that have been researched have their affordable housing policy adopted by ordinance. Direction is needed as to whether the Village Board wishes to continue with its current policy as guidelines or to have refined affordable housing policy adopted by ordinance. Adopting affordable housing standards by ordinance, would allow the village to apply the affordable housing requirements to conversion of nonresidential buildings into residential buildings, and/or renovation of existing apartment developments, that may otherwise meet all zoning requirements and are currently exempt. In addition, if a linkage fee is considered for developments less than 5 units, an ordinance would also be required in order to implement.

RECOMMENATION
Direction is needed regarding whether to create an ordinance or guidelines however, it is suggested that an ordinance be considered. Some type of relief mechanism should be included to allow the Board if they so desire to vary or adjust the requirements based upon unique circumstances of a particular development. It is further suggested that once the refined affordable housing requirements are approved, there be periodic reviews to ensure they are not stifling developments and that they are meeting their intended purpose of creating additional affordable units.

L. Housing Commission/Village Board Input / Next Steps

This report and attachment is being distributed to the Village Board and Housing Commission for their input and review. It is anticipated that the Housing Commission will provide input and feedback and that the Village Board is tentatively scheduled to discuss this matter at a Committee of the Whole meeting on September 9, 2019. In the meantime, staff will start to prepare a draft framework for an Affordable Housing proposal, based upon the summary recommendations contained within this report, feedback received from the Housing Commission and Village Board.

M. Conclusion

It is extremely difficult to develop a specific set of standards to fit all possible developments. It's unrealistic to expect no dialogue or not to have negotiations on a case by case basis. However, a clearer refined Affordable Housing Policy should help facilitate future affordable housing agreements.

Source: Inclusionary Housing in the United States: Prevalence, Impact, and Practices. Working Paper WP17ET1, Emily Thaden and Ruoniu Wang, September 2017.

Attachments

1. Summary Arlington Heights Guidelines
2. History of Affordable Housing in Arlington Heights
3. Affordable Housing Outreach and Survey 2019
4. Income Restricted and Special Needs Housing in Arlington Heights

Summary of Arlington Heights Affordable housing Guidelines June 2019

Multi-Family Affordable Housing Policy

The Village of Arlington Heights' Multi-Family Affordable Housing Policy states that:

"It is the policy of the Village of Arlington Heights to promote adequate housing for all the community's people; to create and/or maintain sound viable neighborhoods; to meet the needs for housing by increasing the number of housing units for low and moderate income families and individuals; and to expand housing opportunities for all members of the community."

"Inclusion of housing units to be made available at affordable rates will be included in the review and consideration of new multi-family residential Planned Units Development applications and amendments to existing multi-family Planned Unit Developments, in accordance with the intent, requirements and procedures for Planned Unit Developments, as stipulated in the Village Code, Chapter 28, Section 98." (Policy approved by the Village Board of Trustees on December 7, 1998)

Why

It has been the policy of the Village of Arlington Heights to promote and increase the amount of affordable housing in the Village since 1972 following a joint study on the need for affordable housing by the Village Board and the Village's Plan Commission. This study resulted in the creation of the Village's Housing Commission. This policy has continued including being promulgated within the current Village Board's list of top 11 goals. This current Village Board goal is to "Continue to Explore and Encourage Affordable Private Housing."

In 2003, the State of Illinois enacted the Affordable Housing Planning and Appeals Act (P.A. 93-0595). Under this law, it is required that the housing stock of Illinois communities subject to the law be composed of a minimum of 10% affordable housing units. In 2004, according to the Illinois Housing Development Authority (IHDA) calculation, based on 2000 Census data, 15.9% of the Village of Arlington Heights' housing stock was determined to be affordable based on the definition of affordable contained in the Act. In 2013, IHDA's calculation of the percentage of affordable housing in Arlington Heights was 13.1%.

It is important to note that the Village's affordable housing goals and policies pre-dated the enactment of Affordable Housing Planning and Appeal Act. The Act provides a minimum statewide standard. The Village has an interest in continuing to be compliant with the 10% affordability requirement of the Act, but the Village has policies and goals apart from the Act. Further, the Village finds that it will be necessary to create additional affordable housing in order to remain above the 10% threshold.

Current Requirements

	Rental	Owner
Percentage Affordable Required	0 – 5 total units: 0% affordable 6 – 25 total units: 10% affordable 26 or more total units: 15% affordable	0 – 5 total units: 0% affordable 6 – 25 total units: 10% affordable 26 or more total units: 15% affordable
Fee in Lieu	$75,000/affordable unit	$75,000/affordable unit
Income Eligibility	Max. 60% Chicago AMI Household Size Max Income (2018) 1 $35,580 2 $40,620 3 $45,720 4 $50,760 5 $54,840 6 $58,920	Max. 80% Chicago Area AMI Household Size Max Income (2018) 1 $47,400 2 $54,200 3 $60,950 4 $67,700 5 $73,150 6 $78,550
Allowed Rents/Initial Sale Price	Studio $889 1 Bedroom $952 2 Bedroom $1,143 3 Bedroom $1,320	Price affordable to eligible buyer at 30% of income with 30 year fixed rate mortgage and 10% down payment. 2018 Estimates: 1 bedroom home: $140,720 2 bedroom home: $152,534
Term of Affordability	In perpetuity	In perpetuity
Preferences for present or past residents or current employees of Village/City businesses	Not addressed in guidelines but has been included in practice	Not addressed in guidelines but has been included in practice
Unit Mix	Units mix (bedroom sizes) of the affordable units to be proportional to the development overall. Units disbursed throughout development	Units mix (bedroom sizes) of the affordable units to be proportional to the development overall. Units disbursed throughout development
Appearance	Units to have same sizes, standard finishes, etc. of market rate units.	Units to have same sizes, standard finishes, etc. of market rate units.

Affordable Housing Programs/Resources

Programs to close the monthly rent gap such as the housing voucher program
Housing Choice Voucher, Community Choice (ccp@thehacc.org) and Veteran's Affairs Supporting Housing (VASH voucher) programs. Contact Cook County Housing Authority. http://thehacc.org/landlords/ Contact (312) 663-5447

Regional Housing Initiative (RHI) program. https://www.cmap.illinois.gov/programs/housing/rhi/developers. Contact Jonathan Burch (CMAP) at jburch@cmap.illinois.gov or 312-386-8690

Possible financing mechanisms for affordable housing
Illinois Housing Development Authority. https://www.ihda.org/developers/. Contact Christine Moran, Managing Director, Multi-Family Financing, Cmoran@ihda.org, 111 E. Wacker #1000, Chicago, IL 60601, (312) 836-5273

Cook County HOME funds. https://www.cookcountyil.gov/service/community-development-division. Contact Dominic Tocci, Deputy Director of Community Development, Cook County Bureau of Economic Development, 69 W. Washington, Suite 2900, Chicago, IL 60602, 312-603-1048

Affordable housing developers
Housing Development Opportunity Corporation (non-profit). http://hodc.org/. Contact Richard Koenig, Executive Director, rkoenig@hodc.org. 2001 Waukegan Road, P.0. Box 480, Techny, IL 60082 Phone: 847-564-2900.

Community Partners for Affordable Housing (non-profit). Works with the Cities of Evanston, Highland Park and Lake Forest regarding the implementation of their inclusionary housing programs. https://www2.cpahousing.org/. 400 Central Avenue, Suite #111, Highland Park, IL 60035 | 847-681-8746

Northwest Housing Partnership (non-profit). http://www.nwhp.net. Contact Robyn Sandys, Executive Director, robynsandys@nwhp.net. 1701 E. Woodfield Road, Suite 203, Schaumburg, Illinois 60173, (847) 969-0561

Other Chicago Area Affordable Housing Developers:
Up Development. Developers of Parkview Apartments and Heart's Place in Arlington Heights. https://www.cjdprojects.com/company/up-development/ Contact Jessica Berzac, Vice President of Development, Jessica@updevelopers.com. 900 W Jackson Blvd. #2W, Chicago, IL 60607 (559) 554-9621, Cell (773) 936-5014

Affordable Housing Consultant:
BRicK Partners, LLC. https://www.brickllc.com/. Robin Snyderman, Principal, robin@brickllc.com. 1025 Sherman Ave, R2, Evanston, IL 60202, (847) 268-8633

History of Affordable Housing in Arlington Heights

March 1972	Village Board approved the report of The Joint Study Committee on Low-Moderate Income Housing which recommended: • Passage of a Resolution citing the need for low-moderate income housing in the Village and commitment to filling the need • Formation of a Housing Commission • Set goals to create the following numbers of affordable housing units: 120 for elderly persons (application had already been made); 50 low-income units through leasing programs and/or ownership programs; encourage private development of 150 – 200 moderate income units utilizing federal financing programs.
1970s – 1980s	Approval and construction of: • Albert Goedke Apartment, 118 units, seniors/disabled • Cedar Village Apartments, 80 units, senior/disabled • Linden Place Apartments, 80 unit senior building, 110 family townhomes • Industrial Revenue Bond (IRB) financed apartment developments requiring rental of 20% of unit to moderate-income households. This financing was provided for six apartment projects, but the restrictions have expired on all but 1 project which is Dunton Towers where 44 units must be rented to moderate income tenants.
1978 - present	Village offers CDBG-funded Single Family Rehab Program to provide home rehab loans to moderate income and below Arlington Heights homeowners. Total funds loaned to date is about $5 millions of which $3 million has been repaid to date and re-budgeted. Village periodically offers CDBG-funded Multi-Family Rehab Program and group home renovations.
1994	Village works with CEDA Northwest (now NW Compass) to purchase and operate low income housing in "Wright House" 11-unit apartment building and Shady Way. Primarily funded through the Illinois Housing Development Authority. NW Compass sold the Wright House in 2017.
1995 – 1999	Village provide CDBG funding for affordable housing and other programs under its 1995-1999 Consolidated Plan and Annual Action Plans
1995-2006	Village operates First-Time Homebuyer Program and assisted a total of 69 households
December 1998	Village approved Multi-Family Affordable Housing Policy
2000 – 2014	Village provide CDBG funding for affordable housing and other programs under its 2000-2004 Consolidated Plan and Annual Action Plans
February 2002	Arlington Heights hosts Affordable Housing Summit at the Arlington Heights Senior Center
2003	Housing Commission drafts a combined tear down tax and affordable housing trust fund proposal
July 2004	Village Board discusses the Housing Commission's combined Tear Down Tax and Affordable Housing Trust Fund proposal. No action taken. Staff directed to investigate other possible sources of funds for Trust Fund.
2004	Village requests a percentage of affordable units in a new construction multi-family development (Timber Court Condos) for the first time.
2005 – 2009	Village provide CDBG funding for affordable housing and other programs under its 2005-2009 Consolidated Plan and Annual Action Plans
2008	Village receives Daniel Burnham Award for Excellence in Planning for Affordable Housing – Timber Court Condominium Development
2008	Affordable housing guidelines put into a "toolkit" for distribution to developers for for-sale housing.
2009	Village Board approves the creation of the Affordable Housing Trust Fund Task Force which begins meeting in 2011.
2010	Affordable housing guidelines put into a "toolkit" for distribution to developers for rental housing.

2010 – 2014	Village provide CDBG funding for affordable housing and other programs under its 2010-2014 Consolidated Plan and Annual Action Plans
2011 – present	Village of Arlington Heights enters into an intergovernmental agreement with Buffalo Grove, Rolling Meadows, Mt. Prospect and Palatine to form the Northwest Suburban Housing Collaborative which to date has accomplished the following: • Completion of Homes for a Changing Region report (January 2013) • Completion of the Senior Housing Needs Assessment (November 2013) • Creation of an area wide Handyman Program still operated by the Northwest Housing Partnership (2014 – present) • Publication of a Senior Resource Guide (2015) • Creation of a local, area-wide CAPABLE pilot program that provides nursing, occupational therapy and handyman services to enable senior to age-in-place in their homes (2018 to present)
2012 - 2019	Housing Commission makes recommendation and Village Board approves the following project that include affordable units and/or fees-in-lieu of affordable units: • Arlington Downs (revised in 2018) • Arbor Lane • Parkview Apartments • Lexington Homes • Heart's Place • 4 N Hickory (Hickory/Kensington) • Arlington 425 • Sigwalt 16
2013 (January)	Village Board presented with the *Homes for a Changing Region Report* created by the Chicago Metropolitan Agency for Planning (CMAP) in cooperation with the communities of Arlington Heights, Buffalo Grove, Mt. Prospect, Rolling Meadows and Palatine
2013 (July)	Village Board approved the Affordable Housing Trust Fund to be funded through: • Payment of fees-in-lieu of providing affordable housing units • Sale of tax exempt bond cap • 1% of all gaming revenue if/when the Village begins receiving gaming revenue and 10% of all revenue the Village receives from slot machines if/when slot machines are permitted in Arlington Heights.
2013 (November)	Village Board presented with the *Senior Housing Needs Assessment* by Valerie Kretchmer and Associates working with the communities of Arlington Heights, Buffalo Grove, Mt. Prospect, Rolling Meadows and Palatine
2015 – 2019	Village provide CDBG funding for affordable housing and other programs under its 2015-2019 Consolidated Plan and Annual Action Plans
2018	Village joins AARP Age-Friendly Communities Network
2019	Village Board request staff evaluation of affordable housing guidelines

Attachment 3

MEMORANDUM

TO: Randy Recklaus, Village Manager

FROM: Charles Witherington-Perkins
Director of Planning and Community Development

DATE: July 23, 2019

SUBJECT: *Affordable Housing Outreach and Survey*

As part of the research to refine the Arlington Heights Affordable Housing guidelines, staff met with, and or held telephone calls with residential developers, non-profits, Senior and Affordable Housing Developers. The purpose of this outreach was to discuss the importance of affordable housing, understanding the challenges of providing affordable units to the development sector, and discussing various options and alternatives.

As part of this process, background information was provided regarding a summary of affordable housing guidelines in Arlington Heights. he conclusion. A survey was distributed to 23 for-profit residential developers, affordable housing developers, senior institution for profit developers, non-profits or interested groups. 13 responses were received, broken down as follows: 6 for-profit residential developers, 2 non-profit developers, 2 affordable housing developers, and 3 non-profit/interested group or senior for-profit housing developers.

Draft analysis of the responses to the survey, are attached in two reports. One analysis is for all 13 responses and the other analysis is for the 6 for-profit developers only.

This information is being provided for the Board in advance of the aforementioned research and comprehensive report, regarding refining the Village Affordable Housing Guidelines.

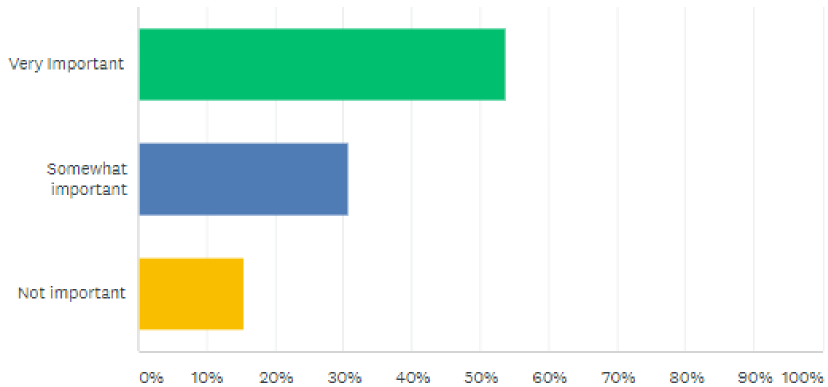
It is important to note that this is just one piece of the puzzle, and more information and analysis is needed before drawing any conclusion based solely on this survey. It should be viewed as a starting point for future discussion and a window of insight into some developer's thoughts.

CW-P:lmp

Village of Arlington Heights Affordable Housing Survey 2019
Analysis on All Respondents

1. How important is affordable housing to you?

Answered: 13 Skipped: 0

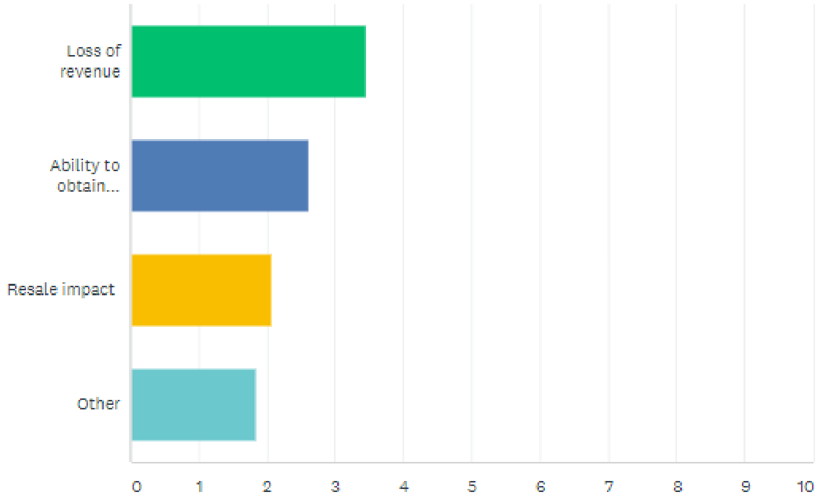


ANSWER CHOICES	RESPONSES	
Very Important	53.85%	7
Somewhat important	30.77%	4
Not important	15.38%	2
TOTAL		13

This survey was released June 20, 2019 and received thirteen total responses from various entities: for profit residential developers, Affordable housing developer, Senior/Institution for-profit developer, Interest group, and Non-profit. The majority of respondents (64%) said that affordable housing is “very important” as shown on the graph above. The developers who believe affordable housing is “not important” are two for-profit residential developers; however, four other respondents (31%) who were either for-profit or senior/institution for-profit selected affordable housing is “somewhat important”.

2. What challenges does including units present? (Please rank with "1" being most challenging)

Answered: 13   Skipped: 0



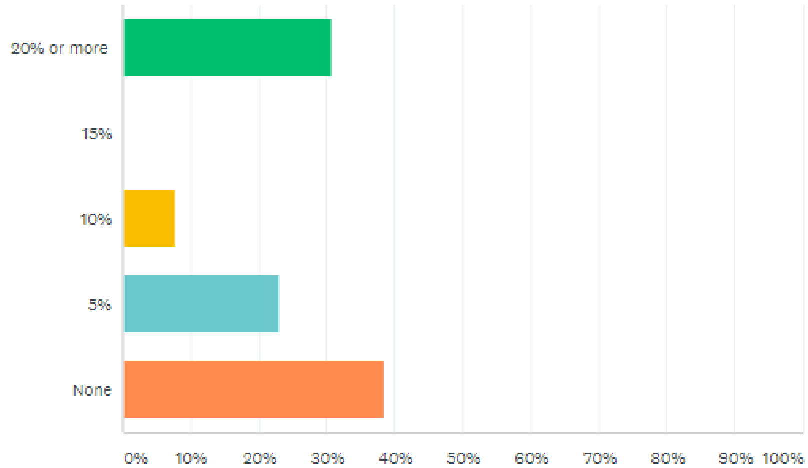
	1	2	3	4	TOTAL	SCORE
Loss of revenue	53.85% 7	38.46% 5	7.69% 1	0.00% 0	13	3.46
Ability to obtain financing	15.38% 2	30.77% 4	53.85% 7	0.00% 0	13	2.62
Resale impact	7.69% 1	23.08% 3	38.46% 5	30.77% 4	13	2.08
Other	23.08% 3	7.69% 1	0.00% 0	69.23% 9	13	1.85

Note: Due to weighting, the higher the score (Loss of Revenue in this instance) is considered the greatest challenges incentive.

When developers were asked about the challenge they face when including affordable units, many responded with the “loss of revenue” followed by “ability to obtain financing” and “resale impact”. This has been a consistent trend with all types of developers: profit and non-profit. One developer mentioned, “With the loss of revenue we must “fill the gap” with TIF, CDBG or HOME funds. The village can also do other soft debt loans”.

3. What is an agreeable percentage of actual affordable units you could provide in a development?

Answered: 13   Skipped: 0



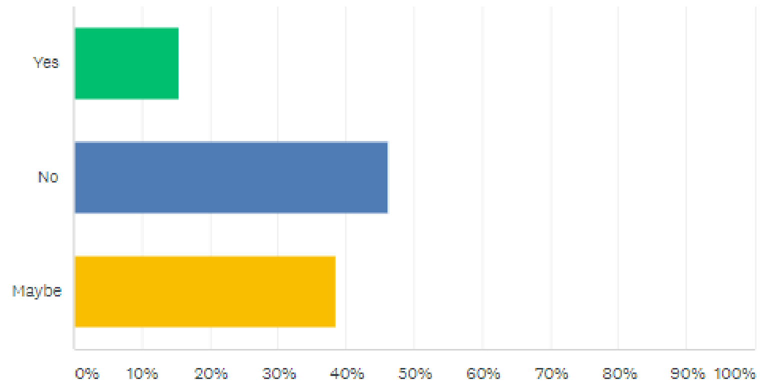
ANSWER CHOICES	RESPONSES	
20% or more	30.77%	4
15%	0.00%	0
10%	7.69%	1
5%	23.08%	3
None	38.46%	5
TOTAL		13

Developers were asked about the agreeable percentage of actual affordable units they could provide in a development. Over 38 percent answered “none”. Another Senior/Institution for-profit developer added, “Referring specifically to institutional uses like memory care communities, requiring affordable units is very detrimental to the development because the use is not residential in nature; rather, these uses provide care to residents that typically costs more than affordable rates pay. Therefore, owners typically operate at a loss on the affordable units. That kind of model is not sustainable nor will it induce development of these uses in the Village's jurisdiction. And when you consider how great the need is for these uses over the next 10-20 years, it's better for the Village to maintain the ability to attract development that provides care for its citizens”. These responses were from senior institutions developers who provided a continuum of care with insurance products.

Developers who choose 20 percent or more were either Non-profit or Affordable housing developers. They mentioned that “Again, using Village resources of HOME, CDBG and TIF we can get the financing stack to work. In other communities, they have received below market rate loans from the community to help out, For Example Northlake gave us an $800,000 per loan for 25 years at 2%. That is innovative and better rates than they get in a CD” and “The smaller the building the less number of units. So should estimate based on the number of units in the development so more units higher percentage”.

4. If a lower percent of units was required to be included in a development, would you provide an annual reimbursement percent of total gross rent each year?

Answered: 13 Skipped: 0

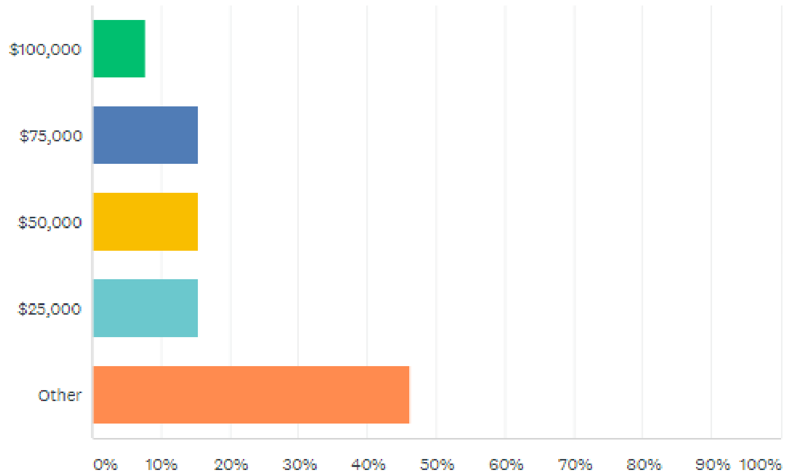


ANSWER CHOICES	RESPONSES	
Yes	15.38%	2
No	46.15%	6
Maybe	38.46%	5
TOTAL		13

About 46 percent of developers answered “no” when given a hypothetical: if a lower percent of units was required to be included in a development, would they provide an annual reimbursement percent of total gross rent each year? Over 35 percent said “maybe”; while 15.38 percent said “yes”. One developer justified their no “because new rental developments are becoming more and more difficult to finance and margins are getting smaller due to unknowns such as real estate taxes and other operating expenses”. Another developer explained their maybe by “It totally depends on maintenance issues, rental turnover, some years may be able to give more than others. Should maybe come up with a sliding scale depending on net profit”.

5. If a fee in lieu is allowed, what is an acceptable amount per unit?

Answered: 13   Skipped: 0

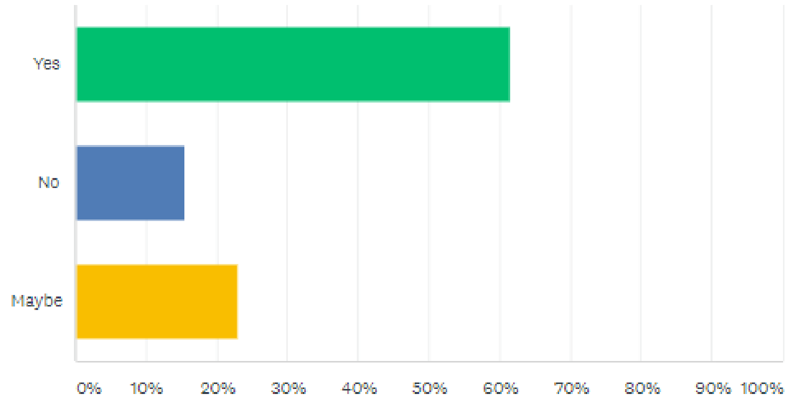


ANSWER CHOICES	RESPONSES	
$100,000	7.69%	1
$75,000	15.38%	2
$50,000	15.38%	2
$25,000	15.38%	2
Other	46.15%	6
TOTAL		13

When the question of allowing a fee in lieu and the acceptable amount, developers selected “other” with over 45 percent. A Non-Profit developer added, “I assume a builder makes 15-20% profit so if a condo is worth $350,000 they make maybe $52,500. Rental is harder to quantify. A Senior/Institution for profit developer is “uncertain because there are a lot of factors to consider”; on the other hand, an Interest Group “prefers to continue to support residents who have outlived their assets through our Life Care program

6. Does having higher densities help in providing affordable units?

Answered: 13   Skipped: 0

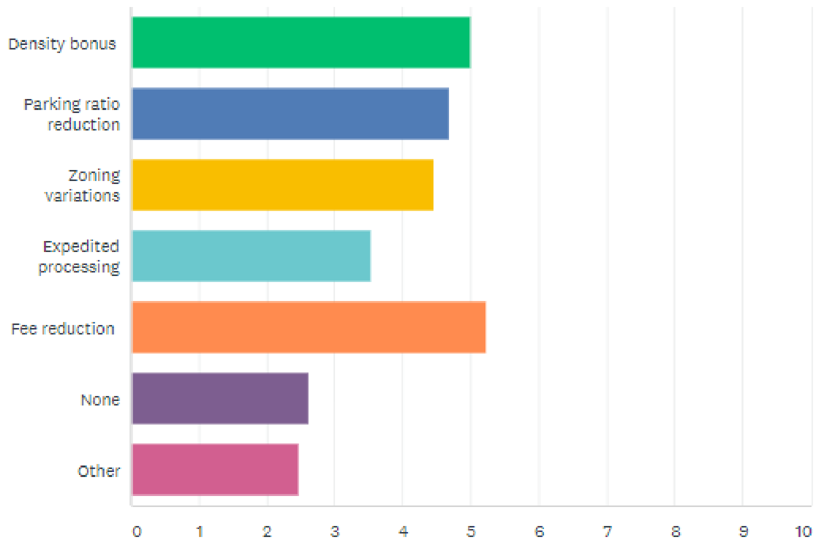


ANSWER CHOICES	RESPONSES	
Yes	61.54%	8
No	15.38%	2
Maybe	23.08%	3
TOTAL		13

Overall developers do prefer higher density communities in providing affordable housing. There is an even mix of developers who answered “yes” and “maybe”; while an interest group and non-profit answered “no”. A for-profit developer mentioned “Smaller units that are naturally more ATTAINABLE for residents”. When creating smaller units, it can create high densities of affordable housing, for which developers are in favor.

7. Which type of incentives would be most meaningful in assisting you to provide affordable units in a development?

Answered: 13 Skipped: 0



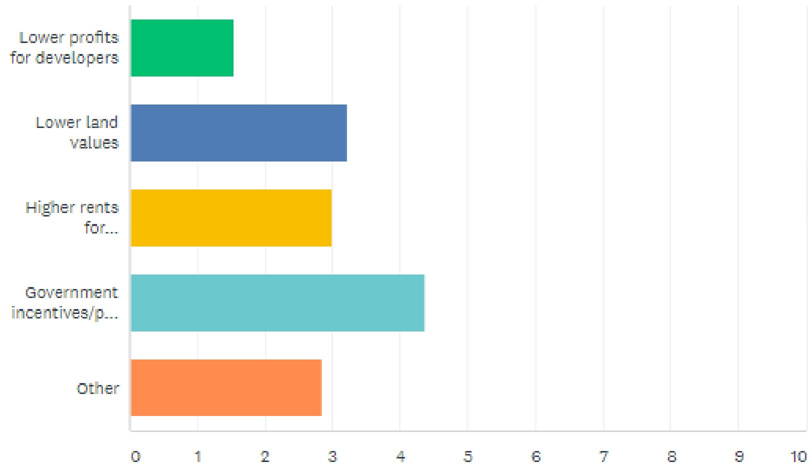
	1	2	3	4	5	6	7	TOTAL	SCORE
Density bonus	38.46% 5	7.69% 1	15.38% 2	15.38% 2	7.69% 1	7.69% 1	7.69% 1	13	5.00
Parking ratio reduction	0.00% 0	53.85% 7	7.69% 1	15.38% 2	7.69% 1	7.69% 1	7.69% 1	13	4.69
Zoning variations	0.00% 0	7.69% 1	46.15% 6	30.77% 4	15.38% 2	0.00% 0	0.00% 0	13	4.46
Expedited processing	7.69% 1	0.00% 0	7.69% 1	15.38% 2	61.54% 8	7.69% 1	0.00% 0	13	3.54
Fee reduction	38.46% 5	7.69% 1	15.38% 2	23.08% 3	7.69% 1	7.69% 1	0.00% 0	13	5.23
None	7.69% 1	15.38% 2	0.00% 0	0.00% 0	0.00% 0	38.46% 5	38.46% 5	13	2.62
Other	7.69% 1	7.69% 1	7.69% 1	0.00% 0	0.00% 0	30.77% 4	46.15% 6	13	2.46

Note: Due to weighting, the higher the score (Fee Reduction in this instance) is considered the most meaningful incentive.

Developers selected which types of incentives would be most meaningful, “Fee reduction” and “Density bonus” were the top two choices. Non-profits and Affordable housing developers favor “density bonus” over the overall “fee reduction” incentive favored by For-profit developers.

8. What do you believe is the most likely way to reduce rents and provide some affordable units within developments? (Please rank with "1" being most likely)

Answered: 13 Skipped: 0



	1	2	3	4	5	TOTAL	SCORE
Lower profits for developers	0.00% 0	7.69% 1	0.00% 0	30.77% 4	61.54% 8	13	1.54
Lower land values	0.00% 0	46.15% 6	38.46% 5	7.69% 1	7.69% 1	13	3.23
Higher rents for non-affordable units	15.38% 2	15.38% 2	30.77% 4	30.77% 4	7.69% 1	13	3.00
Government incentives/programs	61.54% 8	15.38% 2	23.08% 3	0.00% 0	0.00% 0	13	4.38
Other	23.08% 3	15.38% 2	7.69% 1	30.77% 4	23.08% 3	13	2.85

Developers believe that the most likely way to reduce rents and provide affordable housing is through "government incentives/programs" with over 60 percent ranking it number one followed by "lower land values". Developers then added, "The Village must help out to bridge the gap to allow more affordable units", "providing density bonuses or reduced parking means profits do not decrease", and "So much depends on the type of project, if new or a rehab because of maintenance and upkeep costs.

Throughout the survey, the same concerns for all types of developers are similar: the process to get approval/ help from the Village, the density restriction, and the potential loss of revenue.

Village of Arlington Heights Affordable Housing Survey 2019
Appendix Summary of Key Comments Provided

What challenges does including units present? (Please rank with "1" being most challenging)

- Administrative requirements
- Challenge leasing units with affordable units in bldg.
- Additional documentation that would be required can be cumbersome.
- Affordable housing triggers Section 8 fears.
- The independent living units for seniors utilized in our business model represent an insurance product. Occupancy of a unit is considered neither a sale nor a rental option. Instead, it is a life lease in exchange for an entrance fee and monthly fee that provides healthcare benefits for those who subscribe to the program. It is difficult to offer the "insurance" program for a discount. Under this assumption, a resident would not be assuming the financial obligation for the safety net that is being offered.
- Affordable development Meeting income goals in order to properly maintain the property
- We are a Senior Services Provider offering a Life Care contract through which seniors are guaranteed residency should they run out of assets.

What is an agreeable percentage of actual affordable units you could provide in a development?

- Cook County & Arlington Heights are already burdened by the high cost of land, high cost of construction (usually enhanced by City driven design and code requirements), and EXTREMELY high property taxes. Affordable units (especially at the 60% AMI) create a cost burden that is amplified by capitalizing low rents while maintaining high expenses.
- 5% impact on a new development seems to be workable. Anything more may cause financial hardship to the point of project feasibility.
- For sale Development the price a home would have to be sold at, barely covers just the cost for land of that unit.
- Senior Housing, as a nonprofit organization, we already provide benevolent care to residents who run out of financial resources through no fault of their own. We've not asked any resident to leave in our 126 year history of providing care.
- The size of the development makes a big difference as to how many units.
- We are a senior service provider. Through our Life Care contract we support residents with limited resources at whatever level of care best suits their needs. This includes independent living, assisted living and health care.

If a fee in lieu is allowed, what is an acceptable amount per unit?

- We prefer to continue to support residents who have outlived their assets through our Life Care program.

Which type of incentives would be most meaningful in assisting you to provide affordable units in a development?

- Every project is unique, size, needs for parking will depend on age of residents, seniors need less, again think should be a sliding scale based on density, net profits, etc.
- Senior housing provider added "We are a service provider. Our business model is not about selling units, it is about providing services. Many of the above items would be helpful if our focus was for profit development, however, we are a service provider".
- We are not offering a real estate product, but rather an insurance product.

What do you believe is the most likely way to reduce rents and provide some affordable units within developments? (Please rank with "1" being most likely)

- Smaller units that are naturally more ATTAINABLE for residents
- Real estate tax credits or reduction
- Lower real estate taxes
- Senior housing provider added, "We are a senior services provider offering a Life Care contract through which those residents who live longer than their assets can support are offered continued residence and services at the appropriate level of care needed. This means we have residents on scholarship in independent living, assisted living and health care".

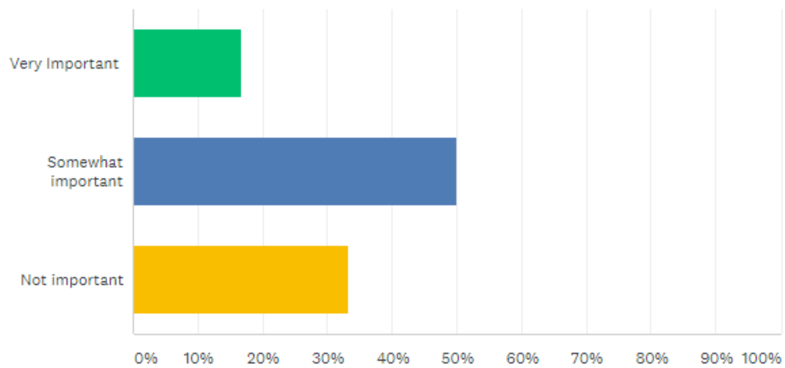
What other feedback can you provide?

- For profit developer: "I'm submitting this feedback as an employee for a development company, but also as an Arlington Heights resident. As a resident, it's extremely important to me that new development projects get approved within the municipality (especially near the Downtown) and not held up because of an affordability requirement. New development increases the tax roll and provides residents to keep the local businesses operating and profitable. Arlington Heights needs to do everything they can to keep the existing resident's taxes lower".
- For profit developer: "Affordable housing is good for communities and should continue. However, maybe we should look at not putting all the requirements on new developments only and perhaps spread the requirements on to existing housing in the community as well".
- For profit developer: Affordable units on for sale product is incredibly hard to accomplish".
- Senior housing provider: "Our business is a healthcare and insurance model, not a real estate model, and consequently has other considerations which make affordable units difficult".
- Senior housing provider: "Thank you for providing the opportunity to give feedback in advance of refining the development requirements".

Village of Arlington Heights Affordable Housing Survey July 2019
Analysis on For-Profit Developers

1. How important is affordable housing to you?

Answered: 6   Skipped: 0



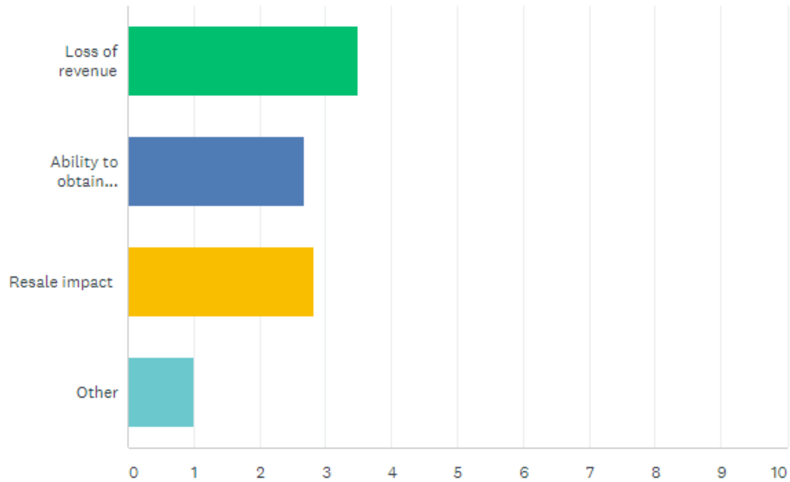
ANSWER CHOICES	RESPONSES	
Very Important	16.67%	1
Somewhat important	50.00%	3
Not important	33.33%	2
TOTAL		6

This survey was released June 20, 2019 and received thirteen total responses with six representing for-profit developers. The majority of developers said that affordable housing was "somewhat important' as shown on the graph above.

One for-profit developer indicated affordable housing was not important and indicated 10 percent of units as affordable could be provided or $75,000 fee was acceptable. At the other end of the spectrum, one developer indicated that affordable housing was very important; however, felt zero percent should be provided or a $10,000 fee.

2. What challenges does including units present? (Please rank with "1" being most challenging)

Answered: 6 Skipped: 0



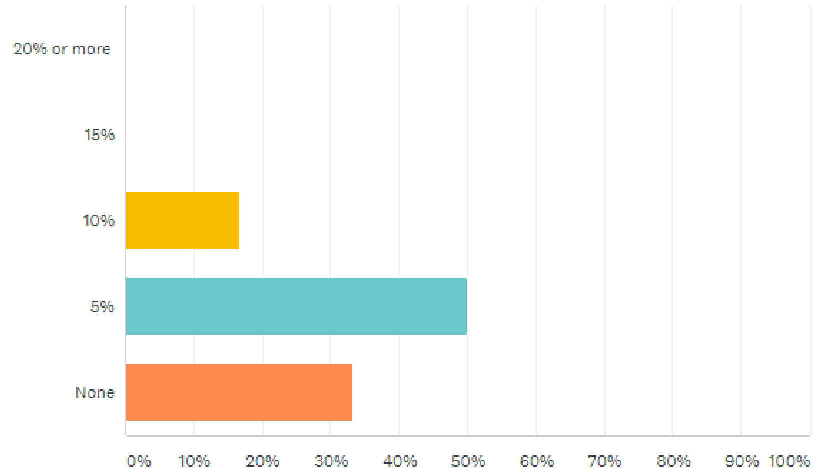
	1	2	3	4	TOTAL	SCORE
Loss of revenue	66.67% 4	16.67% 1	16.67% 1	0.00% 0	6	3.50
Ability to obtain financing	16.67% 1	33.33% 2	50.00% 3	0.00% 0	6	2.67
Resale impact	16.67% 1	50.00% 3	33.33% 2	0.00% 0	6	2.83
Other	0.00% 0	0.00% 0	0.00% 0	100.00% 6	6	1.00

Note: Due to weighting, the higher the score (Loss of Revenue in this instance) is considered the greatest challenge.

Some challenges that were noted was the loss of revenue that affordable housing can create and the resale impact that developers can face. Developers believe that in creating affordable housing could trigger Section 8 into communities where people think it's not exactly ideal, so marketing these homes/units can be difficult. Developers also made notice that the amount of requirements and additional documentation for affordable housing steers then away from providing affordable housing. Overall, developers were concerned about financial impacts upon development.

3. What is an agreeable percentage of actual affordable units you could provide in a development?

Answered: 6 Skipped: 0

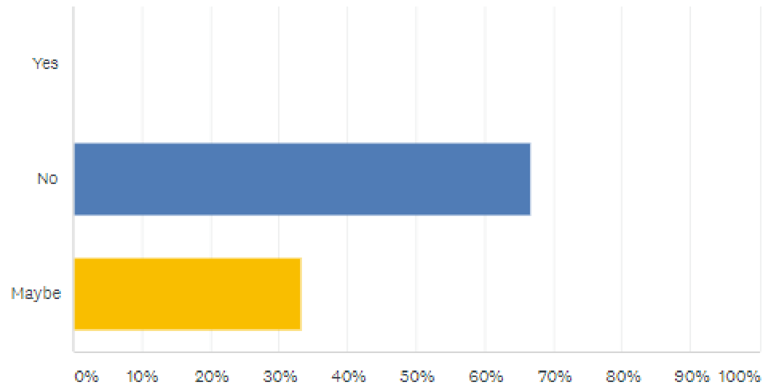


ANSWER CHOICES	RESPONSES	
20% or more	0.00%	0
15%	0.00%	0
10%	16.67%	1
5%	50.00%	3
None	33.33%	2
TOTAL		6

Developers were asked about the percentage of affordable housing they could provide in a development. At most, 10 percent of actual affordable housing units can be provided in a development according to the respondents. The majority of developers choose 5 percent to none. Three responded that a new development is workable with five percent affordable, anything more could cause financial hardship to the point of project feasibility. Furthermore, one developer summed up all the concerns by adding, “Cook County & Arlington Heights are already burdened by the high cost of land, high cost of construction *(usually enhanced by the City driven design and code requirements), and extremely high property taxes. Affordable units (especially at the 60% AMI) create a cost burden that is amplified by capitalizing low rents while maintaining high expenses”.

4. If a lower percent of units was required to be included in a development, would you provide an annual reimbursement percent of total gross rent each year?

Answered: 6 Skipped: 0

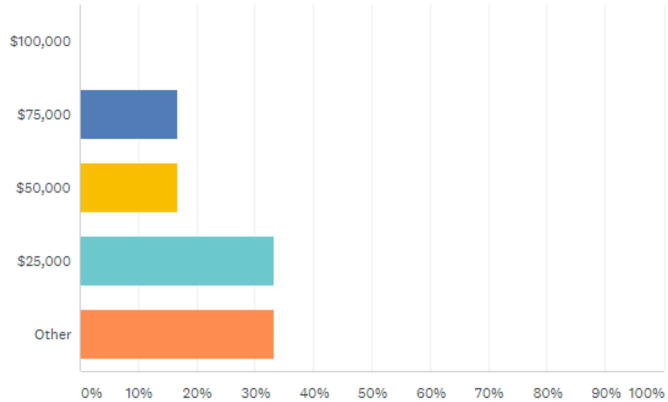


ANSWER CHOICES	RESPONSES	
Yes	0.00%	0
No	66.67%	4
Maybe	33.33%	2
TOTAL		6

Developers were asked a hypothetical: if a lower percent of units was required to be included in a development, would they provide an annual reimbursement percent of total gross rent each year? No developer selected “yes”; while, 66.67 percent selected “no” and 33.33 percent “maybe”. The main concern of a developer is that it is becoming more and more difficult to finance, and margins are getting smaller due to unknowns such as real estate taxes and other operating expenses.

5. If a fee in lieu is allowed, what is an acceptable amount per unit?

Answered: 6 Skipped: 0

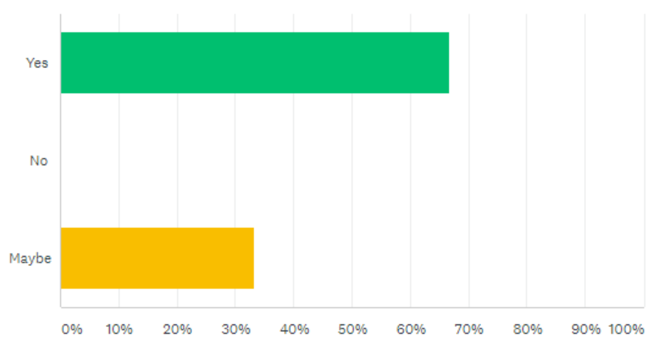


ANSWER CHOICES	RESPONSES	
$100,000	0.00%	0
$75,000	16.67%	1
$50,000	16.67%	1
$25,000	33.33%	2
Other	33.33%	2
TOTAL		6

The survey continued to touch on in-lieu fees and how much would developers accept. Responses were wide ranging from $10,000 per unit to $75,000. The developers preference was $25,000 and other; other being $10,000 and 1 percent of the sale price on a "for sale" units.

6. Does having higher densities help in providing affordable units?

Answered: 6 Skipped: 0

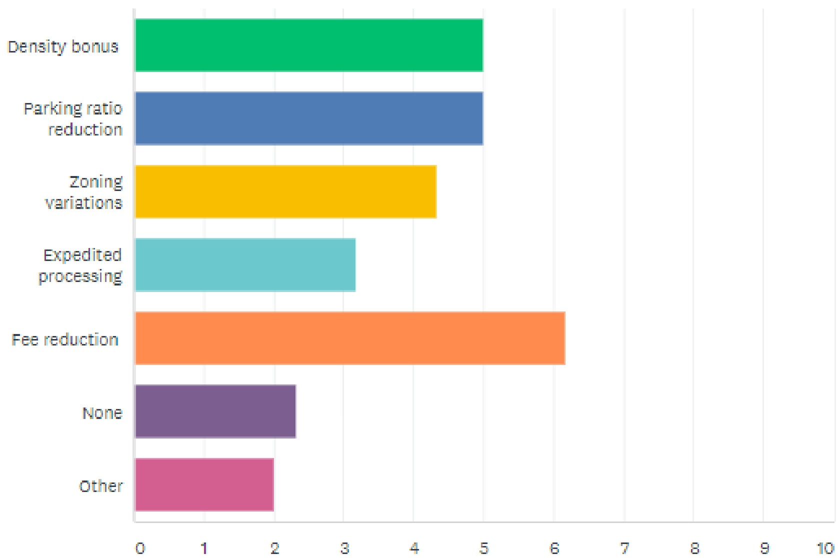


ANSWER CHOICES	RESPONSES	
Yes	66.67%	4
No	0.00%	0
Maybe	33.33%	2
TOTAL		6

Over 50 percent of developers seem to feel that higher densities help in providing affordable housing.

7. Which type of incentives would be most meaningful in assisting you to provide affordable units in a development?

Answered: 6 Skipped: 0



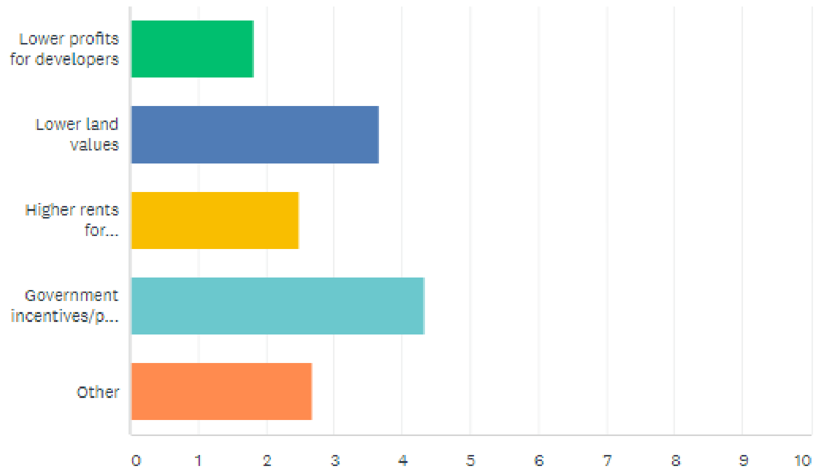
	1	2	3	4	5	6	7	TOTAL	SCORE
Density bonus	33.33% 2	16.67% 1	16.67% 1	16.67% 1	0.00% 0	0.00% 0	16.67% 1	6	5.00
Parking ratio reduction	0.00% 0	66.67% 4	0.00% 0	16.67% 1	0.00% 0	16.67% 1	0.00% 0	6	5.00
Zoning variations	0.00% 0	0.00% 0	50.00% 3	33.33% 2	16.67% 1	0.00% 0	0.00% 0	6	4.33
Expedited processing	0.00% 0	0.00% 0	0.00% 0	16.67% 1	83.33% 5	0.00% 0	0.00% 0	6	3.17
Fee reduction	66.67% 4	0.00% 0	16.67% 1	16.67% 1	0.00% 0	0.00% 0	0.00% 0	6	6.17
None	0.00% 0	16.67% 1	0.00% 0	0.00% 0	0.00% 0	50.00% 3	33.33% 2	6	2.33
Other	0.00% 0	0.00% 0	16.67% 1	0.00% 0	0.00% 0	33.33% 2	50.00% 3	6	2.00

Note: Due to weighting, the higher the score (Fee Reduction in this instance) is considered the most meaning incentive.

Developers gave a clear response about incentives that would lead them being able to provide affordable housing. The first choice, with over 50 percent ranking it as their top choice, was wanting a fee reduction. Second, they preferred parking ratio reduction and equally, being given a density bonus. When asked what other incentives developers would help assist with affordable housing, developers answered with ensuring real estate tax reduction or credits.

8. What do you believe is the most likely way to reduce rents and provide some affordable units within developments? (Please rank with "1" being most likely)

Answered: 6 Skipped: 0



	1	2	3	4	5	TOTAL	SCORE
Lower profits for developers	0.00% 0	16.67% 1	0.00% 0	33.33% 2	50.00% 3	6	1.83
Lower land values	0.00% 0	66.67% 4	33.33% 2	0.00% 0	0.00% 0	6	3.67
Higher rents for non-affordable units	16.67% 1	0.00% 0	16.67% 1	50.00% 3	16.67% 1	6	2.50
Government incentives/programs	66.67% 4	0.00% 0	33.33% 2	0.00% 0	0.00% 0	6	4.33
Other	16.67% 1	16.67% 1	16.67% 1	16.67% 1	33.33% 2	6	2.67

The survey then continued to ask about what efforts can be made to help reduce rents and provide affordable housing. Developers emphasized in having government incentives and programs, followed by development of sites with lower land values. Other developers mentioned a real estate tax credit or reduction, and smaller units that are naturally more attainable for residents.

The developers were asked, “Have you provided any affordable units in developments your frim has completed in other communities”? Three out of the six respondents have developments in Chicago and had completed those developments with affordable units included. The amount of units ranges from 6 to 30 with 10 percent of each development.

In conclusion, the main concerns from developers are the amount of documents and fees they have to go through when creating affordable housing and the potential loss of revenue. Developers sound like they are willing to be open about discussing a route to affordable housing.

Attachment 4

Arlington Heights, IL
Income Restricted Housing and Special Needs Housing

State Calculated Affordable – 19.1% (2,110 Rental + 3,713 Owner)

	Program	Number of Units	Type
Lake Cook Road to Hintz Road			
Hearts Place	IHDA/LIHTC	18	30-60% AMI
Waterford Place Apartments	IRB	56 (expired)	80% AMI
Brook Run	IRB	36 (expired)	80% AMI
Timber Court Condominiums	Deed Restricted	14	80% AMI
1 Group Home (Total: 7 Residents)	DPH/CILA	1	30-50% AMI
Hintz Road to Euclid			
Arlington Downs (approved)	AAG	9	60% AMI
7 Group Homes (Total: 50 Residents)	DPH/CILA	7	30-50% AMI
Euclid to Central Road			
Parkview	IHDA/LIHTC	41	30-60% AMI
Goedke House (senior/disabled)	Federally Subs.	118	50% AMI
Cedar Village (senior/disabled)	Federally Subs.	80	50% AMI
Church Creek (senior)	IRB	45 (expired)	80% AMI
Dunton Tower	IRB	43 (active)	80% AMI
Salem Apartments	CDBG	25 (expired)	80% AMI
3 Group Homes (Total: 22 Residents)	DPH/CILA	3	30-50% AMI
8-Unit Apartment Bldg (16 Residents)	Nonprofit	8	30-50% AMI
8-Unit Apartment Bldg (16 Residents)	Nonprofit	8	30-50% AMI
4-Unit Apartment Bldg (8 Residents)	Nonprofit	4	30-50% AMI
Central Road to south			
Linden Place (110 Senior/ 80 family- 100% subsidized units)	Federally Subs.	190	50% AMI
The Moorings (senior)	IRB	79 (expired)	80% AMI
4 Group Homes (Total: 25 residents)	DPH/CILA	4	30-50% AMI
Section 8/Housing Choice Voucher Certificates			
Non-project based vouchers being used throughout the Village (est):		100	
Examples of Other Private Developments Believed to have various levels of affordable rents (Not All-Inclusive List)			
Dryden Apartments	N/A	Appx. 120	Unknown
Arlington Gardens	N/A	78	Under renovation, rents may change
The Residences of Arlington Heights	N/A	837	57-80% AMI
Circle Hill Apartments	N/A	140	52-99% AMI
Hawthorne Place Apartments	N/A	Appx. 120	Unknown

IHDA/LIHTC = Illinois Housing Development Authority – Low Income Housing Tax Credit Program
IRB = Industrial Revenue Board
DPH/CILA = Illinois Department of Public Health – Community Integrated Living Arrangement
AAG = Arlington Affordable Guidelines
Federally Subs. = Federally subsidized program that makes up the difference between fair market rent and 30% of the resident's monthly income

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