



Village of Lily Lake

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Affordable Housing Planning Act

Village of Lily Lake April
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Introduction

The Village of Lily Lake presents a plan for affordable housing within the municipality. The plan identifies a process for providing housing per the Affordable Housing Planning Act (AHPA or the "Act") in Illinois.

Basis of the Village Affordable Housing Plan

The Village plan is based on the calculations presented in the Act. The calculations presented here are general and intended for estimations of affordable housing units. Housing units identified here were determined from data contained in the Act.

Determining Affordability

- **Definition:**

Affordable housing, as defined by the Act, means "housing that has a value or cost or rental amount that is within the means of a household that may occupy moderate-income or low-income housing." For owner-occupied units it includes mortgage payments, taxes, insurance, and association fees constituting no more than 30% of the gross annual income for a household of the size that may occupy the unit. For rental units it includes rent and utilities constituting no more than 30% of the gross annual income for a household of the size that may occupy the unit. The AHPA establishes a process for identifying communities with the most acute shortage of local housing stock available at an amount that would be affordable to:

A. Renters with an assumed income at 60% of the area median household income; and

B. Homebuyers with an assumed income at 80% of the area median household income.

- **Area Median Income**

The Chicago Metropolitan Statistical Area (the "Chicago MSA") which includes Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, and Will counties, was used by the State to calculate the regional median household income or the Area Median Income (the "AMI"). According to U.S. Census data the AMI for the Chicago MSA is \$61,045. This amount was used to calculate the affordable monthly rent and housing payments for every community in the Chicago MSA, an area with a population of almost 9.4 million people.

- Lily Lake's Affordable Rent and Housing Payments:

Because the village is located within the Chicago MSA the Act assigns the following affordable monthly rent and housing payments. These amounts are the same for every community in the Chicago MSA.

A. Calculation of affordable monthly rent:

An annual income of 60% of AMI or \$36,627 (60% of \$61,045) of which 30% or \$10,988 a year is deemed to be available for affordable rent payments or \$916 a month.

B. Calculation of affordable monthly house payment:

An annual income of 80% of AMI or \$48,836 (80% of \$61,045) of which 30% or \$14,651 a year is deemed to be available for affordable house payments or \$1,221 a month.

The Act focuses on affordability as a regional issue. If Lily Lake's actual median household income of \$132,273¹ was used instead of AMI, Lily Lake's affordable monthly rent and housing payments would have been \$1,984 and \$2,645 respectively.

Components of the Plan

As set forth in the Act, a non-exempt local government must prepare a plan which includes the following four components:

1. A statement of the total number of affordable housing units necessary to exempt the local government from the operation of the Act (that is, the number necessary to bring the percentage of affordable housing units to 10% of the total housing stock).
2. Identification of lands within the jurisdiction that are most appropriate for the construction of affordable housing, and of existing structures most appropriate for conversion to, or rehabilitation for, affordable housing, including a consideration of lands and structures of developers who have expressed a commitment to provide affordable housing and lands and structures that are publicly or semi-publicly owned.
3. Incentives that the local government may provide for the purpose of attracting affordable housing to their jurisdiction.

¹ U.S. Census figure for 2019.

4. Selection of one of the following goals for increasing local affordable housing stock:
 - (a) A minimum of 15% of all new development or redevelopment within the local government that would be defined as affordable housing;
 - (b) A minimum of a three percentage point increase in the overall percentage of affordable housing within the jurisdiction; or
 - (c) A minimum of a total of 10% of affordable housing within its jurisdiction.

Affordable Housing Value

Based on an estimate of data from the U.S. Census and calculations provided by Illinois Housing and Development Authority (IHDA) the median real estate taxes paid in Lily Lake were estimated to be \$9405, or \$784 a month. This amount was subtracted from the \$1,221 monthly housing payment to reach the final affordable monthly house payment of \$437.

Mortgage contract terms for the calculation of affordable owner-occupied units are not explicitly defined in the Act, so IHDA relied on industry standards and academic literature to calculate the affordable home values. A fixed-rate 30-year mortgage with a down payment of 10% of the purchase price was chosen because research has shown that those are the optimal terms for both low-income homebuyers and mortgage lenders, regarding probability of negative home equity and default rates. An average fixed interest rate of 3.98% was used. Since reliable data for homeowner's insurance and homeowners association fees was not available on a community-level scale and since any such data used in the determination process would only have increased the number of non-exempt local governments, it was not included in the determination process.

Using a present value calculation typical for determining an affordable sales price in mortgage lending and assuming a 3.98% interest rate, a 30-year loan term and a 10% down payment - an affordable home value in Lily Lake was determined to be \$101,200.

- From Local Real Estate and Mortgage Data:

(Total Number of Units at the Gross Monthly Rental) + (Total Number of Units at the Affordable Home Value) = Total Number of Affordable Housing Units.

- AHPA Data from a 5-Year Survey Ending 2018 (page 35-36 AHPA Table):

Total Housing Units in Lily Lake 385

AHPA Compliant Housing Units in Lily Lake 21

- For the Housing Population within Lily Lake, the Percentage of AHPA Housing:

AHPA Housing = $(21 / 385) \times 100 = 5.5\%$

The AHPA target for the Village of Lily Lake is 10%. Therefore, the village will require additional housing units per AHPA Guidelines:

$((10 - 5.5) / 100) \times 385 = 17.3$ or 18 additional housing units.

The vast majority of the existing land area in the village is designated single-family residential. The remaining portion is dedicated to various other uses and a very small portion is currently used for multi-family residential. Because of the predominant single-family character and other desirable features such as a good and desirable school district and plentiful space, real estate in Lily Lake, when available tends to be expensive.

The relatively high value of land in Lily Lake makes it impractical to achieve the goal of this plan through the creation of new affordable single-family detached dwellings. Rather, the focus could be on the creation of new affordable units in multi-family buildings (e.g. - a single building that includes a number of separate living quarters such as apartments or condominiums).

The Village AHPA Plan

Various affordable housing configurations were investigated and it was determined that zoning remediation best addressed the plan. Elective rezoning of parcels within the commercially zoned areas would provide redevelopment and housing for future residents. Likewise, the village plan will become a component of the revised Lily Lake Comprehensive Land Use Plan.

The plan offers development options to existing land use, in particular to discourage and perhaps eliminate existing B2 land use. Parcels presently zoned B1 and B2 will have the alternative to be rezoned as R2/B1 suited for mixed business and higher density residential land use. Development may also opt to propose consolidating adjacent parcels that include business and residential to encourage redevelopment.

1. New Development through Rezoning

The total land area available to the Plan is approximately 27 acres, bounded by the east and west limits of Route 64 and light commercially zoned areas immediately adjacent to Route 64 along Route 47. B1 and B2 land parcels may optionally be rezoned to R2/B1 whereby combined business and residential may be developed. Mixed-use is anticipated to improve the real estate climate and encourage new development. Building heights will be limited to two stories and a maximum of six dwelling units per building limited by the feasibility of water and septic service and facilities design.

2. Projected AHPA Timeline for the Village

Per AHPA requirements, the village will need to plan for a minimum of 18 additional affordable housing units. The projected timeline is five to seven years for approximately nine housing units with additional housing units being available in seven to 10 years given improving economic conditions.

Since the Act did not appropriate any funds to assist local governments in pursuing its affordable housing goal and since Lily Lake levies no property taxes, significant financial participation by the Village will be the exception rather than the general rule.