



HIGHLAND PARK'S INCLUSIONARY ZONING PROGRAM

1. What is "inclusionary zoning"?

Inclusionary zoning is a tool that helps create housing opportunities for people at a variety of income levels. It requires developers to include a specified portion of affordable units alongside the market-priced units in any new housing development that is covered by the ordinance.

2. Why does Highland Park need an inclusionary zoning ordinance?

An outgrowth of the Master Plan process, the inclusionary program implements the City's long-standing policy of preserving and promoting the economic diversity of its population, the variety of its housing stock and costs, and the availability of affordable housing in neighborhoods throughout the community. Housing market trends, including increasing housing values and a loss of affordable housing units, are threatening Highland Park's diversity by limiting housing options for a broad range of households currently living or working in the community.

For example, over the last decade, median home sales prices increased steadily, reaching \$430,000 in 2002. Sales prices for new construction are even higher, with the least expensive single-family home in 2002 selling for \$550,000, while the median sales price for new single-family homes was \$1,120,000. At the same time, the supply of rental units declined due primarily to condominium conversions and demolitions, while no new affordable rental units were developed by the private sector.

Inclusionary zoning has the potential to increase the supply of housing for the City's workforce. Such action may help local employers attract and retain employees - the people who keep our community safe, teach our children, and maintain the economic health of our business sector. Furthermore, by providing opportunities for people to live near their place of employment, the City can benefit from reduced traffic congestion on local streets.

3. What is the inclusionary requirement?

Developers of covered projects must provide 20% of the total units for sale or rent at an affordable housing price to income-qualified households.

In the case of single-family detached developments of less than 20 units, developers may choose to meet all or part of the inclusionary requirement through a cash payment to the Affordable Housing Trust Fund, a fund established by the City to provide financial support for affordable housing activities. The amount of the cash payment is \$100,000 per required unit. (The per unit cash payment amount will be reviewed annually by the City Council and adjusted as appropriate.)

4. Who will live in the affordable units created by the inclusionary program?

The inclusionary units will be made available to income-qualified households according to the following priorities:

- (1) Households who live in Highland Park or households in which the head of the household or spouse/domestic partner works in Highland Park for a government entity that serves the City -
the City of Highland Park, the Highland Park Library District, the Park District of Highland Park, the Lake County Forest Preserve District, the County of Lake, Moraine Township, West Deerfield Township, School Districts 112 or 113, the Northern Suburban Special Education District, the North Shore Sanitary District, or the South Lake County Mosquito Abatement District
- (2) Households in which the head of household or spouse/domestic partner works in Highland Park for any other employer
- (3) Other income-qualified households

5. What are the target income levels for the affordable units?

The inclusionary program will assist individuals and families earning up to 120% of the area median income (AMI). For example, the 2003 median income for a household of 4 is \$75,400; 120 per cent of AMI is \$90,480. (AMI is determined by the Department of Housing and Urban Development on an annual basis and adjusted for household size.)

In for-sale projects, at least one - and no less than half - of the affordable units must be sold at an affordable price to households whose incomes do not exceed 80% of AMI (e.g., \$56,500 for a household of 4). Any remaining affordable units may be sold at an affordable price to households whose incomes do not exceed 120% of AMI.

In rental projects, at least one-third of the affordable units must be leased at rents affordable to households whose incomes do not exceed 50% of AMI (e.g., \$37,700 for a household of 4); at least one-third must be leased to those whose incomes are between 51% and 80% of AMI; and no more than one-third may be leased to those with incomes from 81% to 120% of AMI.

Households are not required to move out of an affordable unit if their income should increase at a later date.

6. What is an affordable housing price for inclusionary units?

To be considered affordable, units must sell or rent at a price that income-eligible households can own or rent without having to devote more than approximately 30% of their gross income for monthly housing expenses. Housing expenses for home ownership include principal, interest, taxes, insurance, and monthly condominium assessments or homeowner association fees. Housing expenses for rental housing include rent and utilities. The ordinance establishes affordable pricing requirements to ensure a range of affordability within each required income tier in both for-sale and rental developments.

7. How long must affordable units remain affordable and how will affordability be maintained?

For-sale units created by the inclusionary ordinance must be maintained as affordable in perpetuity or as long as is legally permissible. Rental units must be kept affordable for 25 years. The City will ensure permanent affordability through a development agreement and restrictive covenants or other related instruments that run with the property. Among other things, such covenants will include a resale formula designed to provide a fair return to owners of inclusionary units while at the same time ensuring that the units will be resold at a price affordable to future income-qualified buyers.

8. What housing projects are covered by the ordinance?

The ordinance applies to developments that include five or more residential dwelling units:

- New construction, including new mixed-use construction with a residential component
- Renovation or reconstruction of an existing multi-family building that increases the number of residential units in the building
- A change in the use of an existing building from non-residential to residential or conversion from rental property to condominium.

9. Must the affordable inclusionary units be identical to the market-rate units?

To ensure integration of affordable and market rate units, the affordable units must be dispersed throughout the development, visually compatible with the market rate units, and built concurrently with the market rate units. External building materials and finishes for the affordable units must be substantially the same type and quality as for the market rate units. Interior improvements including finishes and fixtures need not be the same.

Affordable units may differ from the market rate units with regard to interior amenities and gross floor area, provided that:

- The bedroom mix of affordable units is proportionally the same as the bedroom mix of the market rate units
- Differences do not include improvements related to energy efficiency, including mechanical equipment and plumbing, insulation, windows, heating and cooling systems
- The gross floor area is not less than the lesser of 75% of the gross floor area of market rate units with a comparable number of bedrooms or the minimum size requirements outlined in the table below:

Number of Bedrooms	Unit Type	
	Attached	Detached Single Family
Studio	450 square feet	--
1	625 square feet	--
2	825 square feet	1,000 square feet
3	1,175 square feet	1,350 square feet
4	1,350 square feet	1,475 square feet

10. Is there any density bonus provision for developers of inclusionary projects?

For all covered developments, a density bonus of one additional market rate unit for each required affordable unit will be provided. In Planned Unit Developments, an additional density bonus may be authorized up to 0.5 market rate units for each required affordable unit.

11. Are there other cost off-sets for developers of inclusionary projects?

The ordinance provides for a waiver of all development related fees and costs attributable to the affordable units, including application fees, building permit fees, plan review fees, inspection fees, sewer and water tap-on fees, demolition permit fees, and the demolition tax. To the extent there are impact fees attributable to the affordable units, such fees will be paid from the City's Affordable Housing Trust Fund.

12. Who will bear the cost of the program?

The cost of implementing Inclusionary Zoning is spread across the community. By allowing developers to build extra market rate units in exchange for required affordable units and by providing fee-waivers and other cost-offsets, the entire community supports the program cost.

13. Can a developer satisfy the inclusionary requirement in other ways?

Following consideration and a recommendation by the Housing Commission and subject to the approval of the City Council, other alternatives may be available to meet all or part of the inclusionary requirement. A developer must show that the alternate means of compliance will further affordable housing opportunities in the City to an equal or greater extent than providing the units on site. Alternatives could include:

- A cash payment to the Affordable Housing Trust Fund
- Dedication of land to the Highland Park Housing Commission or the Commission's not-for-profit designee
- Provision of affordable housing units at another site within the City

14. How will the inclusionary zoning program be administered?

The Department of Community Development is responsible for administering the program. Prior to issuance of a building permit, the developer and the City will enter into a development agreement covering all aspects of the proposed development as it relates to the inclusionary program.

15. How many affordable units will the inclusionary zoning program generate?

The number of affordable units generated in any particular year is expected to be relatively modest. For example, had the inclusionary zoning ordinance been in effect and applied to private sector development that was initiated and approved between 1999 and 2002, it would have yielded approximately 15 units, or an average of 3.75 affordable units per year in scattered locations throughout the City.

16. What impact will the inclusionary zoning program have on property values?

The City's experience with the affordable units that it owns or manages and its research on the experience of other communities with inclusionary zoning indicates that such programs have no adverse impact on property values.

FOR MORE INFORMATION, CONTACT THE DEPARTMENT OF COMMUNITY DEVELOPMENT, 847432-0867.