

## HIGHLAND PARK, ILLINOIS

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Highland Park, IL is one of the more expensive and high-income areas in the country, and might seem an unlikely candidate to encourage and implement affordable housing strategies. The median home price for new single family homes is about \$1.2 million.

- ✓ Housing trust funds
- ✓ Community land trust
- ✓ Inclusionary zoning
- ✓ Demolition taxes
- ✓ Profit-nonprofit partnerships
- ✓ Creative public-private collaborations

Nevertheless, years of commitment to maintaining a stock of affordable housing have enabled Highland Park to emerge as leader in the affordable housing arena. The city's accomplishments have been achieved through an array of strategies including demolition taxes, employer-assisted housing, green building, a flexible inclusionary zoning ordinance, and the establishment of a housing trust fund and a community land trust.

### **Highland Park has a long history of promoting affordable housing**

Highland Park's focus on creating a diverse community that includes affordable housing dates to the 1870s, when the Highland Park Building Company began constructing homes of varied sizes and affordable rental units near the central business district. The establishment of the city's Housing Commission in 1973, which remains one of the city's strongest affordable housing proponents, sought to further address the need for affordable housing in the community. With input from the Housing Commission, the 1976 and 1997 city master plans both committed to promoting and increasing affordable housing opportunities, in a large part through early inclusionary zoning ordinances.<sup>91</sup>

Despite the city's initial efforts to prioritize affordable housing, an assessment in the late 1990s demonstrated a clear loss in affordable units over the previous two decades as a result of teardowns, the increased cost of new housing, and a depleted supply of developable land.<sup>92</sup> In response, the city initiated a joint task force in 1998, which, through significant community outreach and input from developers and other stakeholders, developed a solution. The four cornerstones of the most recent Affordable Housing Plan include:

- ❖ Revised inclusionary zoning ordinances;
- ❖ Establishing a housing trust fund to be funded in part by a demolition tax;
- ❖ Creation of the Highland Park Community Land Trust; and
- ❖ An employer assisted housing component.

### **Flexibility is key to the success of Highland Park’s inclusionary zoning ordinance**

The city’s inclusionary zoning ordinance is both flexible and caters to the needs of developers to the extent possible. Michael Blue, director of community development for the City of Highland Park, emphasizes that flexibility has been the

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ordinance’s greatest asset, as no two developers ever approach a project in the same way. “If [inclusionary zoning] is always black and white, it makes it much more difficult for a plan to work,” he said.

Regulated developments with five or more units are required to set aside 20 percent of units as affordable, and the ordinance applies to new construction projects, renovations of multi-family developments that increase the number of dwelling units, and changes in the use of property from non-residential to residential or condo conversion.<sup>93</sup> Developers are rewarded for such developments with a one for one density bonus. An additional density bonus is offered for planned unit development (PUD), of up to 0.5 market rate units for each affordable unit to a maximum of 1.5 bonus units.

The flexibility of the ordinance comes in the construction of the affordable and market-rate units. The market rate and affordable units need not be identical, but they must be visually indistinguishable, contain the same number of bedrooms, possess gross floor areas within 75 percent of each other, and meet the same energy efficiency standards.<sup>94</sup>

Developers are also offered alternatives to on-site construction of affordable units. Developers of single-family projects with fewer than 20 units can make an in-lieu development cash payment of \$100,000 per affordable unit by right; developers of projects with more than 20 units may appeal to the City Council for approval of an in-lieu payment, may dedicate land to the Housing Commission, or may provide

off-site units. The in-lieu revenue is dedicated to the city's Housing Trust Fund, although only one developer so far has elected the in-lieu option, having opted to build two affordable units and pay the fee for the third required unit.

Incentives offered by the city to help offset the cost of the affordable units include a \$10,000 impact fee waiver for these units as well as demolition permit fee and demolition tax waivers.

One of the largest developments the city has seen in a long time is currently underway, consisting of 42 units, including 30 townhomes and 12 condos. The 20 percent inclusionary requirement will generate seven affordable units, including five condos and two townhomes. The relatively high share of condos that are affordable relative to townhomes is one way the city provided the developer some flexibility in satisfying the requirement.

### **Housing trust fund provides key financing element**

The city's housing trust fund (HTF), established in 2002, has also been a key element in providing affordable housing opportunities. The Fund's primary funding sources come from a \$10,000 per teardown demolition tax, a \$550 demolition permit fee, and other city sources such as a recent \$1 million refinance of a local senior housing property. According to Blue, Highland Park averages about 50 teardowns per year, which have generated over \$1 million over last four years in demolition tax revenue for the HTF.

Since its inception, the HTF has spent between \$1.8 and \$2 million for affordable housing purposes, the majority (\$1.3 million) going to the community land trust (described below) to help it purchase land for the eventual development of affordable homes. An additional \$50,000 has been set aside as matching funds for the city's still developing employer-assisted housing program.

### **CLT's multi-functional role is crucial to Highland Park's affordable housing success**

Highland Park's community land trust was also established in 2001 to provide a long-term solution to the city's affordable housing needs. The CLT's initial role was to assist in the management of the newly implemented inclusionary zoning ordinance, including finding buyers for affordable inclusionary units.

Its primary functions now include providing technical capacity to builders, nonprofits, and other key affordable housing stakeholders; developing inventories of homes to remain affordable over the long term; and maximizing public investment. The CLT purchases and rehabilitates properties to sell as affordable units. It also uses grants to write down the price of properties on which it maintains deed restrictions. The maximum household income for buyers of CLT-financed properties is 115 percent of the area median income (AMI), although former CLT executive director Mary Ellen Tamasy notes that this can vary from project to project, and that the average is closer to 100 percent AMI. For rental properties, qualified renters have incomes closer to 80 percent of AMI. While anyone can apply who meets income qualifications, the CLT gives priority to those who live or work in Highland Park.



Laurel Court is a new 15-unit development that includes two affordable units.

The CLT's operational funding comes primarily from the HTF; however, it also receives direct donations and foundation grants. Funding for specific projects comes from a much greater variety of sources, including the HTF, bank loans, the Lake

County affordable housing fund, the Illinois Development Authority, the state donation tax credit, and the Federal Home Loan Bank.

To date, the CLT has created 13 affordable units, including six townhomes, five single-family detached homes, and two condos.

### **Partnerships are essential to the CLT's success**

Some of the units created by the CLT were the result of a partnership between the CLT and a for-profit builder who initially acquired a foreclosed site. The CLT pieced together the financing for the Temple Unit Townhomes project, which included grants from the city and the county, money from the community development block grant, and a number of other sources. Appraised at \$292,000 per unit, the CLT was able to subsidize \$132,000 of the price and sell each unit for \$160,000.

The CLT's current focus is a 14-unit townhome/apartment development at 500 Hyacinth Place, which includes both rental and for sale properties, all of which will be affordable.

The Hyacinth project also highlights the key role that partnerships play in the community's ability to generate affordable housing. The property was originally acquired by the HTF and donated to the CLT. Since then, the CLT has been working on the project with Brinshore Development, a local for-profit development company, and a nonprofit, the Housing Opportunity Development Corporation. Brinshore Development is guaranteeing loans and providing technical expertise; the Housing Opportunity Development Corporation is applying for public funding sources and managing the property

### **Highland Park's agenda for the road ahead**

Highland Park's employer-assisted housing (EAH) component is still very much a work in progress, but the city is hopeful that it will both further expand affordable housing opportunities and build a stronger local workforce that is more connected to the community. The plan was devised from research done by the Housing Commission subcommittee on existing local and national EAH models. When the program is launched, eligible EAH activities will include downpayment and closing

cost assistance, reduced interest mortgages, rental subsidies, and security deposit assistance.

Although green building is not directly tied to affordable housing in Highland Park, it is nevertheless a significant piece of their overall approach and has the potential to play an increasingly important role in improving long term affordability for Highland Park residents. The Hyacinth project currently underway will be powered in part by a wind turbine and geothermal heating, among other green features.

### **Lessons learned: “There is no silver bullet”**

According to Blue, one of the most important lessons he and the rest of the community have learned through this process is the importance of customizing any affordable housing approach to meet the needs of the community. “There is no silver bullet,” says Blue.

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One crucial component in devising a housing plan is obtaining input from the people affected by it. Before approving the Affordable Housing Plan, the Highland Park Commission conducted outreach to developers and other key community members. Their input was incorporated into all of the plan’s strategic components. Blue says maintaining flexibility in the plan is also important, and it must be adapted to the inevitable changes the community will face over time.

The success of Highland Park’s Affordable Housing Plan has received substantial recognition, having won various National APA and state awards. Locally, its adoption is being considered in a number of neighboring communities, paving the way for potential subregional implementation. “We are evangelizing this plan all over the country,” Blue said.

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## Research on State and Local Means of Increasing Affordable Housing



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