Future of Housing Trends and the Housing Market – Housing Affordability and Mixed Housing Strategies

Illinois Financial Forecast Forum
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January 24, 2020
OUR STATE’S POPULATION

2000-2018

Source: Esri; SB Friedman; U.S. Census

Percent Change in Population by County
- Increase
- Decrease
- Stable*

* Less than 5% change over given period

Millions

2000 12.4 M
2013 12.9 M
2018 12.7 M
### OUR STATE’S POPULATION GROWTH FOCUSED IN FEW METROS

Chicago region grew primarily in collar counties

#### 2000-2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Champaign-Urbana</td>
<td>210,623</td>
<td>239,643</td>
<td>29,020 14%</td>
</tr>
<tr>
<td>Bloomington</td>
<td>167,644</td>
<td>188,597</td>
<td>20,953 12%</td>
</tr>
<tr>
<td>Kankakee</td>
<td>103,842</td>
<td>110,024</td>
<td>6,182 6%</td>
</tr>
<tr>
<td>Rockford</td>
<td>321,033</td>
<td>337,658</td>
<td>16,625 5%</td>
</tr>
<tr>
<td>Chicago</td>
<td>8,286,664</td>
<td>8,628,040</td>
<td>341,376 4%</td>
</tr>
<tr>
<td>Springfield</td>
<td>201,628</td>
<td>207,636</td>
<td>6,008 3%</td>
</tr>
<tr>
<td>Carbondale-Marion</td>
<td>120,912</td>
<td>124,475</td>
<td>3,563 3%</td>
</tr>
<tr>
<td>St. Louis</td>
<td>415,892</td>
<td>425,027</td>
<td>9,135 2%</td>
</tr>
<tr>
<td>Peoria</td>
<td>366,659</td>
<td>368,373</td>
<td>1,714 0%</td>
</tr>
<tr>
<td>Quad Cities</td>
<td>217,149</td>
<td>208,168</td>
<td>(8,981) -4%</td>
</tr>
<tr>
<td>Danville</td>
<td>83,821</td>
<td>76,806</td>
<td>(7,015) -8%</td>
</tr>
<tr>
<td>Decatur</td>
<td>114,499</td>
<td>104,712</td>
<td>(9,787) -9%</td>
</tr>
<tr>
<td>Cape Girardeau</td>
<td>9,684</td>
<td>6,060</td>
<td>(3,624) -37%</td>
</tr>
</tbody>
</table>

Source: Esri; SB Friedman; U.S. Census

**Percent Change in Population by County**

- Increase
- Decrease
- Stable*

* Less than 5% change over given period
AREAS OF GROWTH HAVE SHIFTED SINCE 2010

2000-2010
- Growth occurred at the periphery and the core of the region
- Driven by single-family development

2010-2018*
- Growth occurred at the core of the region, including neighborhoods within the City of Chicago
- Driven by multifamily development

Change in Proportion of Regional Population by Census Tract
- Increase
- Decrease
- Stable**

Source: CMAP; Esri; SB Friedman; U.S. Census

*2014-2018 ACS 5-Year Estimates
** Less than 10% change over given period
**NOMINAL INCOMES HAVE INCREASED SINCE 2000**

Income growth has varied by county

<table>
<thead>
<tr>
<th>County</th>
<th>2000-2018 CAGR</th>
<th>2010-2018 CAGR</th>
<th>Change Post-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook</td>
<td>1.8%</td>
<td>1.8%</td>
<td>--</td>
</tr>
<tr>
<td>DuPage</td>
<td>1.5%</td>
<td>1.9%</td>
<td>↑</td>
</tr>
<tr>
<td>Kane</td>
<td>1.5%</td>
<td>1.6%</td>
<td>↑</td>
</tr>
<tr>
<td>Kendall</td>
<td>2.1%</td>
<td>1.7%</td>
<td>↓</td>
</tr>
<tr>
<td>Lake</td>
<td>1.4%</td>
<td>1.1%</td>
<td>↓</td>
</tr>
<tr>
<td>McHenry</td>
<td>1.5%</td>
<td>1.3%</td>
<td>↓</td>
</tr>
<tr>
<td>Will</td>
<td>1.7%</td>
<td>1.2%</td>
<td>↓</td>
</tr>
</tbody>
</table>

Source: CMAP; Esri; SB Friedman; U.S. Census
REAL INCOMES AT THE MEDIAN DECLINED FROM 2000

Wide variation at local level shows bifurcation of income

2000-2018*

-4% McHenry
-6% Lake
-5% Kane
-4% DuPage
0% Cook
5% Kendall
-2% Will

Change in Proportion of Regional Population by Census Tract

- Increase
- Decrease
- Stable

2010-2018*

Change in Median Income by Census Tract (Inflation-Adjusted)

- Declined More than -10%
- Declined between -10% and 0%
- Increased between 0% and 10%
- Increased more than 10%

Source: Bureau of Labor Statistics, Esri; SB Friedman; U.S. Census

* 2014-2018 ACS 5-Year Estimates
RESIDENTIAL PERMITS CONTINUE TO LAG REGIONALLY

Recent years reflect stronger multifamily development market

Source: U.S. Census
RESALES OF EXISTING HOMES IN CHICAGO REGION
Home price recovery and shortening market time could signal relative strengthening of for-sale market

ANNUAL MEDIAN PRICES
Single-Family Detached, Attached and Condo:

2007 254K
2012 160K
2018 242K

+31%, CAGR +3.4%
2010 to 2018

AVERAGE TIME ON THE MARKET
2011 100 DAYS
2017 42 DAYS

Source: IL Association of Realtors
NEW CONSTRUCTION APARTMENT RENTS AND VACANCIES

Slowing rent growth and increasing vacancies could reflect softening of booming rental market

Monthly Apartment Rent/SF of Units Built since 2000

Apartment Vacancy of Units Built since 2000

Source: CoStar
PROPERTY TAX INCREASES OUTPACING VALUES

**Property Tax Extensions, 2000-2018**

- **Cook**
  - 2000 - 2010: 4.0%
  - 2010 - 2018: 3.2%
  - 2000 - 2018: 3.6%

- **Region less Cook**
  - 2000 - 2010: 6.6%
  - 2010 - 2018: 1.9%
  - 2000 - 2018: 4.5%

- **Rest of State**
  - 2000 - 2010: 4.8%
  - 2010 - 2018: 2.4%
  - 2000 - 2018: 3.7%

- **Statewide**
  - 2000 - 2010: 5.0%
  - 2010 - 2018: 2.6%
  - 2000 - 2018: 3.9%

**Change in Tax Extensions (CAGR)**

Source: IL Department of Revenue
HOUSING AFFORDABILITY IS A MAJOR CHALLENGE
Implications for communities, taxing districts, employers

If housing needs and preferences aren’t met, residents will look to other municipalities, regions or states.

Annual regional growth rate 2010-2018:
- Home Prices: +3.4%
- Rents: +5.4%
- Property Taxes: +2.7%
- Incomes: +1.1-1.9%

Housing Cost: Burdened Households (2018)

Source: U.S. Census
HOUSING AND LAND USE POLICIES HAVE FISCAL IMPLICATIONS

Land use policies can’t be based solely on fiscal considerations

- Compact, walkable places with a mix of uses respond to market demand and can be fiscally beneficial
  - Less new infrastructure required
  - More tax revenue per acre than conventional suburban development
  - Saves in ongoing municipal operations costs

- Certain housing typologies may have neutral or negative fiscal impacts but meet other important community goals and policies
  - Senior housing
  - Mix of price points/affordability

- There is also a fiscal cost to not addressing affordability – population loss creates fiscal challenges
WHAT CAN/SHOULD MUNICIPALITIES DO?
Evaluate current housing mix, housing need and regulatory framework

![Map of Illinois with housing density data]

**Allowable Residential Density**
Dwelling Units per Acre (DUA)

<table>
<thead>
<tr>
<th>Region</th>
<th>&lt;2</th>
<th>2-6</th>
<th>6-12</th>
<th>&gt;12</th>
</tr>
</thead>
<tbody>
<tr>
<td>COOK</td>
<td>9%</td>
<td>34%</td>
<td>29%</td>
<td>27%</td>
</tr>
<tr>
<td>DUPAGE</td>
<td>24%</td>
<td>60%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>KANE</td>
<td>34%</td>
<td>47%</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>KENDALL</td>
<td>35%</td>
<td>55%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>LAKE</td>
<td>63%</td>
<td>23%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>MCHENRY</td>
<td>44%</td>
<td>47%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>WILL</td>
<td>25%</td>
<td>62%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>REGION OVERALL</td>
<td>30%</td>
<td>43%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: CMAP, SB Friedman
WHAT CAN/SHOULD MUNICIPALITIES DO?
Allow a mix of residential types through land use policies

- Ensure a mix of types are allowed by right
  - Multifamily
  - Townhomes
  - Small lot SFH

- Think creatively about diversifying product type (ADUs)

- Identify areas for land use change
  - Obsolete shopping centers
  - Suburban office clusters
WHAT CAN/SHOULD MUNICIPALITIES DO?
Streamline entitlements – Regulatory barriers increase housing costs

- Time is money for developers and homebuilders
  - Increased risk if timing and approval are uncertain
  - Increased costs through predevelopment increases land values

- Results in:
  - High-end homes, condos and multifamily developments
  - Depressed production
  - Shift toward areas with less risk

Source: City of Los Angeles
WHAT CAN/SHOULD MUNICIPALITIES DO?
Build more affordable units and preserve naturally occurring affordable housing (NOAH)

- Build more affordable units
  - Traditional subsidized
  - Inclusionary zoning
- Preserve existing NOAH
  - Community land trusts
  - Zoning overlay in historic neighborhoods
  - Teardown tax
  - Provide rehabilitation financing with affordability restrictions

Source: Maggie Walker Community Land Trust
WHAT CAN/SHOULD MUNICIPALITIES DO?
Use community financial and political resources to address affordability challenges

- Use community resources to support desired housing mix
  - Municipal land (write down, land bank)
  - Federal entitlement funds to support production & preservation
  - TIF for affordable housing

- Identify and support state or regional policy changes
  - Reduce inefficiencies
  - Enhance competitiveness