Housing Challenges:
- Affordable housing needs outstrip available governmental funding
- Funding alone cannot address goals of integrating affordable housing throughout a community

Solutions Not Reliant on Funding:
- Inclusionary zoning can be used to get income restricted units in market rate developments
- Zoning changes such as allowing accessory dwelling units (ADUs), particularly in single-family neighborhoods, reducing required lot size, reducing or waiving parking requirements

Inclusionary Zoning
Original Ordinance Evanston passed its first Inclusionary Housing Ordinance (IHO) in 2007; reflected market conditions at that time:
- Applied to planned developments with 25 or more condominium units
- Required 10% of total units be affordable in market rate developments, and 20% of total units in developments with public funding, with at least 25% of affordable units sold to households with incomes ≤ 80% AMI and remainder ≤ 100% AMI
- Or could pay fee in lieu of $40K per unit instead of onsite affordable units

Results: no affordable units or fees in lieu resulted from this ordinance

First Amendment to IHO To address changes in market conditions began in May 2014, was approved in November 2015, effective January 1, 2016

Process:
- At least 7 public meetings (Housing & Homeless Commission, Planning & Development & City Council); est. 6-8 meetings with residents & stakeholders; and a community workshop for developers, residents and other stakeholders
- IHO webpage for information and IHO@cityofevanston.org for feedback
Key Amendments:
• Expanded definition of covered development to include new residential rental and for sale development, conversions that change tenure between rental and for sale (developments with more affordable units than required are exempt from IHO)
• Reduced the size of covered developments to five units in TOD areas and 10 units in non-TOD
• Differentiated income restrictions for affordable units, lower in TOD vs non-TOD
• Raised fee in lieu of onsite units to $100K in TOD and $75K in non-TOD
• Offered incentives with 10% affordable units onsite:
  o Density, height and FAR bonuses that were higher in TOD vs non-TOD
  o Parking reductions that were higher in TOD vs non-TOD
  o Permit fees waived on affordable units; deferred until TCO for market rate
  o Affordable units can be smaller with less costly finishes; no difference in energy and water efficiency features
• Rental units affordable for 25 years; ownership in perpetuity using resale to households at same income level
• Centralized wait list to enable local preference for units and less compliance for developers
• Developer can offer an alternative proposal, compliant with IHO if accepted by City Council

Results to date:
• 41 inclusionary units in four new rental planned developments with a total of 512 units. 4 completed and occupied; projected completions for remaining: 32 by Q1 2020, 5 by Q2 2021
• $2,475,000 in fees in lieu from two developments (one PD) with a total of 254 units; payment expected by 12/31/2019
• 8 inclusionary units in two condo de-conversions to rental with a total of 58 units

Challenges:
• Developers opted to pay the fee in lieu because land and construction costs in downtown made 10% IDUs economically infeasible
• Affordable housing advocates demanded onsite units; resulted in long and difficult negotiations

Second Amendment to IHO approved on October 29, 2018; effective January 1, 2019

Process:
IHO Subcommittee to develop recommendations approved by City Council on October 30, 2017; members appointed by the Mayor; nine members including four aldermen and five housing development professionals
• Five subcommittee meetings to develop recommended amendments with webpage for meeting agendas, packets, etc.
• Panel discussion on development finance held for the general public to inform them of

Goals:
• More effectively generate inclusionary dwelling units (IDUs) on-site
• Provide greater certainty and reduced risk for developers
• Maintain flexibility to address unique circumstances of some projects

Key Amendments:
• Made IHO requirements consistent throughout Evanston, except parking and bonuses
• Covered development if five or more units everywhere in City; added residential buildings where number of bedrooms in units are changed as covered developments
• Rental units affordable for 30 years; ownership in perpetuity using resale to households at same income level
• Defined a “primarily affordable development” (PAD) as any otherwise covered development that has more affordability than required by IHO, including if will rent or sell all units ≤ the area median, and exempts from IHO to support development of “missing middle” housing without governmental subsidies
• Gives PADs the same bonuses and parking reductions as market rate developments with 10% affordable units onsite
• Defines “contracted agency” for wait list and income certifications
• Requires minimum of 5% onsite affordable units with any zoning variances or allowances; can pay fee in lieu for remaining 5% (by right developments can opt for fee in lieu only)
• Allows full fee in lieu for condo developments, but at 1.5 times the base fee in lieu
• Fees in lieu paid with building permit fees and for fractional units < 0.5, adds 50% of fee in lieu
• Changes to fees in lieu of onsite units:
  o Increase to $175,000/unit in Downtown districts; all other $150,000/unit; adjust annually based on CPI
  o Pay fee-in-lieu with building permit fee
• Income restrictions for affordable units are consistent throughout Evanston:
  o Rental is 60% AMI for all units
  o Ownership is 100% for all units
  o Developer may propose alternative mix of 30%, 50%, 60% and 80% for rental; alternatives may also be proposed for ownership
• Parking requirements different for Downtown zoning based on changes resulting from study of Downtown parking needs
Bonuses different in different zoning districts and do not apply in single-family residential districts R1-3 & R4a

- Bonuses if development has 5% inclusionary units:
  - FAR: + 1.0 and + 2.0 in the downtown
  - Building lot coverage & impervious surface coverage: + 15% (residential districts)
  - Height: + 12’ (one story) in residential districts (may not also add PD height bonus)
  - Density: + 1 additional market rate unit per affordable unit and + 2 in the downtown
  - Parking not required for affordable units

- Bonuses if development has 10% inclusionary units:
  - Same FAR, building lot coverage/impervious surface coverage, height, and parking bonuses PLUS
  - Density: + 2 additional market rate units per affordable unit and + 4 in the downtown
  - Majority vote of City Council needed to exceed Site Development Allowances for Planned Developments instead of supermajority (2/3) vote.

- Other considerations:
  - Allow affordable units to be smaller, particularly in luxury developments; base size determined by building code in effect at time of approval
  - Allow different interior finishes, particularly in luxury developments, but no compromises on energy or water efficiency
  - Affordable units should be reflective of the mix in the development and be interspersed throughout the market rate units
  - Allow developer to decide if affordable units will be “fixed” or “floating” – in larger developments with lots of similar size units, this can be a benefit to the development when a household in the affordable unit is no longer eligible for that unit

Once you have affordable inclusionary units, how do you manage them and maintain compliance with long-term affordability requirements? Through partnerships – ours is with Community Partners for Affordable Housing.