

**REINVIGORATING A TRADITION OF VARIED, MODERATELY PRICED AND
AFFORDABLE HOUSING**

A REPORT TO THE VILLAGE COUNCIL

THE WINNETKA PLAN COMMISSION

DECEMBER 2010



PHOTO COURTESY OF THE WINNETKA HISTORICAL SOCIETY

TO THE VILLAGE COUNCIL:

THE FOLLOWING REPORT IS THE RESULT OF SEVERAL YEARS' EFFORT TO THOROUGHLY UNDERSTAND WINNETKA, ITS RESIDENTS, ITS CHANGING HOUSING SUPPLY, AND ITS POSSIBLE FUTURE PATH. IT BUILDS UPON THE FINDINGS INCLUDED IN *THE WINNETKA AFFORDABLE HOUSING STUDY: A STUDY OF HOUSING CONDITIONS AND NEEDS IN THE VILLAGE OF WINNETKA*, PREPARED BY THE WINNETKA PLAN COMMISSION IN COOPERATION WITH THE NATHALIE P. VOORHEES CENTER AT THE UNIVERSITY OF ILLINOIS AT CHICAGO.

I AM GRATEFUL FOR THE SUSTAINED EFFORTS OF THE PLAN COMMISSION, BUT PARTICULARLY FOR THE TIRELESS WORK OF THE COMMISSION'S AFFORDABLE HOUSING WORKING GROUP, COMPOSED OVER TIME OF: MAUREEN MITCHEL, LINDA PEDIAN, MOLLY LIEN AND MARK KURENSKY. I AM ALSO GRATEFUL TO THE NATHALIE P. VOORHEES CENTER FOR ITS CAREFUL ANALYSIS OF OUR VILLAGE.

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A Customized Approach to Housing in Winnetka

Introduction

Winnetka has an extraordinary history and a tremendous sense of community. Our walkable streets, lovely neighborhoods and compact downtown areas have long brought neighbors together as they shopped, took children to school, or walked to the train. The sense of belonging to a vibrant community has encouraged strong support for Winnetka's many educational, cultural and civic institutions. Many families have felt a connection to the Village over generations, as parents who had raised their children were able to remain in Winnetka and later see their children return to raise their own families.

An important if sometimes surprising part of Winnetka's history is its traditional mix of diverse housing. There were many apartments above storefronts (as illustrated by the photograph on the cover of this Report), coach houses where employees or family members could live, and 2-flats that owners could use to either care for parents or rent out for extra income. Houses of various sizes, suited to various income levels, family sizes, and ages, were located throughout the community. This diverse housing stock gave residents the ability to remain in the Village as their lives changed, and allowed the community to include people from different walks of life. Residents often remember that when they moved to Winnetka, their neighbors included shopkeepers, teachers and firemen.

Unfortunately, over the past few decades much of the diversity of the housing market in Winnetka has been lost. Housing has become dramatically more expensive and less varied. Throughout the country, states and municipalities have responded to similar problems by adopting affordable housing laws, and Winnetka adopted its own Amended Affordable Housing Plan on May 10, 2005 (the "Amended Plan"). This Report (and the underlying *Winnetka Affordable Housing Study: A Study of Housing Conditions and Needs in the Village of Winnetka*¹, prepared by the Winnetka Plan Commission in cooperation with the Nathalie P. Voorhees Center at the University of Illinois at Chicago (the "Housing Study")) is made at the request of the Winnetka Village Council, to help the Village refine the Amended Plan.

Rather than simply following other affordable housing programs, which can overly rely on new construction and available developable land, we owe our residents a customized approach to housing needs in Winnetka. This customized approach must provide the flexibility to meet Winnetka's goals, honor its character and traditions, empower property owners to provide a healthy and diverse housing stock, and recognize a growing national focus on rental housing and housing programs as important solutions to affordable housing needs.²

¹ The introductory letter to the 81-page Study is attached to this Report. The full Study is available from the Village of Winnetka.

² In remarks before the Housing Association of Non-Profit Developers on June 7, 2010, FDIC Chairman Sheila Bair noted, "for 25 years federal policy has been primarily focused on promoting homeownership

Fortunately, Winnetka’s history, traditions and values suggest ways to meet the need for diverse and affordable housing that are practical, effective, and appropriate for Winnetka.

Background

This Report does not ask the Village to commit itself to new goals of affordable housing--this commitment has existed for at least the last 31 years. In the 1979 Statement of Community Objectives, Winnetka adopted a policy to “encourage and assist the provision of moderate cost residences”.³ The Village repeated its commitment in the Amended Plan:

“The Village has a longstanding policy of favoring the development of affordable housing options so that persons with moderate incomes, particularly senior citizens and young families, can enjoy the benefits of living in the Village and so that Village residents can enjoy the benefits that a diversity of housing stock can bring to the community.”⁴

The Village similarly has a long-standing commitment to varied and diverse housing. The 1979 Statement called for policies that would encourage various types of housing that would serve “those who contribute to [the community’s] well-being—public employees, storekeepers and retirees.”⁵ It went on to specifically call for:

- “moderate cost residences in the village, especially for those who already live or work in the community,”
- “residences for the Village’s senior citizens in all income brackets who no longer have need for or can afford single-family residences,”
- “an adequate supply of rental housing,” and
- the preservation of “existing residential uses above first floor commercial uses within the Village’s three business districts as critical components of the existing housing supply.”

The 2020 Comprehensive Plan similarly includes among its goals and objectives: maintaining a high quality residential community with a diverse range of housing

and promoting the availability of credit to home buyers. [. . .] Even as we emerge from this crisis, it is worth asking whether federal policy is devoting sufficient emphasis to the expansion of quality, affordable rental housing. It is estimated that when you add up the mortgage interest deduction, local property tax deductions, and exclusions on capital gains realized on the sale of owner-occupied housing ... the taxpayer subsidies for homeowners are about three times the size of all rental subsidies and tax incentives combined. [. . . This] huge subsidy for homeowners has helped push up housing prices over time, making affordability that much more of a problem for the very groups you’re trying to serve.”

<http://www.fdic.gov/news/news/speeches/chairman/spjun0710.html>.

³ The Village of Winnetka 1979 Statement of Community Objectives, An Element of the Comprehensive Plan of the Village of Winnetka, Illinois.

⁴ Winnetka Ordinance No. M-6-2005 amending the Affordable Housing Plan for the Village of Winnetka.

⁵ “The Village of Winnetka 1979 Statement of Community Objectives, An Element of the Comprehensive Plan of the Village of Winnetka, Illinois” p.1.

types and sizes for residents of all ages; ensuring that multi-family developments provide a variety of housing choices for residents of all ages; and encouraging an appropriate amount of rental units compatible with the predominantly single family residential character of the village.⁶

Winnetka's Traditional Sources of Diverse and Affordable Housing

Built before the automobile became dominant, Winnetka has a long history of providing traditional options for diverse and affordable housing. A major reason for this is our mixed-use, walkable, transit-oriented layout. Winnetka was an authentic “neo-urban” village before that term was coined, and the easy access to excellent transit gives it the ability to be remarkably “green.”

At the heart of our downtown areas are apartments above storefronts, which allows residents to easily walk to shops, to services, and to the three train stations serving our small Village. Elsewhere, coach houses, “mother in law” apartments and other accessory dwelling units have traditionally been other sources of affordable housing common in Winnetka. Affordable single family homes, while found throughout the Village, were particularly common on the west side of Winnetka, and many public employees, shopkeepers and domestic workers found homes there.

In short, housing units of various sizes and types, intended for diverse income levels, family sizes and ages, were scattered throughout the community and woven into the civic fabric. This diverse housing stock, created by property owners responding to market demand and individual need, could flexibly serve residents over time, and has been essential to Winnetka's tradition and character.

Over the past few decades much of the heterogeneous mix in the housing market in Winnetka and throughout the country has been washed away. Housing has become dramatically more expensive and less varied, with the number of very expensive large single-family homes increasing dramatically while the number of other housing units (apartments and other rentals, condominiums, smaller single-family homes) has decreased.

Between 1980 and 2000 the Village lost 262 rental units, a 38% reduction, due to the conversion of downtown residential apartments into offices and other non-residential uses, numerous condominium conversions in the 1980s, zoning rules that tended to restrict both continuous coach house rentals and the use of other accessory units, and difficulties faced by small multifamily properties in obtaining financing.⁷

⁶ Section 2.4 of *Winnetka 2020*, the Comprehensive Plan for the Village of Winnetka (1999).

⁷ “Financing for small multifamily properties (defined here as 5 to 49 unit properties),..., is one of the most significant gaps in the mortgage industry. There are a number of reasons: lack of scale economies in underwriting, servicing and securitization; smaller, poorly-understood owners; and the decline of the thrifts, a traditional source of finance for small multifamily properties. The limited availability of financing for small multifamily properties reduces the production of smaller, often urban infill properties, and hampers

Furthermore, demolition of smaller single-family homes and the construction of larger, more expensive replacement houses reduced the variety of housing stock in the Village. Even 10 years ago, the 2020 Plan voiced concern about the loss of diverse housing. “People of modest income, such as young families and empty-nester older adults, can be priced out of the market. This potential limitation of socio-economic diversity among residents is an unacceptable social cost.” (2020 Plan, page 3-22). From 1990-2000, the number of homes valued at more affordable prices of less than \$500,000 declined from 2,004 homes to 975, a reduction of 1,029 or 51%. In 2000, such homes represented 26% of the housing stock.

As a result, housing in Winnetka is affordable and appropriate for only a small segment of our residents. In fact, using the commonly accepted standard of “affordable” housing (where a household’s monthly housing costs should not exceed 30% of its monthly gross household income), in the 3rd quarter of 2010 a family would have had to earn at least \$242,042 (325% of Chicago Area Median Income) and make a \$220,000 down payment to afford a home at the median home sales value of \$1,100,000.⁸

At the same time, Winnetka is becoming less diverse in terms of age and income, and is becoming more transient. As described in the Housing Study, increasingly limited housing choices are making it difficult for empty nesters and retirees to stay in the Village that they have devoted themselves to. The high number of school age children (up 26% between 1990 and 2000), and the dramatic drop in young adults, coupled with high mobility rates suggest the “school stretch”—that families are stretching their housing budget to get their children into the public schools, but are then leaving the Village once their children leave home.

The Housing Need

The Housing Study describes in detail the housing mismatches for current residents. There is an undersupply of affordable housing for residents at essentially all income levels below \$150,000, affecting residents in every demographic group, from single parents to young families. Seniors, who made up 43% of all households earning less than \$25,000 in 2000, are particularly impacted.

Winnetka’s housing stock increasingly serves only one kind of resident—a family at the peak of its earning years and with school-aged children. This limited vision of a Winnetka resident excludes too many of our own residents, offers little flexibility for dealing with changes in the economy or in demographics, and does not do justice to

the preservation of this stock as well.” The Millennial Housing Commission Finance Task Force (October 1, 2001) Policy Option Paper addressing Small Multifamily Properties
<<http://govinfo.library.unt.edu/mhc/papers/smallmf.doc>>

⁸ Median sales price for homes in Winnetka IL for the 3rd quarter of 2010, July to September, based on public sales data from www.trulia.com.

the economically diverse history of Winnetka. In addition, the lack of housing diversity decreases the vitality not only of our community's residential character, but also—and more significantly—of our business districts. This harms the long-term attractiveness of Winnetka to current and future investors and property owners alike.

Seeking Appropriate Solutions for Winnetka

In creating solutions to the need for affordable and diverse housing, Winnetka faces several challenges:

- Winnetka has extremely high property values. According to the 2000 Census, the median value of owner-occupied units in Winnetka was \$765,000⁹, 460% of \$166,200, the median value for the Chicago Metropolitan Statistical Area.¹⁰
- Winnetka has limited buildable land, and the Village Council has realized that most of the limited open space in the Village is unsuitable for affordable housing developments.¹¹
- Any affordable housing development must not place an undue burden on the Village's infrastructure or public safety resources, and must be compatible with its surroundings.¹²
- Winnetka's high land costs and the large need for affordable housing units led the Council to conclude that "attempting to meet the Act's goals with detached single-family residential properties is not realistic . . ." ¹³ It is neither appropriate nor economically viable to expand multiple family zoning into single family residential areas in order to promote housing affordability.

With these challenges before us, and with the unique character and traditions of Winnetka in mind, we believe that Winnetka must seek solutions that fit within the following principles:

First, do no harm. Policies and ordinances should not unintentionally create disincentives to affordable housing.

⁹ 2000 Census owner-specified value.

¹⁰ A comparison of 2010 sales price data paints an even more dramatic picture: from August 2010 to October 2010, the median home sales price in Winnetka was \$1,172,000, or 540% of Chicago's \$218,000 median home sales price.

¹¹ "The Village has considered, but ruled out, identifying its limited open spaces as possible locations for affordable housing developments. The Village has also determined that there are no privately owned open lands outside of the commercial and multi-family zoning districts that are of sufficient size to accommodate more than one unit of housing without requiring changing the basic zoning classification from single-family to multi-family. Open space owned by the Winnetka Park District is also unsuitable for a variety of reasons." Amended Plan, page 11.

¹² Amended Plan p. 11.

¹³ The Council added ". . . money and resources directed toward encouraging the development of affordable rental units are likely to result in more affordable units than if the same amount of money and resources were directed toward the development of affordable owner-occupied units." Amended Plan p. 11.

Second, emphasize incentive-based programs and policies that encourage affordable housing.

Third, enhance property rights by increasing the choices and options of property owners.

Fourth, do not limit affordable housing solutions to the creation and preservation of physical housing units; embrace programmatic solutions as well that will help residents remain in their homes.

Fifth, recognize that reusing existing housing is a faster and less expensive solution than new construction, has a substantially lower environmental impact, and helps preserve community character.

Defining “Affordable” for Winnetka

The Housing Study identifies distinct “gaps” in housing affordability among Winnetka households by comparing the *number of households* at a given income level to the *number of housing units* affordable to that group. This allows the Village’s housing stock to be evaluated for shortages (or surpluses) of housing at various price levels.

Household income levels are expressed as a percentage of “Area Median Income” (the “AMI”), a standard measure of household income levels based on U.S. Census Bureau data. The 2010 AMI for a family of four in the Chicago metropolitan area is \$75,100; in comparison, the 2010 median income for Winnetka is \$192,947, a full 250% of AMI.

The Housing Study notes a shortage of affordable housing for households earning less than \$150,000, but found particularly notable gaps for households earning (a) less than \$25,000, (b) between \$35,000 and \$50,000 and (c) between \$100,000 and \$150,000.

Setting affordability standards to coincide with the identified housing gaps allows Village policies and programs to address those Winnetka households who may find a shortage of housing affordable to them. One example is the oft-cited lack of appropriate options for empty-nesters or single parents who wish to remain in the Village.

In order to address these existing housing shortages, the Plan Commission recommends adoption of the following affordability standards to establish eligibility for affordable housing units created under the Village’s affordable housing programs:

- Affordable owner-occupied units built must be affordable to households earning less than 140%, or in some cases 100%, of AMI.

- Rentals must be affordable to those earning less than 100%, or in some cases 60%, of AMI.
- Other factors, such as an individual’s age or resident status may be used to give preference for Winnetka’s affordable housing program.

The following chart gives some context to this multi-pronged affordability standard.

Translating Affordability Standards				
Affordability Standard (% of Metropolitan area median income)	Income levels (for family of four)	Income as a percent of median income in Winnetka	Housing Gap addressed	Likely housing strategy based on income levels
Less than 50% of AMI	Below \$37,500	Less than 19 %	240 households, versus 95 units available	Rental units
Between 50% and 80% of AMI	Between \$37,500 and \$60,800	19% - 31.5%	232 households versus 102 units available	Rental units
Between 80% and 100% of AMI	Between \$60,800 and \$75,100	31.5% - 38.9%	269 households versus 222 units available	Rental and for-sale units
Between 100% and 120% of AMI	Between \$75,100 and \$90,120	38.9% - 46.7%	348 households versus 307 units available	Rental and for-sale units
Between 120% and 180% of AMI	Between \$90,120 and \$135,180	46.7% - 70%	684 households versus 478 units available	For-sale units

Recommended Affordable and Diverse Housing Goals

The Plan Commission recommends establishing the following Affordable and Diverse Housing Goals:

- 1. Preserve and improve existing affordable rental housing in downtown apartments and in coach houses.**
- 2. Recapture former affordable rental housing in downtown apartments and coach houses previously taken out of residential use.**
- 3. Expand affordable housing stock through acquisition or rehabilitation of existing lower priced market rate units.**
- 4. Encourage 15% of all new multi-family development in the Village to be permanently affordable, based upon a multi-pronged affordability standard.**

These four goals intentionally emphasize preservation of existing housing units and restoration of lost or abandoned units. While any new multi-family construction should certainly contribute toward the goals of affordable housing through inclusionary zoning (described below), such construction is likely to be limited in Winnetka, and would therefore yield limited new affordable units. By contrast, preventing five affordable rental units from being converted into office space would have the same impact on the affordable housing supply as a new development of 33 multi-family units with a 15% inclusionary zoning requirement. Similarly, bringing 15 affordable coach houses back into the rental pool would have the same impact on the supply of affordable housing as a new development of 100 multi-family units

Recommended Incentives and Implementation

1. Public Policy Initiatives

a. Zoning / Other Code Amendments

i. Downtown apartments

1. Encourage retention of rental apartments above commercial storefronts rather than conversion to office space or other non-residential uses;
2. Discourage other alterations of mixed-use buildings that compromise residential occupancy (elimination of required building components or systems, such as means of access, mechanical systems, or the like);
3. Relax residential parking requirements in commercial districts;
4. Adopt a property maintenance code to expand and enforce building codes concerning rental units to assure minimum habitability and sanitary standards are maintained. Such codes enhance public safety and serve tenant needs, while also recognizing and supporting landlords who invest in their buildings and thereby help stabilize Winnetka's commercial building stock;
5. Permit creation of live/work uses in downtown areas.

ii. Accessory Housing Units

1. Relax barriers to maintaining existing, occupied accessory coach house units by allowing upgrades and modest increases in size or bulk without requiring zoning relief and by eliminating the requirement that coach houses be continuously occupied;
2. Relax barriers to re-establishing residential occupancy of existing, vacant accessory coach house units by reclassifying them from a "nonconforming use" to either a "permitted use" or "conditional use";

3. Establish an expedited special use process for the creation of new accessory housing units such as coach houses and “mother-in-law” apartments;
 - iii. Evaluate and amend other sections of the Commercial and Multiple Family sections of the Zoning Ordinance to encourage affordable housing goals.
- b. Potential Cost Offsets/Incentives**
- i. Reduce or waive certain permit fees for affordable units (permit fees, development impact fees);¹⁴
 - ii. Expedite permit processing for affordable units;¹⁵
 - iii. Create density bonuses to incent development or rehabilitation of affordable units.
- c. Serving as Facilitator.**
- i. Serve as a conduit to assist developers and land owners in locating funding for creation or preservation of affordable units;
 - ii. Assist residents seeking information about programs to help residents afford their homes and seniors to age in place;
 - iii. Create database of local and regional organizations (including faith-based efforts) that address affordable housing in Winnetka and surrounding communities in the North Shore. Consider how these efforts can be advanced with Winnetka’s support and possible active participation.
- d. Inclusionary Zoning:** Mandatory requirement that any new multi family housing include 15% affordable units.¹⁶ “Affordable” requirement could be defined as:
- All affordable *owner-occupied units* must be affordable to households earning less than 140% of AMI;
 - At least 33% of affordable *owner-occupied units* must be affordable to households earning less than 100% of AMI;
 - All affordable *rental units* must be affordable to households earning less than 100% of AMI.
 - At least 33% of affordable *rental units* must be affordable to households earning less than 60% of AMI;¹⁷

¹⁴ One of the existing incentives in the Amended Plan is to “Reduce costs of certain permit fees for affordable units,” Amended Plan, p. 13, item VI(2).

¹⁵ One of the existing incentives in the Amended Plan is to “Expedite permit processing for affordable units,” Amended Plan, p. 13, item VI(1).

¹⁶ While the Village may adopt a *fee in-lieu* of new affordable units in exceptional circumstances, the intent of inclusionary zoning is to attempt to create additional affordable housing units, rather than fees in-lieu.

¹⁷ Highland Park employs a similar multi-pronged affordability standard at 120%, 80% and 50% AMI, respectively.

The following additional standards are intended to address the existing housing gaps in Winnetka identified by the Housing Study.

- i. Units would be built at developer's expense; requires no financial support from the Village, although public policy initiatives may provide an incentive.
- ii. Ongoing affordability would be maintained by appropriate deed restrictions.
- iii. Ensure that all affordable units be substantially similar in design and appearance to market units.
- iv. There should be a "Local Preference" where priority is given to selected populations such as long-time Winnetka residents, seniors, employees and business owners.¹⁸

2. **Create a Community Land Trust** to act as an ownership mechanism for holding affordable units. As the name suggests, the Community Land Trust is the mechanism for the holding of land "in trust" to assure continued, long-term affordability of the associated housing.

The Community Land Trust can preserve affordability in perpetuity. It can both acquire existing affordable units, as well as provide a mechanism for the continued affordability of newly created units.

The Community Land Trust will require staff support for a voluntary board of trustees in a private, not-for-profit 501(c)(3) corporation. Community Land Trust boards are typically composed of a mix of public officials, land trust leaseholders and individuals representing key institutions in the community, such as banks, real estate companies, churches, etc.

The Community Land Trust can act as the recipient of donated property and land, in furtherance of the goals of affordable housing in Winnetka. It can also work with the Housing Trust Fund described below, for potential property purchases.

As an example, an existing smaller, affordable housing unit may be donated or purchased. This housing unit could be resold to a qualifying household. As commonly structured, the purchaser is required to post earnest money, qualify for a mortgage, and make mortgage, real estate tax and insurance payments on the affordable home that they own. Unlike traditional home purchases, however, the land would be leased to the purchaser (for a below-market fee) from the Community Land Trust, which holds title to the property in perpetuity to assure long-term affordability. Although the

¹⁸ Similar preferences have been used in Lake Forest, Highland Park, and Wilmette.

purchaser leases the land, they own the actual home, so they are permitted to make improvements to the home and to potentially realize a capped equity gain upon the sale of their home to another qualified purchaser. Limits on future re-sale are typically imposed through a “right of first refusal,” which maintains affordability long-term.

3. **Create a Housing Trust Fund.** A Housing Trust Fund would provide a source of funding to creatively and flexibly promote Winnetka’s affordable housing goals. Resources from this fund could certainly be used to acquire land or existing housing, or to build new housing, but they can also be used to provide capital to properties at risk of being lost from the affordable housing market. Financial support can also be provided in exchange for a long-term commitment to affordability from the landowner. Some possible uses of the Housing Trust Fund’s resources could include:
 - a. Grants, loans or other incentives to return vacated or abandoned apartments to productive use;
 - b. Rehabilitating existing housing units;
 - c. Financing mixed use or apartment buildings (due to the requirements of the secondary mortgage market, financing is often hard to obtain for properties that are not the standard single family home);
 - d. Creating long-term operating subsidies for rental owners; and
 - e. Specialized improvements to existing housing (for example, making downtown apartments accessible for seniors and others, increasing energy efficiency).

A Housing Trust Fund can be financed through a variety of sources: Real estate transfer taxes,¹⁹ linkage fees, tear down fees,²⁰ inclusionary zoning fees-in lieu, development impact fees, building permit fees and external sources such as donations, bequests, and grants. Some communities issue municipal bonds.

Consideration of creating a Housing Trust Fund should include an evaluation of the costs and benefits expected to be involved in such an effort.

Administration

Management and oversight of the Village’s affordable housing initiatives would be through a housing commission or similar body that is typically established and appointed by the Village Council and supported by Village staff. This would, to the extent possible, consolidate and simplify administration to maximize efficiency and economy. The housing commission could also provide oversight of moderately priced units, such as the units planned in the New Trier Partners development of the

¹⁹ Implementation of a real estate transfer tax would require approval by referendum.

²⁰ Teardown fees can be waived for residents who have lived in the Village for 5 years prior to tearing down and rebuilding, and who then stay in the new home for the following 5 years.

former Fell store site. The Plan Commission recommends that the Village Council establish the housing commission early so the housing commission can help define and establish the Community Land Trust and the Housing Trust Fund in accordance with the goals contained in this Report.

Appendix 1 - Process

The Village Council adopted an Amended Affordable Housing Plan in May 2005, outlining options for providing affordable housing in the Village. In adopting the Amended Affordable Housing Plan, the Village Council acknowledged that the changes to both the Village population and housing stock were not fully understood. Accordingly, the Village Council directed the Winnetka Plan Commission to study further the issues of housing affordability.

After a competitive bidding process, the Plan Commission retained consultants from the University of Illinois-Chicago's *Nathalie Voorhees Center*. Voorhees Center staff analyzed changes in the Village's population and housing demographics, including review of Census Bureau data, building permit and sales data and other sources. At the same time, Voorhees Center staff developed a plan for resident input, held a series of focus groups to gauge Village residents and other stakeholders' reactions to changes in resident population and housing data.

Focus groups held in September 2007 invited participants to view a presentation of the demographic data and preliminary findings. Key points of consensus were that participants placed high value on income diversity and housing diversity. After holding focus group sessions, Voorhees staff presented information about the tools available to promote affordable housing, as well as a detailed report and analysis of efforts undertaken in similar, neighboring communities.

In 2007, representatives from both the City of Highland Park and the Highland Park Community Land Trust were invited to Plan Commission meetings for a detailed discussion of the functional and operational aspects of their Housing Trust Fund and Community Land Trust.

To help residents develop broader understanding of the Plan Commission's findings, a public presentation of the demographic and housing trends was conducted on January 26, 2008, with an invitation and summary of findings mailed to every Winnetka household.

In the months that followed, a draft plan was presented and subsequently revised, re-evaluated and adjusted to be reflective of local conditions and constraints. These revisions took place over a period of 35 months, and included seven public meetings.

This Report and the accompanying Study were presented to the Plan Commission on December 15, 2010. The Plan Commission voted 11 to 0, with one abstention to recommend transmittal of the December 2010 Study and Report to the Village Council and to further recommend its adoption.

Appendix 2 –Affordable Housing Study Introduction

TO THE VILLAGE COUNCIL:

The following study is the result of several years' effort to thoroughly understand Winnetka, its residents, its changing housing supply, and its possible future path.

I am grateful for the sustained efforts of the Plan Commission, but particularly for the tireless work of the Commission's Affordable Housing Working Group: Maureen Mitchel, Linda Pedian, Molly Lien and Mark Kurensky. I am also grateful to the Nathalie P. Voorhees Center at the University of Illinois at Chicago for its careful analysis of our Village.

The demographic and income information in this study show a side of Winnetka which some may find surprising.

There has always been affordable housing in Winnetka, but it is shrinking. While the vast majority of housing units in Winnetka are detached single-family homes, the three downtown areas have historically offered a surprising number of rental apartments above the commercial storefronts which were more affordable to various residents (including, at one point, Rock Hudson's family). Strikingly, Winnetka lost 260 renter-occupied units between 1980 and 2000, a 37.5% reduction. In addition, multi-family apartment buildings, condominiums, townhomes as well as coach houses and similar accessory dwelling units have provided a diverse and rich mixture of owner-occupied and rental housing. Over time, these traditional sources of affordable housing in Winnetka have declined in number or are simply becoming less affordable through other changes.

- *Condominium conversions* such as occurred at "The Chimneys" (150-160 Green Bay Road) during the 1980's responded to a market need among empty nester and entry-level households for more affordable homes. At the same time, however, the corresponding reduction in the number of rental units put Winnetka increasingly out of reach to those who benefit from rental housing, such as young "entry-level" households, families impacted by divorce, widows or widowers, or locally employed individuals seeking housing close to their place of work.
- The increasing trend toward *conversion of downtown rental apartments* to non-residential uses such as office space also reduces the supply of affordable housing. While such office space is a valuable component of the Village's downtown tenant mix (and C-2 overlay limits on such uses at the ground floor place additional pressure to locate such uses on the upper floor space), such conversions reduce the availability of a particularly desirable and limited form of affordable rental housing. Downtown residents provide value to the retail district by providing activity

and vibrancy, and a loyal, dedicated market for local goods and services. At the same time, such tenants will also typically have less impact on daytime parking spaces than office users.

- *Coach house units*, another traditional form of affordable housing in the Village, are rooted in the earliest fabric of the Village and were widely developed in the early 1900's on large estates and lakefront parcels as well as on smaller lots in more densely developed neighborhoods. Such units typically were built as housing for staff or sometimes family. Such development ceased with the introduction of modern zoning in the 1920's. The number of such units has declined over the years, with twenty-seven units currently occupied, typically rented by the homeowner to an individual or small household, or occasionally used to allow independent living by aging parents.

Nonconforming status under the Zoning Ordinance may also play a part in the decline in this type of housing, as the owners of an existing coach house can find themselves stripped of the ability to legally lease such units if there is a six-month lapse in occupancy. In a handful of instances, such coach houses have reverted to non-residential use, such as storage, when they can no longer be used for their original purpose.

Meanwhile, the teardown phenomenon has replaced more affordable single family homes with homes costing twice or even three times as much. The result is a less diverse housing stock composed predominantly of expensive single family homes suitable primarily to large two-parent affluent families with school-age children.

Winnetka is changing. As Winnetka has become less diverse in its housing stock, it has also become less diverse demographically. During the 1990's, the number of young adults dropped 56%. The number of school-age children went up 26%. Single-parent households with children increased 128%. Households became larger as seniors sold and frequently left the Village altogether. In fact, the 2.8% increase in Winnetka's seniors 65 years old and above was dwarfed by the increases seen in every one of its surrounding communities, most of which were between 20% and 55%.

Winnetka has become a fairly transient community. Increasingly limited housing choices make it difficult for empty nesters and retirees to stay in the Village that they've raised their children in and devoted themselves to. Increasing mobility rates show that households *nationwide* are staying in their homes for shorter periods of time before relocating - thus a certain amount of mobility in Winnetka reflects broader shifts in behavior. However, Winnetka's recent increase in mobility rates is noticeably higher than surrounding North Shore suburbs. Thus Winnetka may increasingly be viewed as a community to move *to* for the high quality schools, and to move *from* after school-age years.

Many Winnetkans are struggling, particularly seniors. Winnetka households fall into every income bracket. In 2000 there were 591 households in Winnetka earning less than \$50,000, but only 402 units available for them at a cost affordable to their income (“affordable” means that housing costs amount to 30% or less of gross household income). Seniors made up 22% of the households earning less than \$50,000, and 43% of the households earning less than \$25,000 were seniors. The lack of affordable housing contributes to households becoming cost-burdened. Winnetka households that were cost burdened totaled 943 in 2000: 838 owners (24.4% of owners, up from 17.6% in 1990) and 105 renters (31.8% of renters, up from 25.6% in 1990). Seniors amounted to 250 of these cost burdened households. Over 1/3 of the cost burdened households in Winnetka earned less than \$54,300.

While there is an overall housing gap for Winnetka residents earning less than \$150,000, there are particularly striking gaps for households earning (a) less than \$25,000, (b) between \$35,000 and \$50,000 and (c) between \$100,000 and \$150,000. While there is a shortage of both owned and rental affordable housing, each income group presents unique challenges. The decreasing number of rental units is of particular concern due to the fact that they serve as the primary source of housing to households earning less than \$75,000.

Tools for addressing housing issues in Winnetka. This study discusses tools for improving the affordability of housing, and in doing so describes the typical affordability standard applied by Illinois State law: the Average Median Income of the Chicago Metropolitan Area. As a home rule village, Winnetka has the flexibility to define its own affordability standard. It also has the flexibility to define the types of tools that are appropriate for this fully built-out, high-quality, high-property value, residential community. We hope this study assists the Village of Winnetka in those efforts.

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