

A TECHNICAL ASSISTANCE PANEL REPORT

# Affordable Housing Strategies

Aurora, IL

July 10-11, 2013



**Urban Land  
Institute**

Chicago

Metropolitan **Planning Council**

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The Technical Assistance Panel (TAP) allows local communities or government agencies an opportunity to access strategic advice from experts in development that they could not obtain through any other process.

The goal of the panel program is to convene a multi-disciplinary ULI-member team of experts to examine complex land use challenges and help sponsors find creative, practical and implementable solutions based on community realities and best practices.

The panel process brings together perspectives from current market, land use and design, financing and development strategies. TAPs are typically two-day intensive working sessions addressing land challenges proposed by the sponsoring organization, a local government, non-profit organization, or developer, about a specific development issue or policy barrier within a defined geographic area.

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## Background

Located approximately 40 miles west of Chicago, Aurora, IL, is the state's second-largest city, with a population of about 200,000. Covering almost 45 sq. miles, Aurora extends into DuPage, Kane, Kendall, and Will counties. Like many cities in the Chicago region, Aurora has seen tremendous population growth in the past decade, with an increase of about 55,000 residents from 2000 to 2010. According to the U.S. Census, Aurora is now also 41 percent Hispanic, a 10 percent increase since 2000. The steady rise in Hispanic residents is mostly from indigenous growth and in-migration into Aurora from other parts of the region. The 2007-2011 American Community Survey conducted by the U.S. Census indicates that while almost 25 percent of Aurora's residents are foreign born, 70 percent of them entered the U.S. before 2000.

Violent crime in Aurora has decreased dramatically in the last decade, making it one of the safest cities of its size nationally. Violent crime decreased 40 percent in the last five years, and the number of homicides fell from 26 in 2002 to zero in 2012, an indicator of the city's increasing stabilization.

Additionally, Aurora's focus on economic development and downtown revitalization has led to exciting new developments – RiverEdge Park, a riverside park and entertainment venue, opened earlier this summer and a \$30 million public library is currently under construction in the downtown. The historic Paramount Theater located in the heart of downtown started a new performing company in 2011, and has since staged several highly successful Broadway style musicals resulting in tripled attendance. The private sector is also active in Aurora - businesses invested more than \$126 million in Aurora in 2012. Waubonsee Community College opened a new state-of-the-art campus in 2011 in the downtown, and Aurora University, located to the west of downtown, is growing rapidly with a total of about 4,400 students.

Despite these advances, Aurora faces significant challenges in reducing concentrations of poverty within the city and providing affordable housing options for its rapidly growing population. The state of Aurora's school districts is a major roadblock in creating mixed-



Aurora University

income neighborhoods. Aurora's students attend schools in six different districts which are starkly divided by varied incomes across the city. The three main school districts that serve the majority of students in Aurora, Indian Prairie (District 204), East Aurora (District 131), and West Aurora (District 129), vary greatly in success indicators. Indian Prairie, the furthestmost east school district, includes a portion of the neighboring City of Naperville and has a four-year graduation rate of 97 percent. On the other hand, West Aurora has a graduation rate of 75 percent and East Aurora's rate is 60 percent. Because of this sizable variation in the school districts' performances, the far-east portions of Aurora that are within the Indian Prairie school district are most sought after, especially by families with school-age children. However, housing costs are significantly higher in far-east Aurora making these neighborhoods and their higher performing schools unaffordable for the City's low income households. As illustrated in Figure 1, the lowest income households in Aurora are concentrated in the central and near eastern portions of the City.

Aurora is struggling with a shortage of high quality housing options affordable for middle and low income households. This issue has been compounded by the demolition of the public housing units in Jericho Circle. In October 2012, the Aurora Housing Authority (AHA) demolished the distressed 28-building, 145-unit public housing development located on the Jericho Circle site in southwest Aurora. Built twice in the last 40 years, Jericho Circle had become increasingly unfit for healthy and safe living.



## What is Affordable Housing?

There is no single definition of affordable housing, but the federal government considers housing to be affordable if a household spends no more than 30 percent of its income on its housing costs, including utilities. Using this benchmark, a family earning \$30,000 a year could afford to pay up to \$9,000 a year (or \$750 a month) on housing and utilities.

However, this simple rule doesn't always tell the whole story. For example, in most markets, a family making \$200,000 per year can afford to spend 30 percent of its income on housing and have enough left over to meet other necessities, but a family making \$20,000 might not be able to make ends meet on the income left over after spending 30 percent for housing. A family's capacity to meet other expenses also depends on other factors such as family size and age of children, proximity to employment, and access to transportation.<sup>1</sup>

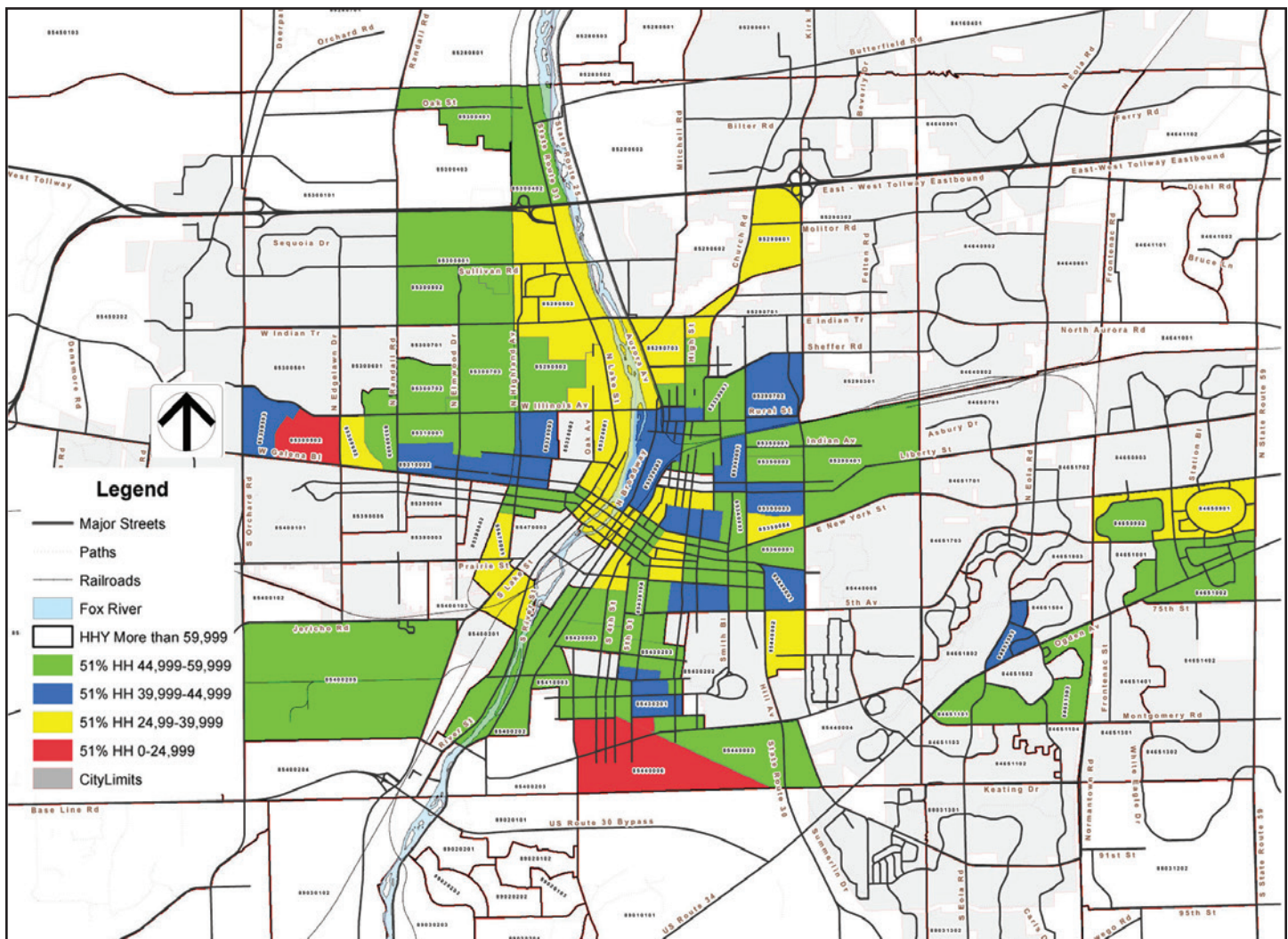


Figure 1: Differential Income Data per American Community Survey (5 year 2011), Source: City of Aurora

The Jericho Circle site covers almost 13 acres of land, but is accessible by only one road, Jericho Road. This limited roadway access is compounded by the presence of train tracks to the north, and a large, privately owned, fishing lake and club to the south (Figure 2). Physically isolated from the surrounding community, the closest residential communities to Jericho Circle are approximately one-half to three-fourths of a mile away. Additionally, the site is not served by convenient public transit routes and is not within walking distance to amenities such as shopping, health care or schools that are imperative for a thriving community.

Like many public housing developments across the country, Jericho Circle experienced a physical and social decline over time and became stigmatized within the wider community. In September 2010, the U.S. Department of Housing and Urban Development (HUD) approved its demolition after the AHA commissioned a structural review of the buildings and determined they were well beyond repair.

Initially, the AHA stated that the rebuilding of public housing on site would be required to obtain approval for demolition, and so the City included the AHA's plans to rebuild a mixed-income development at the

site in its 2010-2014 HUD Consolidated Plan. However, when HUD later clarified that rebuilding public housing on the site was not a condition for approving demolition, the City withdrew its support for AHA's plan to rebuild, asserting that the AHA plan would not create a successful mixed-income development on the Jericho Circle site.

To help resolve the loss of public housing units at Jericho Circle, and to address the growing number of foreclosed homes in the city, three-term Aurora Mayor Thomas Weisner, appointed an affordable housing task force to address city-wide housing issues. Consistent with the task force's recommendation, the City removed the mandate to rebuild a mixed-income housing development on the Jericho Circle site from its Consolidated Plan. This created a very contentious relationship between the City and the AHA, and the AHA filed a lawsuit against the City to block it from appointing new members to the AHA Board. According to AHA's by-laws, all seven Board members are appointed by the Mayor. The City prevailed in the lawsuit, and the Mayor appointed four new AHA board members to replace the members whose terms had expired. A new AHA executive director was also hired, and the relationship between the AHA and the City has since improved.



Figure 2: Jericho Circle Public Housing Before Demolition



## What is Public Housing?

Public housing was established in the 1930s to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. The U.S. Department of Housing and Urban Development (HUD) administers federal aid to local housing agencies (HAs), such as the AHA, which manage the housing for low-income residents at rents they can afford. In addition to financial resources, HUD also provided technical assistance in the planning, development and management of public housing.

Public housing comes in many sizes and types, from scattered single-family houses to high-rise apartments. There are approximately 1.2 million households living in public housing units, managed by some 3,300 HAs. To determine income eligibility for public housing assistance, HAs use income limits developed by HUD. HUD sets the low income limits at 80 percent of the area median income (AMI) and very low income limits at 50 percent of AMI.<sup>2</sup>

## What is Mixed Income Housing?

Mixed income housing developments promote a mix of household incomes by including some housing units that are restricted to individuals or families subsidized through the housing authority, affordably priced units, as well as market-rate units.

### Income Limits for the Chicago-Joliet-Naperville, IL HUD Metro Fair Market Rent (FMR) Area<sup>3</sup>

FY 2013 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person
Low (80%) Income Limits	\$41,250	\$47,150	\$53,050	\$58,900	\$63,650	\$68,350	\$73,050
Low (60%) Income Limits	\$30,960	\$35,340	\$39,780	\$44,160	\$47,700	\$51,240	\$54,780
Very Low (50%) Income Limits	\$25,800	\$29,450	\$33,150	\$36,800	\$39,750	\$42,700	\$45,650
Extremely Low (30%) Income Limits	\$15,500	\$17,700	\$19,900	\$22,100	\$23,900	\$25,650	\$27,450

## Questions for the Technical Assistance Panel

The City of Aurora and the AHA asked the Urban Land Institute (ULI) and the Metropolitan Planning Council (MPC) to organize a Technical Assistance Panel (TAP) to provide recommendations regarding the most appropriate use for the Jericho Circle site, as well as other strategies for the City and AHA to meet their federal obligations and pursue affordable housing opportunities throughout Aurora.

The panel addressed three specific sets of questions:

1. **Re-development of the Jericho Circle Site:** What is the most appropriate use of the Jericho Circle 13-acre site? Could a mixed-use redevelopment plan address the previous challenges? If not, what is the appropriate use of the site in light of the location, surrounding land uses, and potential for redevelopment? What role should the City play in the redevelopment effort with the AHA?

2. **Stabilizing Neighborhoods:** What other opportunities and strategies are there for stabilizing neighborhoods and providing affordable housing in Aurora? Are there ways the City and AHA can partner on any of these opportunities and strategies? How can the City and AHA partner to acquire and rehab foreclosed single-family homes to provide quality rental housing to a range of incomes?
3. **Long-term Strategies:** Where and what are the greatest opportunities for helping low-income families move to mixed-income neighborhoods with access to transportation and amenities and how can the City and AHA support this effort?

The two-day panel, held on July 10-11, 2013, brought together eleven experts in real estate development, housing, planning and public policy. The panel was chaired by Joliet native, Lynn Ross, executive director of ULI's Terwilliger Center for Housing, which aims to expand affordable and workforce housing opportunities in mixed-income communities through its research, awards, convenings and other programs.

To prepare for the panel, all panelists reviewed detailed background briefing material in advance. During the two-day panel, they toured the Jericho Circle site, and interviewed approximately 70 community stakeholders including local residents, civic leaders and city officials. Using this information, the panelists worked together to develop several short term and longer term strategies for the City and AHA to address housing challenges in Aurora.

## Panel Recommendations

The panel made several recommendations to improve affordable housing options for lower and middle income households in Aurora. Many of these can be implemented in the near term, while others, such as constructing new mixed-income housing along commercial corridors, offer a longer term strategy for creating balanced, mixed-income neighborhoods.

### 1. Provide Affordable Housing Options throughout Aurora

The AHA and the City are responsible for replacing the 145 public housing units that were demolished at Jericho Circle, and the panel emphasized that this task should remain a priority. However, Aurora should consider its strategy for affordable housing within a broader scope. *Housing that is accessible and affordable to low-income populations who typically seek public housing assistance, does not have to be limited to the former Jericho Circle type of development. Instead, the wider goal should be to provide an array of affordable housing options in neighborhoods throughout Aurora.*

To achieve this, the panel recommended improving the quality and availability of rental housing, exploring opportunities for both adaptive re-use and new construction, and continuing the implementation of scattered-site affordable housing across the city. *While encouraging this broader strategy, the panel again noted that the AHA and the City have a responsibility to replace the 145 public housing units formerly on the Jericho Circle site and incorporation of these units into a broader housing strategy should not be lost.*

### 2. Explore Non-Housing Alternatives for the Jericho Circle Site

The panel recommended against rebuilding housing on the Jericho site at this time, owing to its limited access, isolation, and strong negative perception among community residents.

The panel recommended that the City and the AHA explore the possibility of leasing the site to a private developer for a non-housing use. Entering into a long-term lease for the Jericho site would provide a new revenue stream for the AHA that would be used to fund new public housing developments elsewhere in Aurora consistent with other panel recommendations.



Panel members touring the Jericho Circle Site



During an interview with the panel, Aurora University representatives indicated that the University is looking to acquire 35 acres of land to build a new athletic complex. The panel recommended that the City and the AHA enter into a redevelopment agreement with the University to lease the Jericho site for building the University's athletic complex. While the Jericho site itself is only 13 acres, 35 contiguous acres can be assembled by combining three adjoining properties. The three properties are under three different ownerships – the City, the park district, and a private owner, making the assembly process potentially difficult and a deterrent for the University. Therefore, the City should take the lead role, and Aurora University should reimburse the City for land acquisition costs. As a first step, the City should consider engaging a real estate broker to investigate costs and strategies for acquiring the parcels mentioned above.

Besides generating a revenue stream for the AHA, leasing the site to Aurora University is an opportunity for the City and the AHA to truly embrace the University as an "anchor institution" and support its growth, which in turn will have an overall positive impact on the City.

However, more recently, after the TAP was completed, Aurora University has indicated to the City and AHA that it is not interested in building its athletic complex on the Jericho site. Even though it might build its athletic facilities elsewhere, the Jericho Circle site, because of its proximity and size, continues to be an attractive location for Aurora University. Therefore, the City and AHA should work with the University to assess if the Jericho Circle site can be leased for an alternative University related use.



Vacant houses can negatively impact neighborhood character

The panel acknowledged that HUD may not authorize a long-term lease of the land for a non-housing use. If so, and if AHA is required to build housing units on the site, a lower-density mixed-income, mixed-use model should be considered rather than the higher-density mixed-income development originally proposed by a housing developer engaged by the AHA.

### 3. Develop Scattered Site Housing

Currently, the AHA is in a partnership with a housing developer to renovate 40 previously foreclosed homes around the city to create scattered-site, affordable housing. This plan provides a way for low- and moderate-income families to live in single-family homes integrated into existing neighborhoods rather than being concentrated in a housing development on one site, and also begins to address Aurora's vacant and foreclosed housing stock.

Although this scattered-site model is an option for some low-income residents, as a panel member noted, "It does have a limited applicability for public housing residents." Panelists emphasized that scattered-site housing should not be a "cure-all" for affordable housing or foreclosures because single-family homes may not be accessible for people with disabilities, older adults, or other residents who may be unable to keep up with the physical maintenance required for responsible single-family homeownership. For these residents, especially those displaced by the Jericho Circle demolition, other housing options are still needed.

In continuing the scattered-site approach, the panel recommended that to be successful, the AHA should:

- Employ an in-depth screening process for potential tenants
- Establish a resident training program, and
- Form robust partnerships with local support services agencies to support tenants

Additionally, the City should:

- Proactively identify future acquisition sites
- Expedite review and permits, and
- Dedicate staff with housing expertise to manage the processes, partnerships, and the overall program

The panel identified potential funding sources for the scattered-site plan including the following:

- HUD programs: Community Development Block Grant (CDBG) and HOME funds could be used for a portion of acquisition costs, CDBG funds could also support mobility counseling for tenants
- Low-income Housing Tax Credits (LIHTC) can make it possible for a private investor to convert foreclosed or vacant properties into affordable rental housing. For example, in October 2013, a private developer engaged by the AHA was awarded over \$800,000 in LIHTC allocations for its scattered site housing proposal in Aurora
- AHA's Project Based Vouchers (PBVs) or Housing Choice Vouchers (HCVs) can further subsidize rents for low-income households, allowing those individuals and families to move into these affordable rental homes.
- Replacement Housing Factor Funding could provide the AHA up to \$700,000 a year for five years for scattered site development costs. However, the AHA must first achieve higher-performer status with HUD.
- AHA and the City could partner with Joseph Corporation, which has a revolving loan fund to create affordable housing.

After the first phase of scattered-site homes are successfully developed and rented out, the panel recommended renovating an additional 30 to 40 homes in a second phase to provide more affordable housing in Aurora's neighborhoods.



Downtown Aurora has many beautiful old buildings that can be remodeled into apartments/condominiums

### What is Low-Income Housing Tax Credit (LIHTC)?

The LIHTC program provides federal housing tax credits to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Provided the property maintains compliance with the program requirements, investors receive a dollar-for-dollar credit against their federal tax liability each year over a period of 10 years.

For a project to qualify for the Illinois Housing Development Authority (IHDA)'s LIHTC program, either 20 percent of the units must be for households with incomes at or below 50 percent Area Median Income (AMI) or 40 percent of units for households with incomes at or below 60 percent AMI. The rent levels are set at either the 50 percent or 60 percent AMI levels for the affordable units and the remaining units can be market-rate—encouraging a mix of incomes within the development.

### What are Housing Choice Vouchers (HCVs)?

HCVs also subsidized through HUD, provide rental assistance to families who rent in the private market. The incomes are restricted to 50 percent AMI and households pay only 30 percent of their income towards housing. Project Based Vouchers (PBVs) have the same income and rent restrictions as HCVs, but they are a place-based subsidy, attached to the housing unit, not the household. Developments cannot have more than 25 percent of units subsidized with project-based vouchers.<sup>4</sup>

## 4. Improve Housing Options in Downtown Aurora

Aurora's downtown has seen tremendous investment in the last few years; the City should continue to build on its downtown as an asset. RiverEdge Park and the new public library are first steps in providing recreation and entertainment, but attracting more residents and businesses will help transform it into a thriving downtown, and also provide a broader tax base. To attract more residents in the downtown, the City should focus on niche developments with affordable components, such as housing targeted to Metra commuters, art-

ists and other professionals seeking live/work spaces, students, and older adults.

Expanding Waubensee Community College's work-training programs, encouraging Aurora University to expand into the downtown, and investigating creative educational opportunities such as charter schools could attract more students to live in downtown Aurora. Additionally, as the education system is strengthened across the board, higher-income families will be more likely to consider neighborhoods in Aurora outside the Indian Prairie district for their housing needs, further diversifying the income landscape within the City.

### 5. Encourage New Housing Developments along Commercial Corridors

The panel recommended evaluating underutilized or vacant sites with the least commercial potential along major commercial corridors in Aurora for building mixed-income, mixed-use, and mixed-finance developments. Such developments, along corridors like Route 59, Eola Road, and New York Avenue in the higher performing Indian Prairie School District, could provide more families the opportunity to access high quality schools while living in housing affordable to the workforce and close to amenities. A prototypical new development for example, could consist of 100 townhomes, where 20 to 30 percent of units would be sold at market rate and 70 to 80 percent would be units financed with LIHTC for families earning up to 60% of the AMI (\$44,160 for a family of four). A portion of the LIHTC units could be public housing units to replace some of the housing units lost by demolishing the Jericho Circle development.

### 6. Building Agency Capacity

Implementing the scattered-site housing model and building new housing developments is a large undertaking for any housing authority. As the AHA Board is relatively new, the panel suggested several ways to build the agency's capacity, including:

- Diversifying the professional experience of board members
- Automating administrative processes to improve efficiencies
- Creating partnerships with local social service agencies to provide assistance to AHA residents including mobility counseling and workforce development to improve AHA household outcomes, and

- Requesting technical assistance from HUD, Chicago Metropolitan Agency for Planning (CMAP), and other non-profit agencies

### 7. Collaboration between the City and AHA

The panel emphasized that to realize the long term goal of providing high quality housing options for all residents, the City and the AHA will have to work together in close collaboration.

For their future initiatives to be successful, the City and AHA must maintain regular communication, prioritize collaboration, and hold each other accountable for the next steps they take together. As a panel member put it – "Clearly all of you are going to have to work together hand-in-glove for this to be successful."

## Conclusion

Aurora is not alone in its need for affordable housing. The National Low Income Housing Coalition found that no state had an adequate amount of affordable, available housing in 2012. The nation needs nearly 7 million more affordable units to meet demand.<sup>5</sup> This shortage has forced millions of families to pay higher rent than they can afford, with little left over for necessities like groceries, health care, transportation, and education. High rent burden also contributes to frequent moves for low-income families, moves that are particularly damaging for children's health and education.<sup>6</sup>

Safe, affordable housing is the foundation of a stable, healthy community, and an integral component of economic development. Moving forward, prioritizing a spectrum of affordable housing options will strengthen Aurora's diverse community, provide a solid, secure future for its residents, and ensure that the City and AHA meet their federal housing obligations.

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1 HousingPolicy.Org

2 U. S. Department of Housing and Urban Development

3 U. S. Department of Housing and Urban Development

4 U. S. Department of Housing and Urban Development

5 Megan Bolton, "The Shrinking Supply of Affordable Housing" (Washington D.C.: National Low Income Housing Coalition, 2012).

6 Kathleen Ziolo-Guest and Ariel Kalil, "Long-Run Impact of Residential Moves in Childhood on Adult Achievement." (Chicago: MacArthur Foundation, 2013).



## ULI Chicago Technical Assistance Panel Members

### Chair

Lynn Ross  
Terwilliger Center for Housing  
ULI-the Urban Land Institute

### Panel Members

Danita Childers  
Chicago Housing Authority

Anastacia Fratto  
Crown Community Development

Allison Milld Clements  
Metropolitan Mayors Caucus

Marisa Novara  
Metropolitan Planning Council

Rosa Ortiz  
Enterprise Community Partners, Inc.

Paul Rickelman  
Neal and Leroy, LLC

Jacques Sandberg  
Related Midwest

Maria-Alicia Serrano  
Applied Real Estate Analysis, Inc.

Christopher Shaxted  
Lakewood Real Estate Solutions

William Woodley  
The Community Builders, Inc.

### Sponsor Representatives

Mayor Tom Weisner  
City of Aurora

Rick Guzman  
Assistant Chief of Staff  
Mayor's Office - City of Aurora

Keith Gregory  
Executive Director, Aurora Housing Authority

### Metropolitan Planning Council

Breann Gala  
Project Manager

### ULI Chicago

Cynthia McSherry  
Executive Director

Swasti Shah  
Director of Community Engagement

### Staff Writers

Barbara Ray, Hiredpen, Inc.  
Kathleen Constanza, Hiredpen, Inc.



1700 West Irving Park Road  
Suite 208  
Chicago, IL 60613  
773-549-4972  
773-472-3076 (f)  
[chicago.uli.org](http://chicago.uli.org)



140 South Dearborn Street  
Suite 1400  
Chicago, IL 60603  
312-922-5616  
312-922-5619 (f)  
[metroplanning.org](http://metroplanning.org)