

Legislative Summary

Ordinance 22-10

APPROVING A TEXT AMENDMENT TO ESTABLISH REGULATIONS RELATING TO AFFORDABLE HOUSING AND AN AFFORDABLE HOUSING FUND

Introduction:	June 13, 2022
Purpose:	To approve a Text Amendment that establishes regulations relating to the creation and preservation of affordable housing and establishes the Affordable Housing Trust Fund to provide financial resources to address the affordable housing needs of low-to-middle income individuals and families who live or work in the Village.
Background:	<p>As the Village of Morton Grove continues to welcome new residential development and as key opportunity sites are made available for future redevelopment, the Village Board of Trustees expressed a desire to understand the state of affordable housing in the Village and to ensure that a certain level of affordable housing is maintained. Staff responded by preparing the <i>Morton Grove Affordable Housing Report</i>, which summarizes the state of affordable housing in Morton Grove and recommends regulations to sustain affordable and inclusionary housing opportunities in the Village.</p> <p>The Village of Morton Grove (“Applicant”) submitted a complete application (“Application”) to the Plan Commission under Case PC 22-06 requesting a Text Amendment to Title 12, Chapter 5, of the Village of Morton Grove Unified Development Code to establish affordable housing regulations as recommended by the <i>Affordable Housing Report</i>. A complementary amendment is proposed by staff to establish Section 1-9C-4, “Affordable Housing Trust Fund,” in the Morton Grove Municipal Code to create a dedicated fund that provides financial resources to address the affordable housing needs of eligible individuals and families who live or work in the Village, and which will be funded by payments in lieu and linkage fees to be required by the Unified Development Code for select residential development projects.</p> <p>On May 16, 2022, the Applicant appeared before the Plan Commission to present the request for approval of the Application made under Case PC 22-06. Based on the Application, supporting staff report, and testimony presented at the public hearing, the Plan Commission voted unanimously (6-0, Chairperson Blonz absent) to recommend approval of the Text Amendment.</p>
Programs, Dept’s, Groups Affected	Department of Community and Economic Development
Fiscal Impact:	N/A
Source of Funds:	N/A
Workload Impact:	The Text Amendment will be implemented and supervised by staff as part of their normal work activities.
Administrative Recommendation:	Approval as presented
Second Reading:	June 27, 2022
Special Considerations or Requirements:	None

ORDINANCE 22-10

APPROVING A TEXT AMENDMENT TO ESTABLISH REGULATIONS RELATING TO AFFORDABLE HOUSING AND AN AFFORDABLE HOUSING FUND

WHEREAS, the Village of Morton Grove (the Village), located in Cook County, Illinois, is a home rule unit of government under the provisions of Article 7 of the 1970 Constitution of the State of Illinois, can exercise any power and perform any function pertaining to its government affairs, including but not limited to the power to tax and incur debt; and

WHEREAS, the Village continuously reviews and, as it deems necessary, updates existing Municipal Codes to assure they are kept current and relevant; and

WHEREAS, the Village continues to welcome new residential development and as key opportunity sites are made available for redevelopment and infill redevelopment continues, the Village seeks to ensure that a certain level of affordable housing is maintained. The Village seeks to sustain affordable and inclusionary housing opportunities in the Village, match affordable housing opportunities and assistance with the needs of existing residents, expand the diversity of housing types, and encourage high-quality residential development; and

WHEREAS, the proposed Text Amendment establishes regulations pertaining to the creation and preservation of affordable housing units in the Village of Morton Grove and establishes the Affordable Housing Trust Fund to provide financial resources to address the affordable housing needs of individuals and families of low-to-middle income who live or work in the Village by providing housing-related services and programs and promoting, preserving, and producing long-term affordable housing; and

WHEREAS, the Village of Morton Grove submitted a complete Text Amendment Application to the Morton Grove Plan Commission under case PC 22-06 to consider and recommend adoption of Text Amendment to Title 12, Chapter 5, of the Village of Morton Grove Unified Development Code (Ordinance 07-07) to establish regulations relating to affordable housing; and

WHEREAS, pursuant to the applicable provisions of the Municipal Code, notice of a public hearing for case PC 22-06 on May 16, 2022, was duly published in the *Pioneer Press*, a newspaper of general circulation in the Village of Morton Grove, on April 28, 2022; and

WHEREAS, as required by ordinance, the Morton Grove Plan Commission held a public hearing relative to the above referenced case on May 16, 2022, and at said public hearing, all

concerned parties were given the opportunity to be present and express their views for consideration by the Plan Commission; and

WHEREAS, as a result of said public hearing, the Plan Commission considered all the evidence and testimony presented to it, discussed the merits of the application and made certain recommendations through a report dated June 6, 2022, a copy of which is attached hereto and made a part hereof and marked as “**Exhibit A**”; and

WHEREAS, the Corporate Authorities have considered this matter at a Public Meeting and find the Text Amendment, when evaluated in the context of the whole Village, serves the public good; and

WHEREAS, the Village is desirous of assuring all policies are kept current and relevant.

NOW, THEREFORE, BE IT ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF MORTON GROVE, COOK COUNTY, ILLINOIS, AS FOLLOWS:

SECTION 1: The Corporate Authorities do hereby incorporate the foregoing WHEREAS clauses into this Ordinance, as though fully set forth herein, thereby making the findings as hereinabove set forth.

SECTION 2: Title 1, Article 9C, entitled, “Funds,” is hereby amended to include a new Section 1-9C-4, to read as follows:

1-9C-4: Affordable Housing Trust Fund:

A. Creation, Management and Administration: There is hereby established the Affordable Housing Trust Fund, to be held as a separate fund within the Village. The Village, by and through its Village Administrator, shall be responsible for the day-to-day investment and fiscal maintenance and management of the Affordable Housing Trust Fund. The day-to-day fiscal maintenance and management shall be undertaken pursuant to the approved investment policies and practices used by the Village for other similarly held funds. Except for disbursements and other action taken as part of the day-to-day fiscal maintenance and management of the Affordable Housing Trust Fund, no disbursements of said fund may be made except by the Village Administrator upon the written direction of the Board of Trustees.

The Board of Trustees shall manage, make recommendations, and from time to time reevaluate the goals for the Affordable Housing Trust Fund, the Affordable Housing Trust Fund’s operating budget and projected expenditures and revenue; the Affordable Housing Trust Fund’s funding and award policies and priorities; the Affordable Housing Trust Fund’s program requirements; the Affordable Housing Trust Fund’s procedures for disbursing funds; the review of applications for Affordable Housing Trust Fund awards; the granting of awards; the monitoring of eligible activities funded by the

Affordable Housing Trust Fund; and the evaluation of Affordable Housing Trust Fund activities.

B. Purpose: The purposes of the Affordable Housing Trust Fund are to provide financial resources to address the affordable housing needs of individuals and families of low-to-middle income who live or work in the Village by promoting, preserving, and producing long-term affordable housing, provide housing-related services to eligible households, and provide support for not-for-profit organizations that actively address the affordable housing needs of eligible households. The Affordable Housing Trust Fund may provide financial support for a wide variety of eligible activities that serve eligible households.

C. Sources of Revenue: The Affordable Housing Trust Fund may be funded from multiple sources including:

1. Private cash donations from individuals and corporations designated for the Affordable Housing Trust Fund.
2. Payments in lieu of providing affordable housing units and linkage fees as required by Section 12-5-12.
3. Funds from a federal or state affordable housing trust fund or a state program designated to fund an affordable housing trust fund.
4. Principal and interest from Affordable Housing Trust Fund loan repayments and all other income from trust fund activities.
5. Budget appropriations, development fees and other funds as designated from time to time by the Board of Trustees.

D. Distribution and Use of Affordable Housing Trust Fund: The Village Administrator shall be responsible for the management and distribution of the Affordable Housing Trust Fund resources and funds in accordance with the requirements of this section. Unless directed otherwise by the Village Code or Board of Trustees, the Village Administrator may approve and be responsible for the distribution of funds in amounts less than \$25,000.

Distribution of funds from the Affordable Housing Trust Fund shall be in the form of grants or loans or such other funding mechanisms that support the purposes of the Affordable Housing Trust Fund. Any Affordable Housing Trust Fund money unused at the end of any year shall remain in the Affordable Housing Trust Fund for future eligible activities, pursuant to the requirements of this section.

E. Eligibility Requirements:

1. Purpose of Eligible Activity: Each eligible applicant shall demonstrate that the requested eligible activity will advance and support the purpose of the Affordable Housing Trust Fund, as set forth in this section.

2. Eligible Applicants: Developers, not-for-profit organizations, homeowners, housing operators, and units of government shall be eligible applicants for Affordable Housing Trust Fund resources. The Affordable Housing Trust Fund shall seek proposals from eligible applicants and make awards for eligible activities based on the priorities set forth in this article and on the eligibility guidelines, program requirements, and process established and maintained by the Board of Trustees. The Village Administrator shall develop and issue eligibility guidelines, program requirements, and applications forms for Affordable Housing Trust Fund grants and loans. Eligible applicants may apply to the Village Administrator for Affordable Housing Trust Fund awards for eligible activities.
3. Eligible Activities: The following housing-related activities are the types of activities that may receive loans or grants provided through the Affordable Housing Trust Fund:
 - a. Housing production, including, without limitation, new construction, rehabilitation, and adaptive re-use.
 - b. Preservation of existing affordable housing stock.
 - c. Financing the acquisition, demolition, and disposition of property that may be used in whole or part for affordable housing projects.
 - d. Weatherization of existing affordable housing units.
 - e. Emergency repairs to existing affordable housing units.
 - f. Funding to facilitate affordable homeownership opportunities including down payment assistance, second mortgages, closing costs, etc.
 - g. Funding to support rental assistance, mortgage assistance, and safety, code compliance, and accessibility improvements for low-income seniors to support aging in place.
 - h. Grants for not-for-profit organizations that facilitate or are actively engaged in programs and activities that address the affordable housing needs of eligible households in Morton Grove.
 - i. Making loans at interest rates below or at market rates in order to strengthen the financial feasibility of proposed affordable housing projects.
 - j. Providing gap financing for affordable housing developments.
 - k. Interim financing of public costs for affordable housing projects in anticipation of a permanent financing source (i.e. construction financing, bond sale, etc.).
 - l. Housing-related support services, including home ownership education and financial counseling.
 - m. Technical assistance to the Village in implementing its affordable housing objectives.
 - n. Administrative costs associated with affordable housing programs.
 - o. Any other activity that the Board of Trustees determines would address the Village's affordable housing needs of the community.
4. Review and Approval of Applications: All complete applications for Affordable Housing Trust Fund awards shall be submitted to the Village Administrator. For application requests of \$25,000 or less, the Village Administrator shall make the final decision to approve or deny the application. For application requests greater \$25,000 the Board of Trustees shall make the final decision to approve or deny the application. Applications shall be evaluated based on factors including, but not limited to,

availability of funds, impact on affordable housing creation and preservation, financial feasibility, allocation priorities, and extent of need.

5. Conditions: As a condition to any Affordable Housing Trust Fund award for any eligible activity, the eligible applicant shall first, among other applicable requirements as established from time-to-time by the Board of Trustees, execute and record such agreements, conditions, and restrictive covenants, or other similar instruments, as shall be required by the Village Administrator or Board of Trustees. Among other requirements, the conditions may bind the eligible applicant and the property, if applicable, to the requirements of this article and provide that all awards shall be used in strict compliance with the requirements of this article and the conditions of approval. The conditions may include a requirement that if the property or development is no longer being used for affordable housing pursuant to the requirements of the specific award, the eligible applicant or successor owner of the property or development may be required to reimburse the Affordable Housing Trust Fund for up to 100 percent of the award, plus applicable interest.

SECTION 3: Title 12, Chapter 5, entitled, “Special Zoning Provisions,” is hereby amended to include a new Section 12-5-12, to read as follows:

12-5-12: AFFORDABLE HOUSING

- A. Purpose:** It is the intent and purpose of this section to provide regulations pertaining to the creation and preservation of affordable housing units in the Village of Morton Grove. These regulations are intended to promote the public health, safety, and welfare of the existing and future residents of Morton Grove by requiring certain developments which contain a residential component to incorporate a specified percentage of dwelling units to be priced affordably for households with incomes at or below 100 percent of the Area Median Income (AMI) or to utilize other mechanisms that will promote affordable housing opportunities in the Village. The Village recognizes the need to provide affordable housing to low-to-middle income households in order to increase housing opportunities for a diverse population and to provide housing for those who live or work in the Village.
- B. Definitions:** For the purpose of this section, whenever any of the following words, terms, or definitions are used herein, they shall have the meanings ascribed to them in this subsection. Where terms are not specifically defined, they shall have the meaning defined in this title or, if none, the ordinarily accepted meanings such as the context implies.

AFFORDABLE HOUSING. Any housing that qualifies as affordable for the targeted households identified in this section. For the purpose of this section, “affordable housing” is divided into tiers based on availability to households at distinct income levels.

AFFORDABLE HOUSING COMPLIANCE PLAN: A plan submitted by a developer or owner of a covered development describing how development will comply the requirements of this section.

AFFORDABLE HOUSING TRUST FUND. A trust fund to be established by the Village, pursuant to Section 1-9C-4 of the Municipal Code of the Village, with the purpose of aggregating and providing financial resources to address the affordable housing needs of individuals and families in the Village.

AFFORDABLE HOUSING UNIT. A dwelling unit that meets the criteria for affordable housing.

AFFORDABLE OWNER-OCCUPIED UNITS. Affordable housing units marketed and offered for sale to eligible households subject to an affordable unit covenant.

AFFORDABLE RENTAL UNITS. Affordable housing units marketed and offered for rent to eligible households subject to standard lease terms.

AREA MEDIAN INCOME (AMI). The median income level for the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area, as established and defined in the annual schedule published by the Secretary of Housing and Urban Development and adjusted for household size.

BASE DENSITY. The number of dwelling units permitted to be constructed on a parcel in conformance with the requirements of the zoning district in which it is located, prior to applying any applicable density bonus.

CERTIFICATE OF QUALIFICATION. A certificate establishing a qualified household's eligibility to purchase or lease an affordable dwelling unit based on income eligibility using income and asset limits, in accordance with the Village's policies and procedures.

CONSUMER PRICE INDEX (CPI-U). Consumer price index for all urban consumers for the Chicago-Naperville-Elgin area as published annually by the U.S. Department of Labor, Bureau of Labor Statistics.

CONVERSION. A change in a residential or mixed-use rental development to individual-owner residential condominium units, or a change in individual-owner residential condominium units to a residential or mixed-use rental development.

COVERED DEVELOPMENT. Any residential or mixed-use development with a residential component that is required to provide affordable housing units, fees in lieu of affordable housing, or linkage fees under the provisions of this section. Projects at one location undertaken in phases, stages, or otherwise developed in distinct parts shall be considered a single covered development.

DEVELOPER. The party responsible for obtaining approvals from the Village, including zoning, subdivision, and building permit approvals, for a covered development.

ELIGIBLE HOUSEHOLD. For purposes of this section, a household with an annual income at or below 100 percent of the Area Median Income purchasing an owner-occupied unit or a household with an annual income at or below 60 percent of the Area Median Income leasing a rental unit.

HOUSING EXPENSES. For affordable rental units, rent and utilities. For affordable owner-occupied units, principal and interest of any mortgages placed on the unit, property taxes, condominium, or homeowner's association fees, if applicable, and insurance.

MAXIMUM RESALE PRICE. The maximum price an owner-occupied affordable unit may be sold to another eligible household at based on a valuation formula established by the Village on an annual basis in conjunction with the annual release of median income levels published by the Department of Housing and Urban Development for the Chicago-Joliet-Naperville Metro FMR Area.

MARKET RATE HOUSING UNITS. All owner-occupied or rental dwelling units in a covered development that are not classified as affordable housing units.

C. Administration:

1. The provisions of this section shall be administered by the Village Administrator and the Department of Community and Economic Development. The Village Administrator shall have the right to adopt and amend from time-to-time administrative guidelines, procedures, and schedules to assist in the effective implementation of this section; provided, however, that any administrative guidelines, procedures, and schedules adopted or amended pursuant to this section shall not be inconsistent with this section, and that in the event of a conflict between the administrative guidelines and this section, this section shall control.
2. The Village Administrator may, with the authorization of the Board of Trustees, enter into an agreement with a not-for-profit organization specializing in the management and operation of affordable housing programs to assist in the administration of portions of this section, including, without limitation, performing assessments of households' certificate of qualification, managing waitlists for affordable housing units, marketing affordable housing units, verifying covered developments' ongoing compliance with the requirements of this section, and advising on the administrative guidelines, procedures, and schedules authorized by this section.

D. Applicability:

1. General. Developments subject to the provisions of this section shall be deemed covered developments and shall include the following:
 - a. A development that is new single-family attached, single-family detached, two-family detached, or multi-family residential construction or new mixed-use construction with a residential component.
 - b. A development that is the renovation or reconstruction of an existing multi-family residential building that increases the number of residential dwelling units from the number of dwelling units in the original structure.
 - c. A development that will change the use of an existing building from non-residential to residential or that will change the class of residential use from single-family to multi-family.

- d. A development that includes a conversion.
 - e. A development that is the removal and replacement of an existing single-family detached or two-family detached dwelling unit.
 - f. A development that increases the floor area of an existing single-family detached or two-family detached dwelling unit. This calculation shall not include the floor area of detached accessory structures.
2. Development on Multiple Parcels. For the purposes of this section, a development that is constructed across multiple adjacent parcels under common ownership shall be considered a single development.
 3. Excluded Developments. The requirements of this section do not apply to the following development types:
 - a. A non-residential development;
 - b. Assisted living facilities; or
 - c. Nursing facilities.

E. Requirements for Covered Developments:

1. General Requirements: Unless an exception or alternative is approved pursuant to section 12-5-12:E.7, the developer of a covered development must satisfy the requirements of this section by providing affordable housing units within the physical envelope of the development or a linkage fee or cash payment in lieu as follows:

Number of Units in the Covered Development	On-Site Affordable Unit Requirement	Linkage Fee or Payment in Lieu
1-4	No affordable units required	5% of building permit fee
5-10	No affordable units required	\$1,000 per unit within the covered development unless 1 or more affordable units are provided, then \$0
11-20	1 affordable unit	\$40,000 per each required affordable unit
21-30	2 affordable units	
31-40	3 affordable units	
41+	10% of units	

2. Calculation:
 - a. Calculation of Affordable Units: When the application of the percentage specified above results in a number of required affordable housing units that includes a fraction, the fraction will be rounded up to the next whole number if the fraction is

equal to or greater than 0.5. If the result includes a fraction equal to or less than 0.49, the required number of affordable housing units will be rounded down to the next whole number.

- b. Calculation of Payment in Lieu and Linkage Fees. For covered developments satisfying their affordable housing requirement through a full or partial payment in lieu or linkage fee, the amount due to the Village shall be equal to the per unit amount established in Section 12-5-12:E.1 multiplied by the number of required units pursuant to Section 12-5-12:E.2 less the number of affordable housing units to be provided by the developer pursuant to this section.

Effective January 1, 2023, the fee in lieu amounts and linkage fees shall be adjusted in January of each year by the annual percentage change in the Consumer Price Index (CPI-U) for the Chicago-Elgin-Naperville area.

3. Timing of Payment: Payment of any applicable linkage or payment in lieu fees for a covered development shall be submitted prior to the issuance of any building permits for the covered development. All payments received pursuant to this section shall be deposited directly into the Village Affordable Housing Trust Fund and reserved for authorized purposes pursuant to Article 1-9C-4.
4. Maximum Price. Affordable units in covered developments may only be offered to eligible households at the maximum price levels listed in the chart below.

Unit Type	Maximum Price ¹
Affordable Owner-Occupied Unit ²	Attainable to households with income at or below 100% AMI
Affordable Rental Unit ³	Attainable to households with income at or below 60% AMI

1. Maximum housing prices are based on spending no more than 30% of monthly household income on housing expenses. Permitted housing expenses for affordable units will be calculated based on the most current area median income levels published by HUD.
2. For affordable owner-occupied units, housing expenses equals the monthly sum of principal and interest of any mortgages placed on the unit, property taxes, association fees, and insurance.
3. For affordable rental units, housing expenses equals the monthly sum of rent and utilities.
5. Pricing Schedule. The Village Administrator shall publish a Housing Expenses Pricing Schedule of rental and sales prices for affordable housing units, which pricing schedule will be made publicly available and will be updated annually.
6. Alternative Equivalent Proposal. An applicant may propose to meet the minimum affordable housing requirement for covered developments by an alternative equivalent action, subject to review and approval by the Village Board of Trustees. A proposal for an alternative equivalent action may include, but is not limited to, the construction of

affordable dwelling units on another site in the same neighborhood or a comparably zoned neighborhood, or acquisition and enforcement of affordability restrictions on existing market rate dwellings so as to render them affordable housing units, fewer on-site affordable units at prices affordable to households at lower threshold income levels, or dedication of land. Any proposal shall demonstrate how the alternative proposed will increase affordable housing opportunities in the Village to an equal or greater extent than compliance with the express requirements of this section.

F. Eligibility and Preference of Households for Affordable Dwelling Units:

1. Eligibility:
 - a. The affordable dwelling units within a covered development which are for-sale shall be sold only to owner-occupant eligible households whose primary residence shall be said affordable dwelling unit. All affordable units must be sold households whose incomes do not exceed one hundred percent (100%) AMI adjusted for household size.
 - b. The affordable dwelling units within a covered development for rent shall be leased only to tenants with eligible households whose primary residence shall be said affordable dwelling unit. For covered developments, all affordable units must be leased to households whose incomes do not exceed sixty percent (60%) AMI adjusted for household size.
2. Preference: Priority for affordable dwelling units will be given first to eligible households who currently live in Morton Grove, or who have lived in Morton Grove with a member of a household currently living in Morton Grove, or to households in which the head of the household or the spouse or domestic partner works in Morton Grove.
3. Waiting List. Waiting lists of households for affordable housing may be created in advance of the construction of those units in order to prioritize households pursuant to this section. Households may complete a preliminary income screening based on self-reported income to be placed on a waiting list for rental and ownership units.

G. Distribution and Attributes of On-Site Affordable Dwelling Units:

1. Location Of Affordable Dwelling Units: Affordable dwelling units shall be within the covered development except as approved by an alternative equivalent action pursuant to this section.
2. Size of Units: Affordable housing unit size must be generally representative of and correspond to the size of the market rate housing units within the covered development.
3. Phasing of Construction: In a covered development to be constructed in multiple phases, each phase of the development must include a number of affordable housing units proportional to the fraction that the phase consists of the entire covered development. Construction of affordable housing units may not be delayed or grouped into later phases of a covered development.

4. **Exterior Appearance:** The exterior appearance of the affordable dwelling units in any covered development shall be visually compatible with the market rate dwelling units in the covered development.
5. **Interior Appearance and Finishes:** Affordable dwelling units may have different interior appearance and finishes than market rate units, but the interior finish materials shall be contractor grade or higher.
6. **Mix of Bedroom Types of Affordable Units:** The bedroom mix of affordable dwelling units shall be in equal proportion to the bedroom mix of the market rate dwelling units within the covered development or as determined by the Village Administrator.
7. **Energy Efficiency:** Standard components related to energy efficiency, including, but not limited to, mechanical equipment and plumbing, insulation, windows, and heating and cooling systems, shall be the same in market rate dwelling units and affordable dwelling units.
8. **Amenities:** Affordable housing units must have similar access to common areas, facilities, and services as that enjoyed by comparable market rate housing units in a covered development including but not limited to outdoor spaces, amenity spaces, storage, parking, bicycle parking facilities, and resident services.

H. Affordability Controls:

2. **Affordable Housing Agreement:** Prior to issuance of a building permit for any development or conveyance of title of any dwelling unit in any development, the applicant shall have entered into an affordable housing agreement with the Village regarding the specific requirements and restrictions imposed by the Village Board upon the approved development. The applicant shall agree to execute any and all documents deemed necessary by the Village, including, without limitation, deed restrictions, restrictive covenants, and other related instruments, to ensure the continued affordability of the affordable dwelling units in accordance with this article. The affordable housing agreement shall set forth the commitments and obligations of the Village and the applicant, and shall incorporate, among other documents, the affordable housing compliance plan. If applicable, the affordable housing agreement shall also detail the fee in lieu or alternative equivalent action of providing on-site affordable dwelling units as set forth in this section.
3. **Affordability Controls for Affordable Owner-Occupied Units:**
 - a. **Initial Sale Prices for Affordable Owner-Occupied Units:** Permitted initial sales prices for affordable owner-occupied units shall be set according to a schedule published by the Village annually and calculated on the basis of:
 1. Housing expenses at or below thirty percent (30%) of the eligible income with a household size corresponding to the size of the unit.

2. The following relationship between unit size and household size shall be used to determine the appropriate income level at which affordable housing expenses are calculated:

Unit Size	Income Level for Household Size
Efficiency	1 Person
1 Bedroom	2 Persons
2 Bedrooms	3 Persons
3 Bedrooms	4 Persons
4 Bedrooms	5 Persons

3. An available fixed rate thirty (30) year mortgage, consistent with the average rate published from time to time by Freddie Mac;
 4. A down payment of no more than five percent (5%) of the purchase price;
 5. A calculation of property taxes;
 6. A calculation of homeowner's insurance;
 7. A calculation of condominium or homeowner association fees; and
 8. A calculation of private mortgage insurance, if applicable.
- b. Procedure for Sale of an Affordable Owner-Occupied Unit to an Eligible Household:
1. Sixty (60) days prior to offering any owner-occupied affordable unit for sale to the public, a developer must notify the Village in writing of such offering. The notice shall include the number, size, price, and location of affordable housing units to be offered, a description of each housing unit's finishes and availability, and any additional information the Village Administrator may reasonably require in order to establish compliance with this section.
 2. The prospective purchaser must make application for a certificate of qualification on a form provided by the Village. If the Village determines a purchaser is an eligible household pursuant to the requirements of this section to purchase an affordable housing unit, it will issue a certificate of qualification to that purchaser. A purchaser must provide documents to verify that their household satisfies these requirements, including an affidavit that the affordable housing unit will be their primary residence.
 3. The developer may not sell any affordable housing units without a valid certificate of qualification from the Village for the prospective buyer.
- c. Resale of Affordable Housing Units: An affordable housing unit constructed as a requirement of this section may be sold to a private party that meets the income level and eligibility requirements established in this section. The resale price of any affordable unit shall not exceed the purchase price paid by the seller of that unit plus

inflation as measured by the CPI-U for the period of time that the owner resided in the unit.

- d. **Period of Affordability:** In covered developments that include owner-occupied housing units, affordable housing units may be offered and resold to only to eligible households and in accordance with this section at all times that the units are used for residential purposes, in perpetuity or as long as permissible by law. The developer or owner shall execute and record any agreements, covenants, or instruments required by this section to ensure compliance with this section.

4. **Affordability Controls for Affordable Rental Units:**

- a. **Rental Rates for Affordable Rental Units:** Permitted housing expenses affordable rental units shall be set according to a schedule published by the Village annually and calculated on the basis of:
 1. Housing expenses at or below thirty percent (30%) of the eligible income with a household size corresponding to the size of the unit.
 2. The following relationship between unit size and household size shall be used to determine the appropriate income level at which affordable housing expenses are calculated:

Unit Size	Income Level for Household Size
Efficiency	1 Person
1 Bedroom	2 Persons
2 Bedrooms	3 Persons
3 Bedrooms	4 Persons
4 Bedrooms	5 Persons

- b. **Procedure for Initial Lease of an Affordable Rental Unit to an Eligible Household:**
 1. Sixty (60) days prior to offering any affordable housing unit for sale or rent, the developer must notify the Village in writing of such offering. The notice shall include the number, size, price, and location of affordable housing units to be offered, a description of each housing unit's finishes and availability, and any additional information the Village Administrator may reasonably require in order to establish compliance with this section.
 2. The prospective lessee must make application for a certificate of qualification on a form provided by the Village. If the Village determines a lessee is an eligible household pursuant to the requirements of this section to lease an affordable housing unit, it will issue a certificate of qualification to that lessee. A lessee must provide documents to verify that their household satisfies these requirements, including an affidavit that the affordable housing unit will be his or her primary residence.

3. The developer shall not lease any affordable rental units without a valid certificate of qualification from the Village for the prospective lessee. Any lease for an affordable rental unit shall also contain a prohibition on subleasing or allowing occupancy by a household without a valid certificate of qualification.
- c. **Annual Compliance Report:** The developer, or its successor, assignee, or designee, shall submit an annual compliance report to the Village describing each affordable unit in detail including but not limited to changes in tenancy, turnovers, and income certifications for all new tenants upon request of the Village Administrator for the rental affordability period as defined in this section. The developer, or its successor, assignee, or designee shall complete annual re-certifications of tenants renting affordable units to the Village for the rental affordability period as defined in this section.
 - d. **Period of Affordability:** In covered developments that contain rental units, affordable housing units shall be offered and leased only to eligible households and in accordance with this section for so long as those units are used for residential purposes, in perpetuity or as long as permissible by law. The developer or owner shall execute and record any agreements, covenants, or instruments required by this section to ensure compliance with this section. In the event that the owner of a covered development including affordable rental units sells the development, the new owner will be required to continue to offer the affordable housing units in accordance with this section.
- I. Affordable Housing Compliance Plan:** For all covered development projects containing eleven (11) or more housing units, the developer shall submit an affordable housing compliance plan to the Village that includes a description of the covered development, including specifically how and where affordable units will be incorporated into the development as well as such other documents and information as the Village Administrator may require. The Village Administrator will also have the authority to require, as part of the plan submittal, such additional information, documents, and plans as the Village Administrator deems necessary to evaluate the proposed covered development's compliance with this section.
- J. Incentives for Development of Affordable Housing Units:** Developers constructing covered developments incorporating the affordable housing units required on-site will be allowed to take advantage of the following incentives and development options. All incentives and options authorized by this section shall be proposed and memorialized in the affordable housing compliance plan for the covered development.
1. **Additional Building Height:** In order to accommodate affordable housing units within a covered development, any covered development providing affordable housing units pursuant to this section shall be entitled to a height increase of up to 12 feet above the height limits in the applicable zoning district other than in R-1 and R-2 Single Family Residence zoning districts.
 2. **Additional Development Density:** Any covered development providing affordable housing units on-site pursuant to this section shall be entitled to an increase in the permitted residential density equal to one (1) additional dwelling unit above that

otherwise established by the zoning district in which the development is located for each affordable housing unit provided on-site.

SECTION 4: The terms and conditions of this ordinance shall be severable and if any section, term, provision, or condition is found to be invalid or unenforceable for any reason by a court of competent jurisdiction, the remaining sections, terms, provisions, and conditions shall remain in full force and effect.

SECTION 5: Except as to code amendments set forth in this ordinance, all chapters and sections of the Morton Grove Village Code shall remain in full force and effect.

SECTION 6: This ordinance shall be effective from and after its adoption, approval, and publication as provided by law.

PASSED this 27th day of June 2022.

Trustee Gear Aye

Trustee Khan Aye

Trustee Minx Aye

Trustee Travis Aye

Trustee Thill Aye


Trustee Witko Aye

APPROVED by me this 27th day of June 2022.



Daniel P. DiMaria, Village President
Village of Morton Grove
Cook County, Illinois

APPROVED and FILED in my office this
28th day of June 2022.



Eileen Scanlon Harford, Village Clerk
Village of Morton Grove
Cook County, Illinois

EXHIBIT A

Plan Commission Report for PC 22-06

Dated June 6, 2022

To: Village President and Board of Trustees

From: Chris Kintner, Plan Commission Chairperson Pro Tem
Ralph Czerwinski, Village Administrator
Teresa Hoffman Liston, Corporation Counsel
Zoe Heidorn, Community Development Administrator

Date: June 6, 2022

Re: Case PC 22-06: Request for approval of a Text Amendment to Chapter 12-5 of the Morton Grove Unified Development Code to establish regulations relating to affordable housing in Morton Grove, Illinois. The applicant is the Village of Morton Grove.

Executive Summary

The Village of Morton Grove ("applicant") submitted a complete Text Amendment Application ("application") to the Department of Community and Economic Development requesting approval of a Text Amendment to Chapter 12-5, "Special Zoning Provisions," to establish regulations relating to affordable housing in the Village of Morton Grove. Another related amendment is proposed by staff to insert Section 1-9C-4, "Affordable Housing Trust Fund," into Title 1 of the Morton Grove Municipal Code. However, the latter amendment does not require Plan Commission review because it does not pertain to Title 12.

The proposed Text Amendment was considered by the Plan Commission at the regularly scheduled meeting on May 16, 2022. For the reasons set forth in this report, on May 16, 2022, the Plan Commission unanimously recommended by a vote of 6-0 (Chairperson Blonz absent) that the Village Board of Trustees should approve the Text Amendment.

Application

On April 11, 2022, the applicant submitted a complete application requesting approval of a Text Amendment to Chapter 12-5 of the Unified Development Code (Title 12) to establish regulations relating to affordable housing in the Village. The applicant submitted the "Village of Morton Grove Affordable Housing Report," attached hereto as "**Attachment A**," which describes the purpose of the amendment and provides supporting information.

Procedural Control

Because the application proposes to amend Village Code pertaining to affordable housing requirements applicable to future development, and not one development in particular, review by the Village departments, Appearance Commission, and Traffic Safety Commission were waived. The application was reviewed by the Department of Community and Economic Development, Administration, Corporation Counsel, and Plan Commission, for consideration and final action by the Village Board of Trustees.

Public Hearings

Plan Commission

The Village of Morton Grove provided public notice for the May 16, 2022, Plan Commission public hearing for Case PC 22-06 in accordance with the Unified Development Code. The Morton Grove Champion published a public notice on April 28, 2022. Mailed letters to property owners and a public notice sign were not required due to the application being for a Text Amendment to the Unified Development Code and not in relation to a particular property.

Plan Commission – May 16, 2022, Proceedings: Six members of the Plan Commission were in attendance at the public hearing for Case PC 22-06 held on May 16, 2022. Chairperson Blonz was absent with notice.

Zoe Heidorn, Community Development Administrator, provided a brief introduction to the application. The staff report dated May 9, 2022, and attached hereto as "**Attachment B**," was entered into the public record.

Ms. Heidorn explained that, in the case of PC 22-06, the Village is proposing an amendment to Title 12 to incorporate affordable housing requirements for residential developments, including new single-family, two-family, and multi-family construction, multi-family renovations that increase the number of units, non-residential to residential and single-family to

multi-family conversions, conversions from apartments to condominiums and vice versa, the removal and replacement of any single-family or two-family residence, and any project that increases the floor area of existing single-family and two-family residences. The requirements for linkage fees, on-site units, or payments in lieu have been scaled based on the size of the development. For an addition to a single-family residence, a 5% fee will be tacked onto the building permit. For a 50-unit development, 5 affordable units will be required, or a payment-in-lieu of \$40,000 per unit.

Ms. Heidorn explained that the proposed ordinance was designed to be flexible for developers and allow Morton Grove to remain competitive among surrounding communities. A scaling linkage fee, which provides a link between investment in market-rate real estate to the production and support of affordable housing units, distributes the responsibility of contributing towards affordable housing across smaller single-family projects and mid-size projects containing ten or fewer units. For developments over 10 units, providing on-site affordable units or a more sizeable payment-in-lieu is required. All proceeds will be deposited with a new Affordable Housing Trust Fund, which will support a Single-Family Rehab Loan Program, a Senior Home Repair Assistance Program, and a Critical Home Repair & Code Compliance Grant Program for low-income residents. These programs may be modified or expanded in the future.

Ms. Heidorn noted that Morton Grove is characterized by a healthy stock of small and affordable single-family homes that are at risk of losing affordability due to flipping, new buyer renovation, and replacement. Providing support to low-income households, especially senior residents, to allow them to stay in their homes while facilitating the development of new affordable units is a more holistic approach to affordable housing. Staff intends to update the Affordable Housing Report as needed upon the next certification by the IHDA, which is expected to occur within the next one to two years. This may inform future proposals to modify the requirements of the affordable housing ordinance.

Commissioner Liston asked how the fund would receive the fees and how would the fund be administered.

Ms. Heidorn said the Village Administrator would administrate the fund with the guidance of Corporation Counsel, the Finance Director, and the Department of Community and Economic Development. All programs need to be authorized by the Village Board of Trustees. The Village Administrator would only be permitted to disburse amounts less than \$25,000, as proposed.

Commissioner Gabriel asked whether this is a mandated program and how a resident could participate in the future.

Ms. Heidorn explained that a program is not mandated, but an affordable housing plan is required if the amount of affordable housing in an Illinois municipality falls below 10 percent, as measured by the IHDA. Morton Grove is currently at 13.1 percent, based on the most recent IHDA calculation. The program is being presented as a preventative measure to not fall below 10 percent.

Ms. Heidorn went on to explain rental and purchase income thresholds that would determine whether a resident could lease or purchase an affordable unit.

Commissioner Stein asked if staff was comfortable with requiring 10 percent affordable units only when the development exceeds 41 units.

Ms. Heidorn responded that the unit requirement is generally comparable to the 10 percent requirement in similar municipalities, but that the unit count was rounded down for developments between 11 and 40 units. The fee-in-lieu was also set lower than most communities with affordable housing ordinances and to remain competitive with surrounding communities and not hinder future development. No adjacent community currently has an affordable housing, and the potential sale price of a home in Morton Grove is lower than most communities with affordable housing ordinances, meaning the cost of affordable housing would be more difficult to absorb for a project in Morton Grove. This regulation has been vetted with developers working in the Village, with no negative responses. Ms. Heidorn added that the fee could always be increased if deemed

appropriate. She noted that St. Charles, Illinois, began with a high fee and incrementally lowered the fee to just under \$40,000 because the City felt higher fees were deterring development and the community already had a healthy stock of affordable housing units.

The Commissioners discussed the benefits of working proactively to address affordable housing needs.

Chairperson Pro Tem Kintner suggested that population should be added to the Community Comparison table on page 8 of the report. He asked Ms. Heidorn to explain the consequences of not having 10 percent affordable housing. He added that Morton Grove is not very comparable to St. Charles.

Ms. Heidorn said that the State requires municipalities to adopt an affordable housing plan within a certain timeframe if less than 10 percent of the local year-round housing stock is affordable. She noted that a housing plan is typically not binding. Morton Grove has traditionally encouraged affordable housing and this ordinance is pro-active.

Chairperson Pro Tem Kintner asked how the fund will be initiated and funded.

Ms. Heidorn responded that the proposed amendment to Title 1 will establish the fund and that sources of funding will include fees-in-lieu, linkage fees, grants, and other sources authorized by the ordinance. She added that the funds have not been committed through the Village budget and that property and sales taxes are not included as a source.

The Commissioners discussed marketing of the proposed programs.

Ms. Heidorn explained that the programs may be marketed by the Village Administrator, Department of Community and Economic Development, Village Social Worker, and through the adjudication process.

Commissioner Liston asked if the expenditures of the fund would be disclosed to the public.

Ms. Heidorn said she expected that there would be an annual report, at a minimum, to disclose expenditures.

Chairperson Pro Tem Kintner asked for public comment.

Trustee Thill noted that the proposed programs emulate the Village's flood control grant program. He favors a grant that helps people stay in their homes. This ordinance will help the Village stay ahead in affordable housing.

Chairperson Pro Tem Kintner stated that he supported the ordinance and programs, but that in order to measure their success, staff should establish metrics to track their performance moving forward. The ordinance and programs could then be modified as needed to ensure their outputs match Village goals.

Commissioner Liston moved to recommend the approval of Case PC 22-06, a request for approval of a Text Amendment to Chapter 12-5 of the Morton Grove Unified Development Code to establish regulations relating to affordable housing in Morton Grove, Illinois, as outlined in the Staff Report to the Plan Commission dated May 9, 2022.

The motion was seconded by Commissioner Dorgan.

Chairperson Pro Tem Kintner called for the vote.

The motion was unanimously (6-0) approved.

Final Amendment and Supporting Documents

The application's final amendment recommended for approval by the Plan Commission includes the following and is attached hereto as "**Attachment C**":

1. Draft Affordable Housing Ordinance, prepared by Village of Morton Grove, dated June 6, 2022

Attachments

- **Attachment A** – Village of Morton Grove Affordable Housing Report, prepared by Village of Morton Grove, dated May 2022
- **Attachment B** – Staff Report to the Plan Commission for PC 22-06, prepared by Zoe Heidorn, Community Development Administrator, dated May 9, 2022
- **Attachment C** – Draft Affordable Housing Ordinance, prepared by Village of Morton Grove, dated June 6, 2022

Attachment A

Village of Morton Grove Affordable Housing Report
Prepared by Village of Morton Grove
Dated May 2022

Village of Morton Grove

Affordable Housing Report



May 2022 DRAFT

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Glossary

AHPPA	Affordable Housing Planning and Appeal Act (310 ILCS 67)
AMI	Area Median Income
CMAP	Chicago Metropolitan Agency for Planning
HODC	Housing Opportunity Development Corporation
IHDA	Illinois Housing Development Authority
HUD	U.S. Department of Housing and Urban Development

A. Introduction

As the Village of Morton Grove continues to welcome new residential development and as key opportunity sites are made available for future redevelopment, the Village Board of Trustees expressed a desire to understand the state of affordable housing in the Village and to ensure that a certain level of affordable housing is maintained. The Village Board's principal goals are to sustain affordable and inclusionary housing opportunities in the Village, match affordable housing opportunities and assistance with the needs of existing residents, expand the diversity of housing types, and encourage high-quality residential development.

Staff prepared this report to describe the current state of affordable housing within Village limits and the market area, explore approaches to providing more affordable residential units and housing assistance, and make recommendations based on findings and best practices for the adoption of an affordable housing ordinance and policy to achieve Village Board goals.

B. State of Illinois Affordable Housing Planning and Appeal Act

In 2003, the Illinois General Assembly passed the Affordable Housing Planning and Appeal Act (AHPAA or "Act") (310 ILCS 67) to address the lack of affordable housing in many Illinois communities. The law established a process for identifying communities with a shortage of local housing stock available at an amount that would be affordable to homebuyers and renters. For homebuyers, affordability is based on 80% of area median income (AMI). For renters, affordability is based on 60% of area median income. The 2021 thresholds for owner-occupied and rental dwelling units for the Chicago metropolitan area are established by the Illinois Housing Development Authority (IHDA) and provided below.

Owner-Occupied Units Affordability Chart for Chicago Metro Area (Including Cook County)

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
2021 Income Limits (80% AMI)	\$52,200	\$59,650	\$67,100	\$74,550	\$80,550	\$86,500	\$92,450	\$98,450
Affordable Purchase Price	\$145,000	\$165,694	\$186,389	\$207,083	\$223,750	\$240,278	\$256,806	\$273,472

Rental Units Affordability Chart for Chicago Metro Area (Including Cook County)

	0 bedroom	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5 bedroom
2021 Affordable Household Rent Limits (60% AMI)	\$979	\$1,049	\$1,258	\$1,454	\$1,623	\$1,790

The Act requires municipalities to adopt affordable housing plans if their population exceeds 1,000 and less than 10% of the local year-round housing stock is considered affordable, as determined by data from the U.S. Census Bureau and other relevant sources. The IHDA administers the Act and oversees community compliance. The IHDA is

required to determine which communities exceed the 10% threshold for affordable housing and are exempt from adopting affordable housing plans. When the IHDA deems a community to be non-exempt, the community is required to adopt an affordable housing plan within 18 months from the date of notification. The IHDA is required to review the affordable housing stock of each Illinois community and determine exemption status at least once every five years.

The IHDA's most recent Report on Statewide Local Government Affordability was released in 2018 and determined that 13.1% of Morton Grove's housing stock is affordable. Based on the 2018 report, the Village is currently exempt from the State requirement for an affordable housing plan.

2018 Report on Statewide Local Government Affordability, Morton Grove

Population	23,413
Total Year-Round Units	8,087
Total Affordable Year-Round Units	1,060
Affordable Housing Share	13.1%

Source: 2016 American Community Survey, 5-year Estimate

While State law does not require Morton Grove to adopt an affordable housing plan, the Village acknowledges the importance of developing tools such as plans, policies, and ordinances to ensure that quality affordable housing is maintained in Morton Grove.

C. Affordable Housing in Morton Grove

The Village of Morton Grove has had a longstanding policy of facilitating and encouraging affordable housing options in the Village, especially for seniors who may have difficulty maintaining their current residence in Morton Grove or cannot meet rising home values to purchase a home in the Village.

2003 – The Village establishes the Affordable Senior Housing Committee to study and make recommendations to the Village Board on ways to facilitate and encourage affordable housing options, especially for seniors within the Village.

2003 – The Housing Opportunity Development Corporation (HODC) partners with Turnstone Development Corporation, a nonprofit affordable housing developer, to acquire, rehabilitate, and manage the Morton Grove Senior Apartments at 9016 Waukegan Road, which were originally constructed as a senior housing development in 1979. Faced with an expiring rental assistance contract from the U.S. Department of Housing and Urban Development (HUD), the property was put on the market by the owner. The Village of Morton Grove supported preserving the building as affordable senior housing and provided bond cap to finance the mortgage. The building provides homes for 56 low-income senior citizen households, many of whom moved into the building when it was originally constructed. Since the building has project-based rental assistance, tenants pay just one-third of their income towards rent, with the remainder covered by HUD.

2005 – The Village adopts the Village of Morton Grove Affordable Housing Plan and makes it part of the Village's Comprehensive Plan. The Affordable Housing Plan's objectives are as follows:

- Maintain the predominant single-family character of the Village.
- Identify actions that will help sustain Morton Grove's strong tradition of home ownership.

- Undertake public infrastructure improvements within residential areas as required.
- Protect residential areas from the encroachment of incompatible land uses and the adverse impacts of adjacent activities.
- Preserve sound existing housing through active code enforcement and preventive maintenance.
- Provide assistance in maintaining older housing properties through rehabilitation.
- Encourage the development of high-quality new housing, including compatible and appropriately located townhouses, condominiums and apartments.
- Promote the development of new housing for senior citizens.
- Promote the development of new housing designed and priced to attract young families to the community.
- Define strategies, which will encourage a range of housing types, and housing prices that reflect the Village's diverse population.
- Ensure that new housing construction complements and enhances existing neighborhood development.

2006 – The Village approves reallocation of the 2006 private activity bond allocation (\$1.79 million) to the Illinois Housing Development Authority (IHDA) to assist the agency in implementing a mortgage revenue bond program and mortgage certificate program. These programs provide incentives, grants, and tax credits to first-time homeowners on limited incomes. Morton Grove residents are granted priority in the use of these programs for one year.

2008 – Village adopts the Lehigh/Ferris Subarea Framework Plan, which envisions a mixed-income senior housing development to include low-income and moderate-income units at the northeast corner of Lincoln and Old Lincoln Avenues.

2010 – The Village and Homestead of Morton Grove enter into an agreement for the redevelopment of the property at the northeast corner of Lincoln and Old Lincoln Avenues to support the construction of a mixed-income senior housing development. The agreement requires that at least 19 of the 82 residential units (23%) must be reserved for households earning 50% or less of the area median income (AMI).

2012 – The Homestead of Morton Grove opens its doors at 6400 Lincoln Avenue. The 82-unit senior development for seniors 55 years of age and older includes 19 affordable units ranging from 781 to 1,172 square feet. Amenities include a great room, wellness and fitness center, dining room, library, business center, scheduled transportation, fully apportioned kitchens, and in-unit washers and dryers.

2014 – The Morton Grove Senior Apartments at 9016 Waukegan Road are sold to PR Mortgage & Investment Corp. which enters into a new agreement with HUD for rental assistance. All units are required to remain affordable to low-income seniors.

2021 – The Village commits to affordable housing and relocation assistance for low-income and very low-income households affected by redevelopment activity in the Lincoln/Lehigh Redevelopment Project Area (RPA) in accordance with federal and state requirements. However, the Village does not propose, and the Redevelopment Plan does not include, any plans for any residential dislocation or relocation activities within the RPA.

2022 – The Board of Trustees approves a 24-unit mixed-use development on Village-owned property located at Chestnut Street and Lehigh Avenue. The developer, MHDC SLF LLC, commits that five, or 20 percent, of the rental units will be attainable to households earning no more than 60% AMI.

D. Community Comparison

Very few municipalities of the 284 communities located in the northeastern Illinois region, as defined by the Chicago Metropolitan Agency for Planning (CMAP), have adopted affordable housing ordinances, often referred to as inclusionary zoning ordinances. Based on information available at the time of this report, the following nine municipalities have adopted inclusionary housing requirements by ordinance: Arlington Heights, Chicago, Deerfield, Evanston, Highland Park, Lake Forest, Northbrook, Oak Park, and St. Charles. This section compares the economic and housing data of Morton Grove with surrounding communities and eight of the nine communities that have adopted affordable housing ordinances. The City of Chicago is excluded from discussion due to disparities in community characteristics.

Income

According to 2019 American Community Survey five-year estimates, the median income for Morton Grove residents is \$85,360 and the per capita income is \$38,381. As a proportion of the 8,394 occupied housing units located within Village limits, 89.7% are owner-occupied. While Morton Grove's median income is significantly higher than the Cook County median income of \$64,660, by comparison with communities that have adopted affordable housing ordinances in the Chicago metropolitan region, Morton Grove tends to have a lower median household income, lower per capita income, and a higher rate of owner-occupied housing. Communities in the immediate surrounding area, including Skokie, Niles, and Evanston, have income levels that are slightly lower than Morton Grove.

Home Sales Price

According to Redfin data, the 2022 median sale price for homes in Morton Grove is \$356,500. Of the communities surveyed, only Arlington Heights, Niles, Oak Park, Skokie, and St. Charles have lower median sale prices. Of these communities, all but St. Charles have a significantly higher proportion of units within large multi-family structures. A higher proportion of multi-family units typically lend to a lower median sale price.

Affordability

Based on the U.S. Department of Housing and Urban Development's Location Affordability Index (2012-2016), a 4-person median-income family in Morton Grove spends approximately 39% of their household income on housing costs. The standard threshold of housing affordability is 30%, meaning that a home is considered affordable when rent or mortgage costs consume no more than 30% of household income. It should be noted that the Index produces modeled number based on compiled datasets and that actual housing affordability will vary significantly by household, property, and neighborhood. In fact, some areas within Morton Grove qualify as affordable under the Index. Three block groups, a geographical unit used by the United States Census Bureau, located south of Dempster Street, produce average housing costs of between 27% and 29% of household income.

By comparison with communities in the surrounding area and communities that have adopted affordable housing ordinances, Morton Grove rates consistent with or more affordable in terms of housing costs as a percent of household income. Based on the Location Affordability Index, housing in Morton Grove is more affordable to its residents than in Deerfield, Glenview, Highland Park, Lake Forest, Northbrook, and Park Ridge. Based on the IHDA's 2018 assessment of affordable housing shares in Illinois communities, Morton Grove has a higher share of affordable year-round housing units than Deerfield, Glenview, Highland Park, Lake Forest, Lincolnwood, Northbrook, and Park Ridge.

The 2018 IHDA assessment that establishes a 13.1% affordable housing share for Morton Grove, calculated based on 1,060 affordable units out of 8,087 total year-round units, does not include the 250 market-rate units at Sawmill Station that were delivered in 2021 and 2022. Not accounting for other new residential construction or demolition, or changes in affordability of existing units, these new units decrease the affordable housing share to 12.7%, which is still significantly higher than the 10% affordable housing share needed to maintain exemption from the requirement for an affordable housing plan under the Act.

Community Comparison – Income, Ownership, and Affordability

(Source: 2019 American Community Survey Five-Year Estimate. Shading indicates community has adopted an affordable housing ordinance.)

Community	Median Household Income	Per Capita Income	Percent Owner Occupied	2022 Median Sale Price (Redfin)	Housing Costs as a Percent of Household Income for a Median Income Family *	2018 Affordable Housing Share (IHDA)
Morton Grove	\$85,360	\$38,381	89.7%	\$356,500	39%	13.1%
Arlington Heights	\$96,340	\$51,450	74.6%	\$330,000	38%	19.1%
Deerfield	\$153,431	\$77,954	82.9%	\$505,000	59%	7.3%
Evanston	\$78,904	\$51,723	55.7%	\$443,750	38%	17.5%
Glenview	\$115,198	\$65,170	81.7%	\$450,000	48%	7.3%
Highland Park	\$150,269	\$90,442	82.1%	\$625,000	57%	9.3%
Lake Forest	\$172,165	\$99,907	86.1%	\$1,217,500	69%	5.3%
Lincolnwood	\$95,030	\$44,084	83.3%	\$402,500	54%	5.5%
Niles	\$64,772	\$32,743	74.8%	\$287,500	31%	30.4%
Northbrook	\$124,863	\$69,287	85.9%	\$512,250	53%	5.7%
Oak Park	\$94,646	\$56,264	59.5%	\$292,500	37%	22.6%
Park Ridge	\$111,642	\$57,022	83.8%	\$425,000	45%	8.0%
Skokie	\$73,046	\$36,308	70.4%	\$327,250	36%	19.9%
St. Charles	\$98,393	\$50,124	71.7%	\$330,000	37%	17.1%

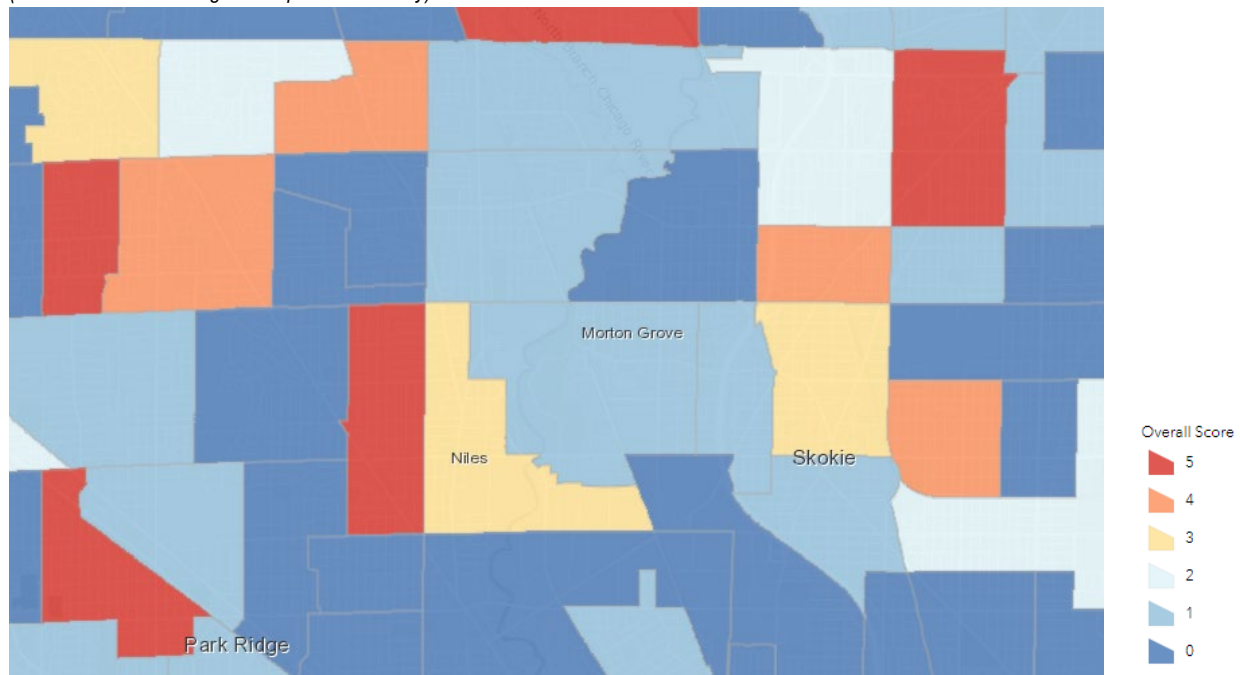
* Source: U.S. Department of Housing and Urban Development, Location Affordability Index (2012-2016). The purpose of the index is to isolate the effect of location on housing costs. The values represent the percent of household income that an average household of each type spends on housing. "Median-income family" assumes a 4-person, 2-commuter household with income equal to the regional median.

The IHDA generates an Affordability Risk Index (ARI) score that is designed to identify census tracts throughout Illinois that are at risk of losing rental housing affordability. Census tracts where the risk of affordability loss is greatest receive the highest score in this index, ranging from 1 to 5. The ARI uses American Community Survey data to measure change over time across various factors that indicate affordability loss, including median household income, median home value, families below the federal poverty level, housing unit vacancy, renter tenancy, occupation, and educational attainment.

Based on the most current index scores, which measure changes in metrics between 2014 and 2019, Morton Grove census tracts score between 0 and 1, indicating the community is at a low risk of affordability loss.

IHDA Affordability Risk Index (ARI)

(Source: Illinois Housing Development Authority)



Housing Characteristics

Based on 2019 American Community Survey five-year estimates, single-family detached dwellings comprise 76.3% of Morton Grove's housing stock. 4.5% of dwelling units are attached single-family dwellings, including townhomes, and 14.9% of dwelling units are located in structures with 20 or more units. Morton Grove homes have a median number of 5.8 rooms and the median year a home was built is 1959. Morton Grove has a higher share of detached single-family stock than any of the comparison communities. Homes in Morton Grove also tend to be smaller and older than the communities surveyed. The median size of homes is smaller in only Evanston, Niles, Oak Park, and Skokie, and the median age is older in only Evanston, Oak Park, and Skokie.

Community Comparison – Housing Characteristics (2019 American Community Survey Five-Year Estimates)

(Source: 2019 American Community Survey Five-Year Estimate. Shading indicates community has adopted an affordable housing ordinance.)

Community	Single-Family Detached Housing Stock Share	Single-Family Attached Housing Stock Share	Multi-Family ≥ 20 Units Housing Stock Share	Median Number of Rooms	Median Year Built
Morton Grove	76.3%	4.5%	14.9%	5.8	1959
Arlington Heights	56.3%	6.8%	19.8%	6.0	1971
Deerfield	73.7%	5.2%	13.1%	7.5	1969
Evanston	31.3%	4.7%	30.5%	4.7	1946
Glenview	61.6%	13.8%	14.0%	6.5	1975
Highland Park	76.4%	5.4%	11.1%	7.6	1965
Lake Forest	77.1%	6.8%	10.0%	8.4	1973
Lincolnwood	73.4%	4.8%	16.0%	6.3	1958
Niles	53.5%	9.8%	21.4%	5.1	1963
Northbrook	67.0%	12.4%	15.2%	6.9	1973

Oak Park	41.7%	3.1%	24.1%	5.4	1943
Park Ridge	72.2%	4.5%	11.3%	6.5	1960
Skokie	55.0%	5.9%	15.7%	5.4	1957
St. Charles	60.3%	14.8%	7.1%	6.6	1983

The 2015-2019 American Community Survey data for Morton Grove is based on a total housing stock of 9,082 dwelling units and does not account for the Residences at Sawmill Station, which added 250 apartment units to the local housing stock between 2021 and 2022. Not accounting for other new residential construction or demolition, the new apartments increase the share of dwelling units in multi-family buildings over 20 units to approximately 17.2% and reduce the share of single-family detached dwelling units to approximately 74.2%, which remains higher than most of the comparison communities.

The general takeaways from the community comparison of income, ownership, affordability, and housing characteristics are as follows:

- **Generally, Morton Grove's local housing stock is equally affordable or more affordable to residents than the communities surveyed.**
- **Morton Grove has a lower median household income, lower per capita income, lower median home sale price, and a higher rate of owner-occupied housing than most communities that have adopted affordable housing ordinances. This data demonstrates that the local housing stock is remaining attainable to households of moderate income levels and that the affordable housing requirements adopted by ordinance may not need to be as drastic as in communities of higher incomes and lower levels of affordable housing.**
- **Morton Grove's housing stock is smaller, older, and consists of more detached single-family dwelling units than comparable communities. Strategies to preserve existing affordable housing should focus on keeping existing single-family housing attainable to low- and moderate-income households.**
- **Morton Grove's relatively high proportion of detached single-family housing indicates that the Village should promote a greater diversity of housing typologies to fit the diverse economic and lifestyle needs of residents today, especially residences that support aging in place.**

E. Affordable Housing Ordinance Survey

A detailed review of the existing affordable housing ordinances of Chicagoland communities is critical to informing any future affordable housing ordinance for Morton Grove, which should be designed to align with the Village's affordable housing goals while keeping redevelopment feasible and the community economically competitive. A summary of affordable housing requirements for eight of the nine communities with ordinances in place, excluding the City of Chicago, is provided in the following table.

A fee-in-lieu for affordable housing requirements is a fee that a developer pays in lieu of constructing affordable housing units. The Village can then use the proceeds of that fee to build, restore, or repair housing that is priced to be affordable.

Affordable Housing Ordinance Requirements by Municipality

Municipality	Requirements
Arlington Heights	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • All developments that result in new single-family and two-family detached dwelling units • New multi-family dwelling units <p><u>Single-Family & Two-Family Development Requirements</u></p> <ul style="list-style-type: none"> • Fee of \$3,500 per single-family and two-family detached unit that is removed and replaced <p><u>Multi-Family Rental Development Requirements</u></p> <ul style="list-style-type: none"> • ≤ 9 Units: \$3,500 per unit unless on-site affordable unit(s) provided • > 9 Units Downtown District (B-5): 7.5% affordable units <u>or</u> minimum 5% affordable units with up to 2.5% fee-in-lieu at \$25,000 per unit <u>or</u> \$75,000 fee-in-lieu per unit for 10% of units if affordable units are not feasible • > 9 Units Non-Downtown Districts: 5% affordable units <u>or</u> \$75,000 fee-in-lieu per unit for 10% of units if affordable units are not feasible • > 9 Units All Zoning Districts: For publicly assisted developments, 10% affordable units (no fee-in-lieu option) <p><u>Multi-Family For-Sale Development Requirements</u></p> <ul style="list-style-type: none"> • ≤ 9 Units: \$3,500 per market rate unit • > 9 Units: fee of 12.5% of the unit value, up to \$75,000 per required unit, for 10% of units <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: Attainable to HH with income ≤ 60% AMI • Owner Occupied Units: Attainable to HH with income ≤ 80% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Density bonus may be provided • Parking may be partially satisfied using downtown Village garages • Up to 50% permit fee waiver may be provided
Deerfield	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • New residential or mixed-use construction • Renovation or reconstruction of existing multi-family development that increases units • Non-residential to residential or single-family to multi-family change of use • <i>Excluded: Developments ≤ 10 units, assisted living facilities, nursing facilities</i> <p><u>Multi-Family & Townhome Development Requirements</u></p> <ul style="list-style-type: none"> • 11-30 Units: 1 affordable unit • 31-40 Units: 2 affordable units • 41-50 Units: 3 affordable Units • > 50 Units: 10% affordable units <p><u>Detached Single-Family Development Requirements</u></p> <ul style="list-style-type: none"> • 0-30 Units: 0 affordable units • 31-40 Units: 2 affordable unit • 41-50 Units: 3 affordable units • > 50 Units: 10% affordable units <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: 0-50 Units: Attainable to HH with income ≤ 100% AMI; >50 Units: 1/2 attainable to HH with income ≤ 80% AMI, 1/2 attainable to HH with income ≤ 100% AMI • Owner Occupied Units: Attainable to HH with income ≤ 100% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Height bonus may be provided

	<ul style="list-style-type: none"> • Parking variation may be provided • Up to 15% permit fee waiver may be provided
Evanston	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • Development containing ≥ 5 dwelling units on a zoning lot, including: new residential or mixed-use construction, renovation or reconstruction of existing multi-family units that changes from rental to owner-occupied or vice versa or increases the number of bedrooms, change in use from non-residential to residential <p><u>Private Development Requirements:</u> 10% affordable units or \$150,000 - \$175,000 fee-in-lieu based on zoning district (x1.5 for condominium developments in downtown or non-downtown zoning districts)</p> <p><u>Publicly Assisted Development Requirements:</u> 20% affordable units or \$150,000 - \$175,000 fee-in-lieu based on zoning district (x1.5 for condominium developments in downtown or non-downtown zoning districts)</p> <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: Attainable to HH with income $\leq 60\%$ AMI • Owner Occupied Units: Attainable to HH with income $\leq 100\%$ AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Priority must be given to households living or working in Evanston • Developments that receive variances must have a minimum of 5% affordability units and may pay a fee-in-lieu for the remaining 5% but condominium developments only may provide all fee-in-lieu • Zoning bonuses, parking variation, expedited application process, fee deferral, and fee waiver may be provided
Highland Park	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • New residential or mixed-use construction • Renovation or reconstruction of an existing multi-family structure that increases the number of units • Change of use from non-residential to residential or type of residential use • Conversion of rental units to owner-occupied units <p><u>Development Requirements</u></p> <ul style="list-style-type: none"> • All Development: 20% affordable units • ≤ 19 Single-Family Detached Units: \$125,000 per unit fee-in-lieu may be provided <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: $\geq 33\%$ units attainable to HH with income $\leq 50\%$ AMI, $\geq 33\%$ units attainable to HH with income 51-80% AMI, $\leq 33\%$ units attainable to HH with income 81-120% AMI • Owner Occupied Units: $\geq 50\%$ units attainable to HH with income $\leq 65\%$ AMI, remaining attainable to HH with income $\leq 100\%$ AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Density bonus may be provided • Off-site unit location may be approved • In lieu of units and fee-in-lieu, land dedication may be provided so long as land is sufficient for development of 20% of units approved for construction
Lake Forest	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • New residential or mixed-use construction • Renovation or reconstruction of $> 50\%$ square footage of an existing multi-family structure and that increases the number of units • Change of use from non-residential to residential • Conversion of rental units to owner-occupied units <p><u>Development Requirements</u></p>

	<ul style="list-style-type: none"> • All Projects ≥ 5 units: 15% affordable units or alternatives, including fee-in-lieu (estimate of affordable unit construction), dedication of land, or provision of affordable units at another site <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: ≥ 50% units attainable to HH with income ≤ 60% AMI, remaining units attainable to HH with income ≤ 80% AMI • Owner Occupied Units: ≥ 50% units attainable to HH with income ≤ 80% AMI, remaining units attainable to HH with income ≤ 120% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Density bonus may be provided • Permit fee waiver may be provided
Northbrook	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • New residential or mixed-use construction • Renovation or reconstruction of an existing multi-family structure and that increases the number of units • Change of use from non-residential to residential or single-family to multi-family • Conversion of rental units to owner-occupied units • <i>Excluded: Subdivision with ≤ 5 units, single-family reconstruction, independent senior living facilities, assisted living facilities, nursing facilities</i> <p><u>Development Requirements</u></p> <ul style="list-style-type: none"> • All Development: 15% affordable units or alternatives, including fee-in-lieu (\$125,000 per unit), dedication of land, or provision of affordable units at another site <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: ≥ 33% units attainable to HH with income ≤ 50% AMI, ≥ 33% units attainable to HH with income 51-80% AMI, ≤ 33% units attainable to HH with income 81-100% AMI (if ≤ 3 units, all units may be attainable to HH with income ≤ 80% AMI) • Owner Occupied Units: ≥ 50% units attainable to HH with income ≤ 80% AMI, remaining units attainable to HH with income ≤ 120% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Density bonus may be provided • Permit fee waiver may be provided
Oak Park	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • New residential construction, new mixed-use construction, or development that will change the use of an existing structure from non-residential to residential • A development with ≥ 25 units in a TOD area when such units are to be sold or leased to owner-occupants or leased to tenants for which zoning relief is sought • <i>Exceptions: Condominium development, detached single-family development</i> <p><u>Development Requirements</u></p> <ul style="list-style-type: none"> • All Development: 10% affordable units or fee-in-lieu of \$100,000 per unit <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: Attainable to HH with income ≤ 60% AMI • Owner Occupied Units: Attainable to HH with income ≤ 120% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Density and height bonus may be provided • Permit fee waiver may be provided • Priority must be given to households living or working in Oak Park
St. Charles	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • The establishment of one or more dwelling units, including subdivisions, PUDs, replacement of an affordable dwelling unit, and alterations that increase the number of residential units

	<ul style="list-style-type: none"> • <i>Exceptions: Construction of a single-family dwelling unit on a lot that was residentially vacant for > 10 years, replacement of a single-family dwelling unit when intended for same household and demolished after 1 year of ownership</i> <p><u>Development Requirements</u></p> <ul style="list-style-type: none"> • 1-15 units: 5% affordable units or \$39,666 per unit fee-in-lieu • > 15 units: 10% affordable units or \$39,666 per unit fee-in-lieu <p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: Attainable to HH with income ≤ 60% AMI • Owner Occupied Units: Attainable to HH with income ≤ 80% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Density and height bonus may be provided • Permit fee waiver may be provided
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F. Ordinance & Policy Recommendations

Affordable Housing Program Type

The Village seeks an affordable housing program that preserves affordable housing while maintaining flexibility for developers and property owners. Keeping the Village competitive for investors means offering options for creating affordable housing, including constructing affordable units on-site, constructing or establishing affordable units off-site, and contributing to an affordable housing trust that will be used for affordable housing programs, the preservation of existing affordable units, and financing for independent affordable projects.

While the Village seeks to establish affordable housing requirements by ordinance, in cases where the Village is serving as a partner in the development project, the final terms of an affordable housing component in a residential development may be negotiated between the developer and the Village through a redevelopment agreement.

The following table outlines staff's recommendations for project applicability, development requirements, affordability thresholds, and additional provisions.

Affordable Housing Ordinance Requirements by Municipality

Municipality	Requirements
Morton Grove	<p><u>Applicability</u></p> <ul style="list-style-type: none"> • All developments that result in new residential dwelling units • The renovation or reconstruction of a multi-family development that increases the number of dwelling units • A change in use from non-residential to residential or single-family to multi-family • A conversion from rental to condominium units, or vice versa • A removal and replacement of an existing single-family detached or two-family detached dwelling unit • A development that increases the floor area of an existing single-family detached or two-family detached dwelling unit by more than 50% (not including accessory structures) <p><u>Development Requirements</u></p> <ul style="list-style-type: none"> • 1-10 Units: No affordable units required, linkage fee based on development size • 11-20 Units: 1 affordable unit or \$40,000 per unit fee-in-lieu • 21-30 Units: 2 affordable units or \$40,000 per unit fee-in-lieu • 31-40 Units: 3 affordable Units or \$40,000 per unit fee-in-lieu • > 41 Units: 10% affordable units or \$40,000 per unit fee-in-lieu

	<p><u>Affordability</u></p> <ul style="list-style-type: none"> • Rental Units: Attainable to HH with income \leq 60% AMI • Owner Occupied Units: Attainable to HH with income \leq 100% AMI <p><u>Notes</u></p> <ul style="list-style-type: none"> • Priority must be given to households living or working in Morton Grove • Density and height bonus may be provided •
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Covered Projects

Communities with affordable housing ordinances differ with respect to the types of developments that are subject to affordable housing requirements, often referred to as “covered developments” or “governed developments.” Because Morton Grove is relatively built-out and has few opportunities for large-scale redevelopment projects, staff recommends applying requirements to a broader array of development types and scaling the requirement to the project type and size.

Considering Morton Grove’s large supply of small and affordable single-family detached homes, staff identifies the ongoing expansion of and replacement of these homes, which results in less affordable dwellings, as one of the primary risks to the local affordable housing stock. As such, staff recommends including significant additions to detached single-family residences and the replacement of detached single-family residences in the list of covered development types.

Staff recommends that the following development types are included in covered projects:

- A development that is new single-family attached, single-family detached, two-family detached, or multi-family residential construction or new mixed-use construction with a residential component.
- A development that is the renovation or reconstruction of an existing multi-family residential building that increases the number of residential dwelling units from the number of dwelling units in the original structure.
- A development that will change the use of an existing building from non-residential to residential or that will change the class of residential use from single-family to multi-family.
- A development that includes a conversion, or a change in a residential or mixed-use rental development to individual-owner residential condominium units, or a change in individual-owner residential condominium units to a residential or mixed-use rental development.
- A development that is the removal and replacement of an existing single-family detached or two-family detached dwelling unit.
- A development that increases the floor area of an existing single-family detached or two-family detached dwelling unit by more than 50 percent of the existing floor area. This calculation shall not include the floor area of detached accessory structures.

Affordable Housing Requirements, Payment in Lieu, and Linkage Fee Requirements

Morton Grove seeks to maintain greater than 10% of the local year-round housing stock as affordable units. With 13.1% of local units deemed affordable by the IHDA’s most recent Report on Statewide Local Government Affordability, staff recommends establishing a minimum on-site affordable unit requirement of 10% to maintain a

adequate proportion of affordable housing units in the Village. However, staff recommends applying this requirement to projects greater than 10 units.

In order to offer flexibility to developers and remain competitive among surrounding communities, staff is recommending an option for developers to pay a fee in lieu of providing affordable on-site units in the amount of \$40,000 per unit required. While staff recognizes that this is lower than most per unit rates required by municipalities in the Chicagoland area, it is in keeping with the rate established by the City of St. Charles, Illinois, and will allow the Village to continue to attract redevelopment projects in a rapidly changing housing market. The per unit requirement of \$40,000 should be adjusted annually to the Consumer Price Index (CPI-U) for urban consumers.

For multi-family, attached single-family, and mixed-use developments with 10 or fewer units, for the removal and replacement of existing single-family or two-family detached dwellings, and for the significant expansion of existing detached single-family or two-family dwellings, staff recommends a linkage fee of \$1,000 per unit. A linkage fee is an alternative to traditional affordable housing requirements and seeks to “link” the production of market-rate real estate to the production of affordable housing. Linkage fees, as opposed to payment in lieu fees, offer more flexibility and leverage a broader array of investment types, which can generate significant impact community-wide. The per unit requirement of \$1,000 should be adjusted annually to the Consumer Price Index (CPI-U) for urban consumers.

Staff notes that the minimum requirements proposed to be established by ordinance may be increased for certain projects pursuant to a redevelopment agreement between the Village and a developer seeking public assistance.

Affordability

Consistent with comparable communities, staff recommends adopting affordability standards at 100% of area median income (adjusted for household size) for home ownership units and 60% of area median income (adjusted for household size) for rental units. State of Illinois requirements are based on 60% area median income. Maximum sale and resale prices should be determined according to a formula prescribed by the Village based on a household spending no more than 30% of their monthly income for monthly housing costs. Maximum rents are tied to the Illinois Housing Development Authority’s calculation (adjusted annually) of maximum monthly rent for a household at 60% of area median income. Consistent with other affordable housing ordinances, affordability should be maintained in the perpetuity.

Additional Provisions

In order to prioritize and serve the needs of Morton Grove’s current community members, staff recommends that existing low-income households, residents, and workers of Morton Grove are given first preference in purchasing and leasing new affordable housing units.

G. Affordable Housing Trust Fund

Payment in lieu and linkage fees collected under the provisions of the proposed affordable housing ordinance should be directed to programs, initiatives, and special projects that help increase and preserve affordable housing opportunities within the Village. The proposed Affordable Housing Trust Fund should be established as a separate fund for the purpose of providing financial resources to address the Village’s affordable housing needs. The fund will provide grants or loans to developers, housing owner/operators or units of government to provide housing or housing assistance to eligible low-income households. Funds may be used for the development and preservation of

affordable housing units, including adaptive reuse and acquisition, rental assistance and homebuyer assistance, low-interest loans for eligible activities, housing-related support services, and administrative costs associated with affordable housing programs.

At this time, staff is recommending the following programs to be funded by the Affordable Housing Trust Fund:

- Single-Family Rehab Loan Program
- Senior Home Repair Assistance Program
- Critical Home Repair & Code Compliance Grant Program

Attachment B

Staff Report to the Plan Commission for PC 22-06
Prepared by Zoe Heidorn, Community Development Administrator
Dated May 9, 2022



Village of Morton Grove

Department of Community & Economic Development

To: Chairperson Blonz and Members of the Plan Commission

From: Zoe Heidorn, Community Development Administrator; Anne Ryder Kirchner, Assistant Land Use Planner

Date: May 9, 2022

Re: Case PC 22-06: Request for approval of a Text Amendment to Chapter 12-5 of the Morton Grove Unified Development Code to establish regulations relating to affordable housing in Morton Grove, Illinois. The applicant is the Village of Morton Grove.

STAFF REPORT

Public Notice

The Village of Morton Grove provided public notice for the May 16, 2022, Plan Commission public hearing for Case PC 22-06 in accordance with the Unified Development Code. The *Morton Grove Champion* published a public notice on April 28, 2022. Mailed letters to property owners and a public notice sign were not required due to the application being for a Text Amendment to the Unified Development Code and not in relation to a particular property.

Application

On April 11, 2022, the Department of Community and Economic Development submitted a complete application requesting approval of a Text Amendment to Chapter 12-5, "Special Zoning Provisions," to establish regulations relating to affordable housing in the Village of Morton Grove. The proposed amendment, which amends Chapter 12-5 to insert a new Section 12-5-12, "Affordable Housing," is provided as **Attachment A**.

Another amendment is proposed by staff to insert Section 1-9C-4, "Affordable Housing Trust Fund," into Title 1 of the Morton Grove Municipal Code. Because the amendment is not to Title 12, review by the Plan Commission is not required. However, staff has included the proposed language for reference because it describes the purpose and operation of the proposed Affordable Housing Trust Fund, which will be supported in part by payments in lieu and linkage fees required by Section 12-5-12.

Discussion

The "Village of Morton Grove Affordable Housing Report," which is provided as **Attachment B**, describes the purpose of the proposed amendment, the affordable housing standards set forth for Illinois communities by the State, the history of affordable housing in Morton Grove, the characteristics of surrounding communities and communities with affordable housing ordinances by comparison with Morton Grove characteristics, the affordable housing ordinances of eight other Illinois communities, and ordinance and policy recommendations for an affordable housing ordinance and Affordable Housing Trust Fund for Morton Grove.

The proposed ordinance is a starting point for the regulation of affordable housing opportunities and supporting programs in Morton Grove, and should regularly be reevaluated by staff, the Plan Commission, and the Village Board of Trustees based on future changes in community characteristics and market conditions. In 2018, the Illinois Housing Development Authority (IHDA) established that 13.1% of Morton Grove's housing stock is affordable, which exceeds the minimum threshold of 10% set forth by the Illinois Affordable Housing Planning and Appeal Act. The IHDA is required to review the affordable housing stock of each Illinois community and determine affordable housing status at least once every five years. Staff should update the Affordable Housing Report as needed upon the next certification by the IHDA, which is expected to occur within the next one to two years.

Recommendation

Should the Plan Commission recommend approval of this application, staff suggests the following motion:

Motion to recommend the approval of Case PC 22-06, a request for approval of a Text Amendment to Chapter 12-5 of the Morton Grove Unified Development Code to establish regulations relating to affordable housing in Morton Grove, Illinois, as outlined in the Staff Report to the Plan Commission dated May 9, 2022, and as specifically modified by the Plan Commission at the public hearing for Case PC 22-06 on May 16, 2022.

Attachment C

Draft Affordable Housing Ordinance
Prepared by Village of Morton Grove
Dated June 6, 2022

ATTACHMENT C
DRAFT AFFORDABLE HOUSING ORDINANCE
Village of Morton Grove
June 6, 2022

12-5-12: AFFORDABLE HOUSING

- A. Purpose:** It is the intent and purpose of this section to provide regulations pertaining to the creation and preservation of affordable housing units in the Village of Morton Grove. These regulations are intended to promote the public health, safety, and welfare of the existing and future residents of Morton Grove by requiring certain developments which contain a residential component to incorporate a specified percentage of dwelling units to be priced affordably for households with incomes at or below 100 percent of the Area Median Income (AMI) or to utilize other mechanisms that will promote affordable housing opportunities in the Village. The Village recognizes the need to provide affordable housing to low-to-middle income households in order to increase housing opportunities for a diverse population and to provide housing for those who live or work in the Village.
- B. Definitions:** For the purpose of this section, whenever any of the following words, terms, or definitions are used herein, they shall have the meanings ascribed to them in this subsection. Where terms are not specifically defined, they shall have the meaning defined in this title or, if none, the ordinarily accepted meanings such as the context implies.

AFFORDABLE HOUSING. Any housing that qualifies as affordable for the targeted households identified in this section. For the purpose of this section, “affordable housing” is divided into tiers based on availability to households at distinct income levels.

AFFORDABLE HOUSING COMPLIANCE PLAN: A plan submitted by a developer or owner of a covered development describing how development will comply the requirements of this section.

AFFORDABLE HOUSING TRUST FUND. A trust fund to be established by the Village, pursuant to Section XXXX of the Municipal Code of the Village, with the purpose of aggregating and providing financial resources to address the affordable housing needs of individuals and families in the Village.

AFFORDABLE HOUSING UNIT. A dwelling unit that meets the criteria for affordable housing.

AFFORDABLE OWNER-OCCUPIED UNITS. Affordable housing units marketed and offered for sale to eligible households subject to an affordable unit covenant.

AFFORDABLE RENTAL UNITS. Affordable housing units marketed and offered for rent to eligible households subject to standard lease terms.

AREA MEDIAN INCOME (AMI). The median income level for the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area, as established and defined in the annual schedule published by the Secretary of Housing and Urban Development and adjusted for household size.

BASE DENSITY. The number of dwelling units permitted to be constructed on a parcel in conformance with the requirements of the zoning district in which it is located, prior to applying any applicable density bonus.

CERTIFICATE OF QUALIFICATION. A certificate establishing a qualified household's eligibility to purchase or lease an affordable dwelling unit based on income eligibility using income and asset limits, in accordance with the Village's policies and procedures.

CONSUMER PRICE INDEX (CPI-U). Consumer price index for all urban consumers for the Chicago-Naperville-Elgin area as published annually by the U.S. Department of Labor, Bureau of Labor Statistics.

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DRAFT AFFORDABLE HOUSING ORDINANCE
Village of Morton Grove
June 6, 2022

CONVERSION. A change in a residential or mixed-use rental development to individual-owner residential condominium units, or a change in individual-owner residential condominium units to a residential or mixed-use rental development.

COVERED DEVELOPMENT. Any residential or mixed-use development with a residential component that is required to provide affordable housing units, fees in lieu of affordable housing, or linkage fees under the provisions of this section. Projects at one location undertaken in phases, stages, or otherwise developed in distinct parts shall be considered a single covered development.

DEVELOPER. The party responsible for obtaining approvals from the Village, including zoning, subdivision, and building permit approvals, for a covered development.

ELIGIBLE HOUSEHOLD. For purposes of this section, a household with an annual income at or below 100 percent of the Area Median Income purchasing an owner-occupied unit or a household with an annual income at or below 60 percent of the Area Median Income leasing a rental unit.

HOUSING EXPENSES. For affordable rental units, rent and utilities. For affordable owner-occupied units, principal and interest of any mortgages placed on the unit, property taxes, condominium or homeowner's association fees, if applicable, and insurance.

MAXIMUM RESALE PRICE. The maximum price an owner-occupied affordable unit may be sold to another eligible household at based on a valuation formula established by the Village on an annual basis in conjunction with the annual release of median income levels published by the Department of Housing and Urban Development for the Chicago-Joliet-Naperville Metro FMR Area.

MARKET RATE HOUSING UNITS. All owner-occupied or rental dwelling units in a covered development that are not classified as affordable housing units.

C. Administration:

1. The provisions of this section shall be administered by the Village Administrator and the Department of Community and Economic Development. The Village Administrator shall have the right to adopt and amend from time-to-time administrative guidelines, procedures, and schedules to assist in the effective implementation of this section; provided, however, that any administrative guidelines, procedures, and schedules adopted or amended pursuant to this section shall not be inconsistent with this section, and that in the event of a conflict between the administrative guidelines and this section, this section shall control.
2. The Village Administrator may, with the authorization of the Board of Trustees, enter into an agreement with a not-for-profit organization specializing in the management and operation of affordable housing programs to assist in the administration of portions of this section, including, without limitation, performing assessments of households' certificate of qualification, managing waitlists for affordable housing units, marketing affordable housing units, verifying covered developments' ongoing compliance with the requirements of this section, and advising on the administrative guidelines, procedures, and schedules authorized by this section.

D. Applicability:

1. General. Developments subject to the provisions of this section shall be deemed covered developments and shall include the following:

ATTACHMENT C
DRAFT AFFORDABLE HOUSING ORDINANCE
Village of Morton Grove
June 6, 2022

- a. A development that is new single-family attached, single-family detached, two-family detached, or multi-family residential construction or new mixed-use construction with a residential component.
 - b. A development that is the renovation or reconstruction of an existing multi-family residential building that increases the number of residential dwelling units from the number of dwelling units in the original structure.
 - c. A development that will change the use of an existing building from non-residential to residential or that will change the class of residential use from single-family to multi-family.
 - d. A development that includes a conversion.
 - e. A development that is the removal and replacement of an existing single-family detached or two-family detached dwelling unit.
 - f. A development that increases the floor area of an existing single-family detached or two-family detached dwelling unit. This calculation shall not include the floor area of detached accessory structures.
2. Development on Multiple Parcels. For the purposes of this section, a development that is constructed across multiple adjacent parcels under common ownership shall be considered a single development.
 3. Excluded Developments. The requirements of this section do not apply to the following development types:
 - a. A non-residential development;
 - b. Assisted living facilities; or
 - c. Nursing facilities.

E. Requirements for Covered Developments:

1. General Requirements: Unless an exception or alternative is approved pursuant to section 12-5-12:E.7, the developer of a covered development must satisfy the requirements of this section by providing affordable housing units within the physical envelope of the development or a linkage fee or cash payment in lieu as follows:

Number of Units in the Covered Development	On-Site Affordable Unit Requirement	Linkage Fee or Payment in Lieu
1-4	No affordable units required	5% of building permit fee
5-10	No affordable units required	\$1,000 per unit within the covered development unless 1 or more affordable units are provided, then \$0
11-20	1 affordable unit	\$40,000 per each required affordable unit
21-30	2 affordable units	
31-40	3 affordable units	
41+	10% of units	

2. Calculation:

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Village of Morton Grove
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- a. Calculation of Affordable Units: When the application of the percentage specified above results in a number of required affordable housing units that includes a fraction, the fraction will be rounded up to the next whole number if the fraction is equal to or greater than 0.5. If the result includes a fraction equal to or less than 0.49, the required number of affordable housing units will be rounded down to the next whole number.
- b. Calculation of Payment in Lieu and Linkage Fees. For covered developments satisfying their affordable housing requirement through a full or partial payment in lieu or linkage fee, the amount due to the Village shall be equal to the per unit amount established in Section 12-5-12:E.1 multiplied by the number of required units pursuant to Section 12-5-12:E.2 less the number of affordable housing units to be provided by the developer pursuant to this section.

Effective January 1, 2023, the fee in lieu amounts and linkage fees shall be adjusted in January of each year by the annual percentage change in the Consumer Price Index (CPI-U) for the Chicago-Elgin-Naperville area.

3. Timing of Payment: Payment of any applicable linkage or payment in lieu fees for a covered development shall be submitted prior to the issuance of any building permits for the covered development. All payments received pursuant to this section shall be deposited directly into the Village Affordable Housing Trust Fund and reserved for authorized purposes pursuant to Article 1-9C-4.
4. Maximum Price. Affordable units in covered developments may only be offered to eligible households at the maximum price levels listed in the chart below.

Unit Type	Maximum Price ¹
Affordable Owner-Occupied Unit ²	Attainable to households with income at or below 100% AMI
Affordable Rental Unit ³	Attainable to households with income at or below 60% AMI

1. Maximum housing prices are based on spending no more than 30% of monthly household income on housing expenses. Permitted housing expenses for affordable units will be calculated based on the most current area median income levels published by HUD.
 2. For affordable owner-occupied units, housing expenses equals the monthly sum of principal and interest of any mortgages placed on the unit, property taxes, association fees, and insurance.
 3. For affordable rental units, housing expenses equals the monthly sum of rent and utilities.
5. Pricing Schedule. The Village Administrator shall publish a Housing Expenses Pricing Schedule of rental and sales prices for affordable housing units, which pricing schedule will be made publicly available and will be updated annually.
 6. Alternative Equivalent Proposal. An applicant may propose to meet the minimum affordable housing requirement for covered developments by an alternative equivalent action, subject to review and approval by the Village Board of Trustees. A proposal for an alternative equivalent action may include, but is not limited to, the construction of affordable dwelling units on another site in the same neighborhood or a comparably zoned neighborhood, or acquisition and enforcement of affordability restrictions on existing market rate dwellings so as to render them affordable housing units, fewer on-site affordable units at prices affordable to households at lower threshold income levels, or dedication of land. Any proposal shall demonstrate how the alternative proposed will increase affordable housing opportunities in the Village to an equal or greater extent than compliance with the express requirements of this section.

F. Eligibility and Preference of Households for Affordable Dwelling Units:

1. Eligibility:

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- a. The affordable dwelling units within a covered development which are for-sale shall be sold only to owner-occupant eligible households whose primary residence shall be said affordable dwelling unit. All affordable units must be sold households whose incomes do not exceed one hundred percent (100%) AMI adjusted for household size.
- b. The affordable dwelling units within a covered development for rent shall be leased only to tenants with eligible households whose primary residence shall be said affordable dwelling unit. For covered developments, all affordable units must be leased to households whose incomes do not exceed sixty percent (60%) AMI adjusted for household size.
2. Preference: Priority for affordable dwelling units will be given first to eligible households who currently live in Morton Grove, or who have lived in Morton Grove with a member of a household currently living in Morton Grove, or to households in which the head of the household or the spouse or domestic partner works in Morton Grove.
3. Waiting List. Waiting lists of households for affordable housing may be created in advance of the construction of those units in order to prioritize households pursuant to this section. Households may complete a preliminary income screening based on self-reported income to be placed on a waiting list for rental and ownership units.

G. Distribution and Attributes of On-Site Affordable Dwelling Units:

1. Location Of Affordable Dwelling Units: Affordable dwelling units shall be within the covered development except as approved by an alternative equivalent action pursuant to this section.
2. Size of Units: Affordable housing unit size must be generally representative of and correspond to the size of the market rate housing units within the covered development.
3. Phasing of Construction: In a covered development to be constructed in multiple phases, each phase of the development must include a number of affordable housing units proportional to the fraction that the phase consists of the entire covered development. Construction of affordable housing units may not be delayed or grouped into later phases of a covered development.
4. Exterior Appearance: The exterior appearance of the affordable dwelling units in any covered development shall be visually compatible with the market rate dwelling units in the covered development.
5. Interior Appearance and Finishes: Affordable dwelling units may have different interior appearance and finishes than market rate units, but the interior finish materials shall be contractor grade or higher.
6. Mix of Bedroom Types of Affordable Units: The bedroom mix of affordable dwelling units shall be in equal proportion to the bedroom mix of the market rate dwelling units within the covered development or as determined by the Village Administrator.
7. Energy Efficiency: Standard components related to energy efficiency, including, but not limited to, mechanical equipment and plumbing, insulation, windows, and heating and cooling systems, shall be the same in market rate dwelling units and affordable dwelling units.

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8. Amenities: Affordable housing units must have similar access to common areas, facilities, and services as that enjoyed by comparable market rate housing units in a covered development including but not limited to outdoor spaces, amenity spaces, storage, parking, bicycle parking facilities, and resident services.

H. Affordability Controls:

1. Affordable Housing Agreement: Prior to issuance of a building permit for any development or conveyance of title of any dwelling unit in any development, the applicant shall have entered into an affordable housing agreement with the Village regarding the specific requirements and restrictions imposed by the Village Board upon the approved development. The applicant shall agree to execute any and all documents deemed necessary by the Village, including, without limitation, deed restrictions, restrictive covenants, and other related instruments, to ensure the continued affordability of the affordable dwelling units in accordance with this article. The affordable housing agreement shall set forth the commitments and obligations of the Village and the applicant, and shall incorporate, among other documents, the affordable housing compliance plan. If applicable, the affordable housing agreement shall also detail the fee in lieu or alternative equivalent action of providing on-site affordable dwelling units as set forth in this section.
2. Affordability Controls for Affordable Owner-Occupied Units:
 - a. Initial Sale Prices for Affordable Owner-Occupied Units: Permitted initial sales prices for affordable owner-occupied units shall be set according to a schedule published by the Village annually and calculated on the basis of:
 1. Housing expenses at or below thirty percent (30%) of the eligible income with a household size corresponding to the size of the unit.
 2. The following relationship between unit size and household size shall be used to determine the appropriate income level at which affordable housing expenses are calculated:

Unit Size	Income Level for Household Size
Efficiency	1 Person
1 Bedroom	2 Persons
2 Bedrooms	3 Persons
3 Bedrooms	4 Persons
4 Bedrooms	5 Persons

3. An available fixed rate thirty (30) year mortgage, consistent with the average rate published from time to time by Freddie Mac;
4. A down payment of no more than five percent (5%) of the purchase price;
5. A calculation of property taxes;
6. A calculation of homeowner's insurance;
7. A calculation of condominium or homeowner association fees; and
8. A calculation of private mortgage insurance, if applicable.

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b. Procedure for Sale of an Affordable Owner-Occupied Unit to an Eligible Household:

1. Sixty (60) days prior to offering any owner-occupied affordable unit for sale to the public, a developer must notify the Village in writing of such offering. The notice shall include the number, size, price, and location of affordable housing units to be offered, a description of each housing unit's finishes and availability, and any additional information the Village Administrator may reasonably require in order to establish compliance with this section.
2. The prospective purchaser must make application for a certificate of qualification on a form provided by the Village. If the Village determines a purchaser is an eligible household pursuant to the requirements of this section to purchase an affordable housing unit, it will issue a certificate of qualification to that purchaser. A purchaser must provide documents to verify that their household satisfies these requirements, including an affidavit that the affordable housing unit will be their primary residence.
3. The developer may not sell any affordable housing units without a valid certificate of qualification from the Village for the prospective buyer.

c. Resale of Affordable Housing Units: An affordable housing unit constructed as a requirement of this section may be sold to a private party that meets the income level and eligibility requirements established in this section. The resale price of any affordable unit shall not exceed the purchase price paid by the seller of that unit plus inflation as measured by the CPI-U for the period of time that the owner resided in the unit.

d. Period of Affordability: In covered developments that include owner-occupied housing units, affordable housing units may be offered and resold to only to eligible households and in accordance with this section at all times that the units are used for residential purposes, in perpetuity or as long as permissible by law. The developer or owner shall execute and record any agreements, covenants, or instruments required by this section to ensure compliance with this section.

3. Affordability Controls for Affordable Rental Units:

a. Rental Rates for Affordable Rental Units: Permitted housing expenses affordable rental units shall be set according to a schedule published by the Village annually and calculated on the basis of:

1. Housing expenses at or below thirty percent (30%) of the eligible income with a household size corresponding to the size of the unit.
2. The following relationship between unit size and household size shall be used to determine the appropriate income level at which affordable housing expenses are calculated:

Unit Size	Income Level for Household Size
Efficiency	1 Person
1 Bedroom	2 Persons
2 Bedrooms	3 Persons
3 Bedrooms	4 Persons
4 Bedrooms	5 Persons

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b. Procedure for Initial Lease of an Affordable Rental Unit to an Eligible Household:

1. Sixty (60) days prior to offering any affordable housing unit for sale or rent, the developer must notify the Village in writing of such offering. The notice shall include the number, size, price, and location of affordable housing units to be offered, a description of each housing unit's finishes and availability, and any additional information the Village Administrator may reasonably require in order to establish compliance with this section.
2. The prospective lessee must make application for a certificate of qualification on a form provided by the Village. If the Village determines a lessee is an eligible household pursuant to the requirements of this section to lease an affordable housing unit, it will issue a certificate of qualification to that lessee. A lessee must provide documents to verify that their household satisfies these requirements, including an affidavit that the affordable housing unit will be his or her primary residence.
3. The developer shall not lease any affordable rental units without a valid certificate of qualification from the Village for the prospective lessee. Any lease for an affordable rental unit shall also contain a prohibition on subleasing or allowing occupancy by a household without a valid certificate of qualification.

c. Annual Compliance Report: The developer, or its successor, assignee, or designee, shall submit an annual compliance report to the Village describing each affordable unit in detail including but not limited to changes in tenancy, turnovers, and income certifications for all new tenants upon request of the Village Administrator for the rental affordability period as defined in this section. The developer, or its successor, assignee, or designee shall complete annual re-certifications of tenants renting affordable units to the Village for the rental affordability period as defined in this section.

d. Period of Affordability: In covered developments that contain rental units, affordable housing units shall be offered and leased only to eligible households and in accordance with this section for so long as those units are used for residential purposes, in perpetuity or as long as permissible by law. The developer or owner shall execute and record any agreements, covenants, or instruments required by this section to ensure compliance with this section. In the event that the owner of a covered development including affordable rental units sells the development, the new owner will be required to continue to offer the affordable housing units in accordance with this section.

I. Affordable Housing Compliance Plan: For all covered development projects containing eleven (11) or more housing units, the developer shall submit an affordable housing compliance plan to the Village that includes a description of the covered development, including specifically how and where affordable units will be incorporated into the development as well as such other documents and information as the Village Administrator may require. The Village Administrator will also have the authority to require, as part of the plan submittal, such additional information, documents, and plans as the Village Administrator deems necessary to evaluate the proposed covered development's compliance with this section.

J. Incentives for Development of Affordable Housing Units: Developers constructing covered developments incorporating the affordable housing units required on-site will be allowed to take advantage of the following incentives and development options. All incentives and options authorized by this section shall be proposed and memorialized in the affordable housing compliance plan for the covered development.

1. Additional Building Height: In order to accommodate affordable housing units within a covered development, any covered development providing affordable housing units pursuant to this section shall be entitled to a height

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increase of up to 12 feet above the height limits in the applicable zoning district other than in R-1 and R-2 Single Family Residence zoning districts.

2. Additional Development Density: Any covered development providing affordable housing units on-site pursuant to this section shall be entitled to an increase in the permitted residential density equal to one (1) additional dwelling unit above that otherwise established by the zoning district in which the development is located for each affordable housing unit provided on-site.

1-9C-4: Affordable Housing Trust Fund:

- A. Creation, Management and Administration:** There is hereby established the Affordable Housing Trust Fund, to be held as a separate fund within the Village. The Village, by and through its Village Administrator, shall be responsible for the day-to-day investment and fiscal maintenance and management of the Affordable Housing Trust Fund. The day-to-day fiscal maintenance and management shall be undertaken pursuant to the approved investment policies and practices used by the Village for other similarly held funds. Except for disbursements and other action taken as part of the day-to-day fiscal maintenance and management of the Affordable Housing Trust Fund, no disbursements of said fund may be made except by the Village Administrator upon the written direction of the Board of Trustees.

The Board of Trustees shall manage, make recommendations, and from time to time reevaluate the goals for the Affordable Housing Trust Fund, the Affordable Housing Trust Fund's operating budget and projected expenditures and revenue; the Affordable Housing Trust Fund's funding and award policies and priorities; the Affordable Housing Trust Fund's program requirements; the Affordable Housing Trust Fund's procedures for disbursing funds; the review of applications for Affordable Housing Trust Fund awards; the granting of awards; the monitoring of eligible activities funded by the Affordable Housing Trust Fund; and the evaluation of Affordable Housing Trust Fund activities.

- B. Purpose:** The purposes of the Affordable Housing Trust Fund are to provide financial resources to address the affordable housing needs of individuals and families of low-to-middle income who live or work in the Village by promoting, preserving, and producing long-term affordable housing; provide housing-related services to eligible households, and provide support for not-for-profit organizations that actively address the affordable housing needs of eligible households. The Affordable Housing Trust Fund may provide financial support for a wide variety of eligible activities that serve eligible households.

- C. Sources of Revenue:** The Affordable Housing Trust Fund may be funded from multiple sources including:

1. Private cash donations from individuals and corporations designated for the Affordable Housing Trust Fund.
2. Payments in lieu of providing affordable housing units and linkage fees as required by Section 12-5-12.
3. Funds from a federal or state affordable housing trust fund or a state program designated to fund an affordable housing trust fund.
4. Principal and interest from Affordable Housing Trust Fund loan repayments and all other income from trust fund activities.

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5. Budget appropriations, development fees and other funds as designated from time to time by the Board of Trustees.

D. Distribution and Use of Affordable Housing Trust Fund: The Village Administrator shall be responsible for the management and distribution of the Affordable Housing Trust Fund resources and funds in accordance with the requirements of this section. Unless directed otherwise by the Village Code or Board of Trustees, the Village Administrator may approve and be responsible for the distribution of funds in amounts less than \$25,000.

Distribution of funds from the Affordable Housing Trust Fund shall be in the form of grants or loans or such other funding mechanisms that support the purposes of the Affordable Housing Trust Fund. Any Affordable Housing Trust Fund money unused at the end of any year shall remain in the Affordable Housing Trust Fund for future eligible activities, pursuant to the requirements of this section.

E. Eligibility Requirements:

1. Purpose of Eligible Activity: Each eligible applicant shall demonstrate that the requested eligible activity will advance and support the purpose of the Affordable Housing Trust Fund, as set forth in this section.
2. Eligible Applicants: Developers, not-for-profit organizations, homeowners, housing operators, and units of government shall be eligible applicants for Affordable Housing Trust Fund resources. The Affordable Housing Trust Fund shall seek proposals from eligible applicants and make awards for eligible activities based on the priorities set forth in this article and on the eligibility guidelines, program requirements, and process established and maintained by the Board of Trustees. The Village Administrator shall develop and issue eligibility guidelines, program requirements, and applications forms for Affordable Housing Trust Fund grants and loans. Eligible applicants may apply to the Village Administrator for Affordable Housing Trust Fund awards for eligible activities.
3. Eligible Activities: The following housing-related activities are the types of activities that may receive loans or grants provided through the Affordable Housing Trust Fund:
 - a. Housing production, including, without limitation, new construction, rehabilitation, and adaptive re-use.
 - b. Preservation of existing affordable housing stock.
 - c. Financing the acquisition, demolition, and disposition of property that may be used in whole or part for affordable housing projects.
 - d. Weatherization of existing affordable housing units.
 - e. Emergency repairs to existing affordable housing units.
 - f. Funding to facilitate affordable homeownership opportunities including down payment assistance, second mortgages, closing costs, etc.
 - g. Funding to support rental assistance, mortgage assistance, and safety, code compliance, and accessibility improvements for low-income seniors to support aging in place.

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- h. Grants for not-for-profit organizations that facilitate or are actively engaged in programs and activities that address the affordable housing needs of eligible households in Morton Grove.
 - i. Making loans at interest rates below or at market rates in order to strengthen the financial feasibility of proposed affordable housing projects.
 - j. Providing gap financing for affordable housing developments.
 - k. Interim financing of public costs for affordable housing projects in anticipation of a permanent financing source (i.e. construction financing, bond sale, etc.).
 - l. Housing-related support services, including home ownership education and financial counseling.
 - m. Technical assistance to the Village in implementing its affordable housing objectives.
 - n. Administrative costs associated with affordable housing programs.
 - o. Any other activity that the Board of Trustees determines would address the Village's affordable housing needs of the community.
4. Review and Approval of Applications: All complete applications for Affordable Housing Trust Fund awards shall be submitted to the Village Administrator. For application requests of \$25,000 or less, the Village Administrator shall make the final decision to approve or deny the application. For application requests greater \$25,000 the Board of Trustees shall make the final decision to approve or deny the application. Applications shall be evaluated based on factors including, but not limited to, availability of funds, impact on affordable housing creation and preservation, financial feasibility, allocation priorities, and extent of need.
5. Conditions: As a condition to any Affordable Housing Trust Fund award for any eligible activity, the eligible applicant shall first, among other applicable requirements as established from time-to-time by the Board of Trustees, execute and record such agreements, conditions, and restrictive covenants, or other similar instruments, as shall be required by the Village Administrator or Board of Trustees. Among other requirements, the conditions may bind the eligible applicant and the property, if applicable, to the requirements of this article and provide that all awards shall be used in strict compliance with the requirements of this article and the conditions of approval. The conditions may include a requirement that if the property or development is no longer being used for affordable housing pursuant to the requirements of the specific award, the eligible applicant or successor owner of the property or development may be required to reimburse the Affordable Housing Trust Fund for up to 100 percent of the award, plus applicable interest.