



## Background

An adequate supply of quality, safe, affordable housing is an important concern in the Bloomington-Normal area. Numerous studies have shown the broad, positive impacts of affordable housing. Gains in mental and physical health, educational attainment, economic mobility and increased economic activity within a community have all been found to be linked with increasing and preserving the supply of affordable housing.<sup>1</sup> A 2017 Regional Housing Study (BN Home) found that, while housing is generally affordable in Bloomington-Normal, there are gaps in the supply of affordable housing for very low income populations, the elderly and the disabled.<sup>2</sup> To address this issue as well as others identified in the study, an inter-jurisdictional Regional Housing Advisory Committee was convened in April 2018. One of the first tasks of the Committee is to take a holistic approach to the issue of affordable housing in the Bloomington-Normal region. It should be noted that the study did not assess housing quality.

As the Committee began its work, it became clear that efforts to address the complex issues surrounding affordable housing would be futile without a mutual understanding of what affordable housing meant. The purpose of this paper is to define affordable housing and set the stage for a series of discussions addressing affordable housing issues in McLean County.

## What is Affordable Housing?

The concept of affordable housing is complicated and multi-dimensional. Its central principal is that a community's housing stock should align with the economic status of people seeking housing. Ideally, people at every income bracket will find a selection of housing options that answer their needs but do not demand so much of their income that it limits the household's ability to obtain other necessities.

Sometimes people equate affordable housing with the narrower category of subsidized low-income rental housing (e.g., Public Housing and Section 8). The availability of income-based rental housing for low-income households is an important topic in the affordable housing dialogue. However, affordable housing is a much broader concept that is relevant at all income levels, and is defined by household income:



**Affordable housing** is "housing for which the occupant(s) is/are paying no more than 30% of his or her income on gross housing costs, including utilities."<sup>3</sup>

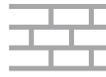
There is no “one-size-fits-all” approach to affordable housing issues, and no community provides a perfect match between housing needs and available housing stock. Every community faces a unique mix of conditions steering the housing market and household incomes. In this paper we set the stage for understanding the complexities involved in defining and developing affordable housing by outlining the key components that affect it.



### 1. Income



### 2. Housing Provider



### 3. Housing Age



### 4. Typology



### 5. Source of Funding



## 1. Income

Area Median Income or AMI is a critical measure used to differentiate affordable housing based on income. AMI is the household income for the median, or middle, household in a region. Each year, the Department of Housing and Urban Development (HUD) calculates the median income for each metropolitan area in the country. In 2018, the AMI for McLean County is \$91,600. Housing programs assisted by the US Department of Housing and Urban Development (HUD) typically serve households making 30%, 50%, and 80% AMI. For the purposes of our discussions in this paper and in any subsequent papers published by MCRPC, we will be using the term **“Income Qualified Housing”** to distinguish affordability for households making less than 80% AMI from other types of affordable housing. In McLean County, income qualified housing is a small percentage of the overall affordable rental housing stock.

Finding affordable housing, both rental and owner-occupied, for households making above 80% AMI is also a concern. This type of housing does not receive financial assistance from the government. Different communities use different terms to describe this type of housing, such as workforce housing, market affordable housing, equitable housing or economical housing. For the purposes of this and future papers, we will be using the term **“Market Rate Affordable Housing”** to discuss affordable housing that is not income-restricted. This term does not mean that the housing is high-end, but that the rent or price charged is dictated by the current market.

## What are gross housing costs?

For homeowners, housing costs include mortgage, property taxes, and insurance. For renters, costs include rent and utilities. A household that is paying more than 30% of their gross income in gross housing costs, no matter what income level, is considered cost-burdened.<sup>4</sup>





## 2. Provider

Affordable housing, both income qualified and market rate, is built and maintained by the public sector, non-profit sector, and the private sector. Oftentimes, the creation and preservation of affordable housing is only made possible through the cooperation of these multiple sectors.

### *Public Sector*

Local Public Housing Authorities (PHA) receive annual allocations of funding from the Department of Housing and Urban Development (HUD) to build new, operate or make improvements to housing that is owned by the local PHA.<sup>5</sup>

Local PHAs also administer the Section 8 Housing Choice Voucher program, which allows participants to find and rent housing in the private market. In Bloomington-Normal, Holton Homes and Wood Hill Towers are two such examples.

### *Non-Profit Sector*

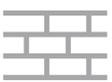
Non-profits provide a wide range of affordable housing options, largely in partnership with the public sector. Through the Continuum of Care program, groups of local non-profit agencies in McLean County receive annual allocations of funding from HUD to provide and operate homeless services, emergency shelters, transitional housing, permanent supportive housing, and rental assistance.

Non-profits also provide affordable housing for disabled, elderly, and other specific populations. In Bloomington-Normal, Mayors Manor and MarcFirst's scattered site housing are two such examples.

### *Private Sector*

The private sector provides affordable housing for households 80% AMI and below through partnerships and funding from government entities, largely through the Low Income Housing Tax Credit (LIHTC) program. Private entities also own many project-based Section 8<sup>6</sup> housing sites where tenants receive subsidized rent. In Bloomington-Normal, Phoenix Tower and Orlando Northbrook Estates are two such examples.

Market rate affordable housing is also provided by the private sector. This type of housing is affordable to a wide range of income levels, even low-income households, by virtue of its age, location and condition.



## 3. Housing Age (New Versus Existing)

Oftentimes, preserving **existing** affordable housing stock is more economical than building new units. Preserving existing affordable housing, whether rental or owner-occupied, multi-family or single family, allows people to stay in their homes and neighborhoods where they can enjoy the social capital they have built within their communities.<sup>7</sup> Preservation of existing affordable housing stock is a key strategy for areas in Bloomington identified as Regeneration and Preservation Areas, and areas in Normal identified as Older Neighborhoods and Early Suburban Neighborhoods.<sup>8</sup>

Sometimes, new affordable housing is built or existing buildings are redeveloped into affordable housing when a region's supply is not adequate to meet the demand. Such new affordable housing is typically multi-family rental but may not always be the case. An example of this type of affordable housing is the old Bloomington High School redevelopment project that is scheduled to add over 50 senior housing units. This proposed development is scheduled to be completed in 2020 and will be taking advantage of LIHTC and receiving rental assistance for four units from the City of Bloomington.



## 4. Typology

A diversified portfolio of affordable housing typologies is key to meeting the needs of the different types of households that benefit from it.

**Multi-family housing** is typically more cost-efficient to build than single family housing. In most cases, new affordable housing is multi-family for this reason. Multi-family housing includes townhouses, duplexes, triplexes, quadraplexes, apartments, condominiums and mixed-use buildings.

**Single-family housing** is also an important component of an affordable housing portfolio. Single-family homes are plentiful and are often located in neighborhoods desirable by families. Preservation of existing affordable housing stock is an important issue related to single-family housing.

**Specialized housing** refers to housing that is dedicated for certain populations, such as people experiencing homelessness, people with disabilities or the elderly. This type of housing typically provides services for its residents, either on-site or off-site and is not always income-qualified.



**multi-family housing**  
cost-efficient



**single-family housing**  
plentiful and in desirable neighborhoods



**specialized housing**  
typically provides services



## 5. Funding

Most new construction and rehabilitation of affordable housing involves layering of multiple subsidies and financing sources.

### *Federal and State Funding*

The primary source of development funding for creating affordable housing is the Low Income Housing Tax Credit (LIHTC). LIHTC is an indirect federal subsidy allocated by state agencies that is used to finance the construction (and rehabilitation) of affordable rental housing.<sup>9</sup> LIHTC offers tax incentives to property owners to create affordable rental units with lower than market rate rents. Not all units in a LIHTC property are financially assisted, and some may be set aside for certain income levels. In some LIHTC properties, a family earning up to 80% AMI would be eligible to live in an income-restricted unit.

Other federal and state funding sources for affordable housing include the State Housing Trust Fund, Community Development Block Grant (CDBG), and funding from the Federal Housing Administration (FHA).

### *Local Funding*

Many local governments provide funding and incentives specifically for affordable housing projects including, housing trust funds, Tax Increment Financing (TIF), flexibility in densities, fee waivers and expedited permitting. Municipalities in McLean County currently do not have dedicated funding streams or incentives for affordable housing projects.

### *Private Funding*

Affordable Housing cannot be built and maintained without financing from the private sector. Federal Home Loan Banks, Community Development Corporations (CDC), and banking institutions fulfilling their Community Revitalization Act (CRA) requirements, are examples of private funding used to finance development or preservation of affordable housing.

## Next Steps

Over the next year, the McLean County Regional Planning Commission, in partnership with the Regional Housing Staff Advisory Committee, will produce a number of documents that dive deeper into the different aspects of affordable housing and what they mean in the context of McLean County. These papers will also include technical guidance and new and innovative solutions to address the needs of affordable housing in the region. Since affordable housing topics will cut across many components laid out here, each of the future papers will contain a chart, like the one below, highlighting the most applicable components of affordable housing being addressed in that paper.

	PROVIDER			AGE	
	Public Sector	Non-Profit	Private Sector	New	Existing
<b>Income</b>					
Income Qualified					
Market Rate					
<b>Typology</b>					
Single Family					
Multi-Family					
Specialized Housing					
<b>Funding</b>					
Federal/State					
Local					
Private					

- 1 Weiss, E. & Brown, N. (2017). A place to call home: The case for increased federal investments in affordable housing. Washington DC: National Low Income Housing Coalition & Campaign for Housing and Community Development Finding. Retrieved from <https://nlihc.org/sites/default/files/A-Place-To-Call-Home.pdf>;  
 Gilman, S. E., Kawachi I., et al. (2003). Socio-economic status, family disruption and residential stability in childhood: Relation to onset, recurrence and remission of major depression. *Psychological Medicine*, 33(8), 1341-1355. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14672243>;
- 2 Chetty, R., Hendren, N., & Katz, L. (2015). The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment. Cambridge, MA: National Bureau of Economic Research. Retrieved from [http://www.nber.org/mtopublic/final/MTO\\_IRS\\_2015.pdf](http://www.nber.org/mtopublic/final/MTO_IRS_2015.pdf).
- 3 BN Home Bloomington-Normal, IL Metropolitan Region Regional Housing Study (October 18, 2017). Retrieved from [http://mcplan.org/file/493/2017\\_BN%20Home\\_Regional%20Housing%20Study\\_FINAL.pdf](http://mcplan.org/file/493/2017_BN%20Home_Regional%20Housing%20Study_FINAL.pdf).
- 3 Housing and Urban Development Authority (HUD). Retrieved from [https://www.huduser.gov/portal/glossary/glossary\\_a.html](https://www.huduser.gov/portal/glossary/glossary_a.html)- the 30% standard has historically been viewed as an indicator of a household affordability problem, evolving from the United States Housing Act of 1937.
- 4 Schwartz, Mary, and Ellen Wilson. 2008. "Who Can Afford to Live in a Home? A Look at Data from the 2006 American Community Survey." Washington, DC: US Census Bureau. Retrieved from <https://www.census.gov/housing/census/publications/who-can-afford.pdf>.
- 5 Housing and Urban Development Authority (HUD). Retrieved from <https://www.huduser.gov/portal/datasets/assthsg.html>.
- 6 This program is now known as HUD's Project Based Rental Assistance (PBRA) program, but "project-based Section 8" is the commonly used description. For additional information, see <https://www.nhlp.org/wp-content/uploads/2018/03/Saving-HUD-Homes-2-FINAL.pdf>.
- 7 HUD Office of Policy Development and Research (PD&R). (Summer 2013). Preserving Affordable Rental Housing: A Snapshot of Growing Need, Current Threats, and Innovative Solutions. Retrieved from <https://www.huduser.gov/portal/periodicals/em/summer13/highlight1.html>.
- 8 Bloomington Comprehensive Plan (Neighborhoods )(2015) and Normal Comprehensive Plan (Neighborhoods)(2017). <http://mcplan.org/plans-and-studies/neighborhoods-and-housing>.
- 9 Novogradac and Company LLP. About the LIHTC. (2016, March 11). Retrieved from <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/about-lihtc>.

The Regional Housing Advisory Committee is led by the McLean County Regional Planning Commission and consists of three interrelated working groups representing various housing stakeholders in McLean County: the Affordable and Supportive Housing Committee, Innovative Housing Solutions Group, and Staff Committee. The Regional Housing Staff Advisory Committee is composed of representatives from the City of Bloomington, Town of Normal, McLean County Behavioral Health Coordinating Council, Bloomington Housing Authority and Providing Access to Help (PATH). The logo below will be placed on all subsequent papers, identifying the author of the paper as the Regional Housing Staff Advisory Committee.



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