



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Mayor Laurel Lunt Prussing

FROM: Elizabeth H. Tyler, FAICP, Community Development Director

DATE: November 3, 2010

SUBJECT: Regional Housing Study - Update

Background

The Cities of Urbana, Champaign, Village of Rantoul, Champaign County Regional Planning Commission (RPC), and the Housing Authority of Champaign County face similar challenges when dealing with the provision of affordable housing. Because of the close proximity of these agencies, we form a larger community wherein similar housing needs exist for the residents. Although each entity is somewhat unique, we have traditionally taken a cooperative approach to ensuring the residents of the communities have access to decent, safe, and sanitary housing through shelters, rental units, and homeownership. The Urbana-Champaign Continuum of Care is one example of the cooperative effort to address such community needs.

Although the City's recently completed five-year Consolidated Planning process incorporates local input and 2009 Consolidated Planning/CHAS data provided by the Department of Housing and Urban Development (HUD), the five agencies agreed that there is a need for freshly updated and locally procured data to help understand the changing housing and economic conditions of the County and to help guide future strategies for addressing those needs. Over the past year, Champaign, Urbana, Rantoul, Regional Planning Commission, and the Housing Authority of Champaign County worked together to outline the necessary framework for a regional housing study. Representatives from these agencies are now working together as the Regional Housing Task Force. The intent of undertaking this housing study is to provide more current, locally reliable data to utilize when making local housing policy decisions for the future. This study will also provide insight regarding the impact of the recent recession on the rental and owner-occupied residential real estate market in the community.

In early 2010, the Regional Housing Task Force (Task Force) drafted a Request for Consultant Proposals (RFP) for the study. The City of Champaign acted as lead entity in procuring proposals, and the deadline for proposal submittal was May 21, 2010. As a result of the RFP, three proposals were received, and the Task Force selected Vogt Santer Insights, Ltd. (VSI) for

the study at a cost not to exceed \$45,000. VSI was selected because of their staff expertise, their understanding of conducting housing gaps analyses and its value for comparative analysis throughout the County, their GIS capabilities and their access to other data sources for more detailed analysis.

To pay for the total cost of the study, the Urbana HOME Consortium partners agreed to follow the same formula as the HOME Consortium allocation: Champaign (54.9%), Urbana (32.5%), and Champaign County Regional Planning Commission (12.6%). The City of Urbana's portion is \$12,675, which will be paid from budgeted HOME program administrative funds. The Housing Authority of Champaign County will pay a flat rate of \$6,000.

The Task Force solicited online surveys from the public during the data gathering phase of the Regional Housing Study and focus group meetings were held throughout the area. The Task Force will also conduct open houses during the third week of November 2010 in Rantoul, Champaign and Urbana to share key findings from the process and to provide an opportunity for public input regarding local or regional strategies to address housing needs in Champaign County.

During the November 8, 2010 meeting of the Committee of the Whole, representatives of VSI will present an overview of the study process, and the data gathering and analysis conducted to date. VSI has provided a preliminary DRAFT of the Executive Summary of the Regional Housing Study for Council's information (Attached). The information will be similarly presented to the Champaign County Board on November 9, 2010 at 6:00 p.m. and to the Champaign City Council at 7:30 p.m. on November 9, 2010.

Memorandum Prepared By:

John A. Schneider, Manger
Grants Management Division

Attachments:

1. Draft Executive Summary – Regional Housing Study

DRAFT

EXECUTIVE SUMMARY

as of 11/03/2010

REGIONAL HOUSING STUDY
CHAMPAIGN COUNTY, IL

Regional Housing Study Task Force

Champaign County

City of Champaign

City of Urbana

Housing Authority of Champaign County

Village of Rantoul

DRAFT

Vogt-Santer Insights (VSI) has completed a draft of a Regional Housing Study for the Housing Authority of Champaign County, Regional Planning Commission, , the City of Champaign, the City of Urbana and the village of Rantoul. This study consists of an analysis of housing conditions, trends and strategies for housing development for the following geographies: Champaign County, the Cities of Champaign and Urbana, and the Village of Rantoul. The basis for the analysis and recommendations is from the results of detailed field surveys of conventional area apartments of 20 units or more, condominium properties and single-family subdivisions of at least 10 units/lots that are less than 10 years old. Properties older than 10 years have been absorbed into the local marketplace. In addition, a significant amount of demographic data has been collected and analyzed, maps generated, interviews conducted and additional resources within Champaign County accessed.

This Executive Summary is intended to summarize the data included in the draft document, but it should be noted that these conclusions, as well as the conclusions in the draft, are subject to refinement until the time the final study is submitted.

Data in the study is analyzed by the four municipal levels defined by the Regional Housing Study for Champaign County working group: the City of Champaign, the City of Urbana, the Village of Rantoul and the balance of Champaign County. The final report will contain information on additional submarkets within the four principal geographies. In the City of Champaign, this will consist of the City's planning areas. For Urbana, the Community Development Target Areas will be evaluated individually. In Rantoul, the community was assessed by Census Tract and for the balance of Champaign County, information will be provided at a municipal level (whether township or village).

A. RENTAL HOUSING ASSESSMENT

According to Environmental Systems Research Institute (ESRI), a national demographic provider, and based on a 2010 update of the 2000 Census, there are 85,578 total housing units in Champaign County. Of this total, ESRI estimates 9.7% were vacant. In 2010, it was estimated that homeowners occupied 55.0% of all occupied housing units, while the remaining 45.0% were occupied by renters. The share of renters is high, considering the national share is about 33%. This high share of renters can be directly attributed to the presence of the University of Illinois, Parkland College and several other small institutions within Champaign County.



To access the strength of the overall rental housing market in Champaign County, we identified and personally surveyed 108 conventional housing projects containing a total of 11,346 units, nearly 30% of the existing base. These rentals have a combined occupancy rate of 95.6%. This is considered a high rate for rental housing and indicates a stable rental housing market. Among these projects, 84 are non-subsidized (market-rate and/or developed within the Low-Income Housing Tax Credit program) projects containing 9,646 units. These non-subsidized units are 95.1% occupied. The remaining 24 projects contain 1,700 government-subsidized units, which are 98.7% occupied. There are 108 additional units under construction in Champaign County.

The following sections summarize rental housing within the submarkets:

City of Champaign

Based on ESRI's 2010 demographic data update, of the 31,574 total housing units in Champaign, 8.3% were vacant. In 2010, it was estimated that homeowners occupied 46.7% of all occupied housing units, while the remaining 53.3% were occupied by renters. Again the high share of renters is the result of the presence of the University of Illinois student renters.

Within the City of Champaign, we identified and personally surveyed 63 conventional housing projects containing a total of 6,571 units. These rentals have a combined occupancy rate of 95.7%, a high rate for rental housing. Among these projects, 58 are non-subsidized (market-rate and Tax Credit) projects containing 6,102 units. These non-subsidized units are 95.4% occupied. There are 16 additional units under construction in the City of Champaign. The remaining five projects contain 469 government-subsidized units, which are 100.0% occupied.

Village of Rantoul

The 2010 update of the 2000 Census states that of the 6,455 total housing units in Rantoul, 20.1% were vacant. This is a very high share of vacant units in the village and is due to the national foreclosure crisis, the economic recession and a declining population. In 2010, it was estimated that homeowners occupied 49.6% of all occupied housing units, while the remaining 50.4% were occupied by renters. This is also considered to be a high share of renters, although this share is due to several high density mobile housing sites locating within Rantoul's boundaries.

We identified and personally surveyed three conventional housing projects containing a total of 133 units within the village of Rantoul. All three of these projects are government-subsidized and are 100% occupied. Most of the nonconventional rental units in Rantoul are within scattered single-family homes, duplexes and small multifamily developments. Field surveys focus on rental housing properties that are over 20 units in size, including government-subsidized, affordable Tax Credit properties and market-rate properties. Their relatively small size in the marketplace precludes them from being a part of the VSI field survey results.

City of Urbana

According to the 2010 update of the 2000 Census, of the 17,062 total housing units in Urbana, 10.2% were vacant. This is also considered to be a high share and is due to the national foreclosure crisis and economic recession. In 2010, it was estimated that homeowners occupied 38.3% of all occupied housing units, while the remaining 61.7% were occupied by renters. This is a very low share of home owners and is due to a combination of factors. First, cities tend to exhibit lower homeownership rates than the nation as a whole and second, a significant number of University of Illinois students are being counted by the Census as Urbana residents.

We identified and personally surveyed 31 conventional housing projects containing a total of 3,639 units within Urbana. These rentals have a combined occupancy rate of 95.4%, a high rate for rental housing. Among these projects, 22 are non-subsidized (market-rate and Tax Credit) projects containing 3,025 units. These non-subsidized units are 94.4% occupied. There are 92 additional units under construction. The remaining nine projects contain 614 government-subsidized units, which are 100.0% occupied.

B. OVERVIEW OF RENTAL HOUSING DEMAND

There are generally two sources of demand for new housing. The two sources are represented by a positive increase in renter households and replacement of functionally obsolete product. The first source of demand is generally easily quantifiable, but presents challenges to accurate forecasting. This is especially true when development expands into previously undeveloped (and therefore unreported) areas. The problem is further compounded by the fact that consideration must be given to income-appropriate households by household size so that appropriate product need can be forecasted. Therefore, caution should be exercised when considering household income growth alone.



A wide variety of methodologies have been employed to address the component of replacement support in slow or no-growth markets. Most of these methodologies have used Census data to approximate demand (rent overburdened and substandard housing). Unfortunately, while the methodologies have generated support numbers that appear reasonable, in practice they have contributed to overbuilding. The methodology employed here uses two components of demand: new income appropriate household growth and replacement or renovation of existing product. These types of markets seemingly would not warrant additional housing development as the existing stock should be sufficient for the relatively stagnant population. However, as properties grow older, they become functionally obsolete, lack energy efficiency, have deferred maintenance and must either be replaced or substantially renovated. We believe this second component provides a more accurate guideline for establishing housing demand.

An analysis was performed to determine the demand for housing in each of the four primary Champaign County submarkets. We have provided a projection of overall housing demand for each area. Projections have been provided for lowest income households (less than \$20,000 per year), middle income households (\$20,000 to \$50,000 per year) and higher income households (over \$50,000 per year). Housing products for low-income households include Public Housing, Section 8 and the lowest quality, lowest rent private rental units. Those units for middle income households include rental housing built under the Section 42 Low Income Housing Tax Credit program and much of the modest quality rental product built over the past thirty to forty years. The high-end household product is the best quality product in the market and has mostly been built in the past ten years. While there are some higher-end products built before 2000 that are commanding high rents, for the most part, this product is newly built.

For rental housing, it should be noted that although most rental developments forecast a 10% vacancy rate when developing a proforma, a desirable stabilized vacant rate is closer to 5%. Anything less than that would be considered superior.

Champaign County

Champaign County, excluding the cities of Urbana, Champaign and the village of Rantoul, has a five-year rental housing surplus of 556 units. However, this does not apply to all income groups equally. Households with incomes of less than \$20,000 have a five-year *need* for an additional 77 housing units. A five-year surplus of 282 units exists for rental housing that is



affordable to households earning \$20,000 to \$50,000. Rental units targeted to those households with an annual income over \$50,000 have a five-year surplus of 351 units.

City of Champaign

The City of Champaign has a significant five-year rental housing demand that totals 1,090 units. Households with incomes of less than \$20,000 have a five-year need for an additional 127 housing units. A five-year need exists for 397 additional units that are affordable to households earning \$20,000-\$50,000. Rental units targeted to those households with an annual income over \$50,000 have a five-year demand of 456 units.

City of Urbana

Urbana has a five-year rental housing demand for 282 units. Households with incomes of less than \$20,000 currently have a five-year surplus of 78 housing units. A five-year need exists for 85 additional units that are affordable to households earning \$20,000-\$50,000. Rental units targeted to those households with an annual income over \$50,000 have a five-year demand of 275 units.

Village of Rantoul

The village of Rantoul has a five-year rental housing surplus of 143 units. Households with incomes of less than \$20,000 currently have a five-year surplus of 57 housing units. A five-year surplus of 152 units exists for those properties that are affordable to households earning \$20,000-\$50,000. Rental units targeted to those households with an annual income over \$50,000 have a five-year demand of 66 units.

C. OVERVIEW OF FOR SALE HOUSING

Champaign County

Supply – Condominiums

In Champaign County, we identified a total of 17 condominium developments. The 17 surveyed condominium/fee-simple projects include ten developments with 358 units that were sold between July 2001 and September 2010. These projects are categorized as established. The remaining seven projects are active with unsold condominium product. The active

developments total 292 units, of which 240 have been sold. There is an inventory of 52 unsold units and another 228 units are planned.

Between July 2001 and September 2010, a total of 598 condominium units were sold among the area projects. This is an average of 5.4 units monthly. The highest number of condominium units sold in any one year occurred in 2006, when 123 units, or 20.6% of the total, were sold.

In addition to condominiums, we surveyed a total of 47 subdivision developments that have been actively selling homes at some point within the last 15 years. Lots are characterized as either production or estate. An estate lot is usually a minimum of half an acre and is often accommodating a custom built home, while a production lot is usually less than half an acre. There are twelve established projects with a combined total of 746 production lots. There are 25 active projects with a total of 4,944 production lots and 1,546 estate lots for a total of 6,490 lots.

Supply – Single-Family Homes

Between January 2000 and September 2010, a total of 4,129 new homes were built in Champaign County. The highest number of single-family homes sold in any one year occurred in 2005, when 722 lots and/or homes were sold. In 2006, there were 659 lots and/or homes sold. These years marked the height of the U.S. housing market and Champaign County's housing market followed suit. Lot sales have seen year over year decreases since 2005.

Demand – Condominiums

Based on our evaluation of the demographic characteristics of Champaign County, the area has the potential to absorb up to 78 new condominium units priced from \$140,000 to \$400,000+ annually. It is important to note that this *potential* demand includes the entire county. These figures also assume a wide variety of condominium housing choices exist, including price, location and concept. The optimal support figure of 78 units can only be achieved in an overbuilt market. The projection of 78 units is indicative of the historic housing slump in the U.S. as well as reflecting the current sales performance of new condominiums in Champaign County.

Within the Champaign County market, there is a current inventory of 52 condominium units. Furthermore, there are 228 planned units among seven active projects. The following table compares the annualized demand by available product:



Champaign County Condominiums

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET ANNUALIZED DEMAND | PLANNED UNITS |
|-----------------------|---------------|--------------------|-----------------------|---------------|
| LESS THAN \$140,000 | 17 | 0 | 17 | 0 |
| \$140,000-\$199,999 | 33 | 45 | -12 | 182 |
| \$200,000-\$299,999 | 33 | 6 | 27 | 46 |
| \$300,000-\$399,999 | 12 | 1 | 11 | 0 |
| \$400,000+ | 9 | 0 | 9 | 0 |
| TOTAL | 104 | 52 | 52 | 228 |

Source: Vogt Santer Insights, Ltd

The Net Annualized Demand (NAD) in 2010 for Champaign County reflects a deficit of 52 units. A surplus for units only exists for homes priced between \$140,000 and \$199,999. There are also an additional 182 units planned in this price category indicating nearly a six-year supply. Considering current sales trends, there is less than a one-year supply of existing units, yet planned and proposed projects could provide over a two year supply. Further, the existing inventory and planned units can not respond to the concept of offering all product demand, locations and concept to maximize optimal demand. The individual decisions of people involve a multitude of factors, such as location, price or even an emotional feeling about a prospective home, and cannot be predicted with 100% accuracy.

Demand – Single-Family Homes

The demand for new single-family homes in Champaign County is markedly higher than the demand for new condominiums. We estimate the county could generate up to 385 new home sales annually in the near term. Based on current trends, we estimate this trend will grow by about 5% per year for the next two years and 8% annually after that, as the economy recovers and consumer confidence increases. There is a current inventory of 1,879 single-family lots. The following table compares the annualized demand by current available product:

Champaign County Single-Family Homes

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET INVENTORY |
|-----------------------|---------------|--------------------|---------------|
| LESS THAN \$140,000 | 64 | 86 | 22 |
| \$140,000-\$199,900 | 84 | 307 | 223 |
| \$200,000-\$299,900 | 121 | 360 | 239 |
| \$300,000-\$400,000 | 70 | 424 | 354 |
| \$400,000+ | 47 | 702 | 655 |
| TOTAL | 386 | 1,879 | 1493 |

Source: Vogt Santer Insights, Ltd



The above table details the Net Annualized Demand for 2010 *only*. The net annualized demand (NAD) in 2010 for Champaign County is a current surplus of 1,493 homes. We estimate that there is a surplus at all price points. Given the current economic recession, and the way single-family homes are developed and marketed, this is not surprising. It is not unusual for a subdivision to take several years to sell all product. The greatest surplus of units is for product (or lots that would accommodate a product) of \$400,000 or more. Based on current absorption rates, we estimate about a four-year supply of single-family lots within Champaign County.

City of Champaign - Submarket

Supply – Condominiums

There are currently a total of 4 active condominium projects and 5 established projects. The 5 established projects have a total of 242 sold units with no additional units planned for any of these projects. Of the 4 active projects, there are a total of 136 units, of which 107 are already sold, which leaves 29 available units. There are 130 units planned for development in the future.

The average sales prices at the active projects range from \$109,100 to \$400,000 with a market-wide average of approximately \$212,816. Sales prices range from \$163,900 to \$254,900 for a one-story home. Overall, single-story units have sales prices that average \$120 per square foot. Among the townhouse units, which range in price from \$109,100 to \$400,000, the average price per square foot is slightly over \$122.

Supply – Single-Family Homes

There are 10 active single-family home subdivision projects with a total of 610 available lots. The price range for production homes starts at \$124,667 and goes all the way to \$499,000. There is a healthy mix of price points within this range.

Demand – Condominiums

Based on current demand trends as well as the an analysis of supply, the City of Champaign has the potential to absorb up to 26 new condominium units priced from \$140,000 to \$400,000+ annually.

Within the Champaign market, there is a current inventory of 29 condominium units. Furthermore, there are 130 planned units among four

active projects. The following table compares the annualized demand by available product:

City of Champaign Condominium Demand/Inventory

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET ANNUALIZED DEMAND | PLANNED UNITS |
|-----------------------|---------------|--------------------|-----------------------|---------------|
| LESS THAN \$140,000 | 7 | 0 | 7 | 0 |
| \$140,000-\$199,999 | 11 | 24 | -13 | 102 |
| \$200,000-\$299,999 | 11 | 4 | 7 | 28 |
| \$300,000-\$399,999 | 4 | 1 | 3 | 0 |
| \$400,000+ | 3 | 0 | 3 | 0 |
| TOTAL | 36 | 29 | 7 | 228 |

Source: Vogt Santer Insights, Ltd

The Net Annualized Demand (NAD) in 2010 for Champaign reflects a deficit of 7 units, including a surplus for units priced between \$140,000 and \$199,999. Considering current sales trends, however, there is less than a one-year supply of existing units.

Demand – Single Family Homes

We estimate the City could generate up to 139 *new* home sales annually in the near term.

Within the City of Champaign, there is a current inventory of 610 single-family homes\lots. The following table compares the annualized demand by current available product:

City of Champaign Single-Family Demand/Inventory

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET INVENTORY |
|-----------------------|---------------|--------------------|---------------|
| LESS THAN \$140,000 | 23 | 45 | 22 |
| \$140,000-\$199,900 | 28 | 124 | 96 |
| \$200,000-\$299,900 | 51 | 23 | -28 |
| \$300,000-\$400,000 | 22 | 257 | 235 |
| \$400,000+ | 15 | 161 | 146 |
| TOTAL | 139 | 610 | 471 |

Source: Vogt Santer Insights, Ltd

The above table details the Net Annualized Demand for 2010 *only*. The net annualized demand (NAD) in 2010 for Champaign is a current surplus of 471 homes\lots. We estimate that there is a surplus at all price points. Given the current economic recession, this is not surprising. The greatest surplus of units is for product (or lots that would accommodate a product) between \$300,000 and \$400,000. Based on current absorption rates, we estimate about



a three to four-year supply of single-family lots within Champaign. Many developers have overbuilt high end homes due to their belief that this segment of the market is deeper than it is. This trend has been observed by VSI in many other markets.

Village of Rantoul - Submarket

Supply – Condominiums

There are currently no active condominium properties in Rantoul. The only established project sold all 36 units between July 2001 and May of 2010. The project averaged a 0.3 unit per month absorption rate.

Supply – Single-Family Homes

We did not survey any active subdivision developments. This indicates the County Auditor has no current records indicating active subdivision development. There are likely some individuals who have bought lots to build their own home.

Demand – Condominiums

Since there are no active condominium developments - there is no inventory, therefore, the net annualized demand is equal to the annual demand as displayed in the following table:

Village of Rantoul Condominium Demand/Inventory

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET ANNUALIZED DEMAND | PLANNED UNITS |
|-----------------------|---------------|--------------------|-----------------------|---------------|
| LESS THAN \$140,000 | 2 | 0 | 2 | 0 |
| \$140,000-\$199,999 | 3 | 0 | 3 | 0 |
| \$200,000-\$299,999 | 2 | 0 | 2 | 0 |
| \$300,000-\$399,999 | 1 | 0 | 1 | 0 |
| \$400,000+ | 0 | 0 | 0 | 0 |
| TOTAL | 8 | 0 | 8 | 0 |

Source: Vogt Santer Insights, Ltd

Because demand across all price points is so low, opportunities for developers to create new product are few and far between. It is likely that developers will wait for the housing market to improve before considering any new development. New developments are also likely to be very conservative in the timing of construction in an effort to avoid a glut of unsold product.



City of Urbana

Supply – Condominiums

There is one active condominium project with 19 available units and no additional units planned for the future. The average sales prices for the active project range from \$124,900 to \$189,900, with an average of approximately \$158,000 – this translates to an average price per square foot of \$119.87.

Supply – Single-Family Homes

There are 7 active single-family home subdivision projects within the City. There are a total of 854 lots available for development across a wide range of price points. Of the available lots, 255 and 254 lots are available that can accommodate product of less than \$140,000 and between \$200,000 and \$300,000, respectively.

Demand – Condominiums

Within the Urbana market there is a current inventory of 19 condominium units. The following table compares the annualized demand by available product:

City of Urbana Condominium Demand/Inventory

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET ANNUALIZED DEMAND | PLANNED UNITS |
|-----------------------|---------------|--------------------|-----------------------|---------------|
| LESS THAN \$140,000 | 4 | 0 | 4 | 0 |
| \$140,000-\$199,999 | 7 | 19 | -12 | 0 |
| \$200,000-\$299,999 | 6 | 0 | 6 | 0 |
| \$300,000-\$399,999 | 1 | 0 | 1 | 0 |
| \$400,000+ | 1 | 0 | 1 | 0 |
| TOTAL | 19 | 19 | 0 | 0 |

Source: Vogt Santer Insights, Ltd

The Net Annualized Demand (NAD) in 2010 Urbana shows no overall deficit or surplus; however, there is a surplus for units priced between \$140,000 and \$199,999.

Demand – Single-Family Homes

Based on our evaluation of the characteristics of the City of Urbana and historical sales volume of single-family homes within the City, we estimate that Urbana could generate up to 72 *new* home sales annually in the near term.



Within Urbana, there is a current inventory of 854 single-family homes\lots. The following table compares the annualized demand by current available product:

City of Urbana Single-Family Demand/Inventory

| PRODUCT AFFORDABILITY | ANNUAL DEMAND | EXISTING INVENTORY | NET INVENTORY |
|-----------------------|---------------|--------------------|---------------|
| LESS THAN \$140,000 | 15 | 41 | 26 |
| \$140,000-\$199,900 | 17 | 100 | 83 |
| \$200,000-\$299,900 | 25 | 200 | 175 |
| \$300,000-\$400,000 | 9 | 42 | 33 |
| \$400,000+ | 6 | 471 | 465 |
| TOTAL | 72 | 854 | 782 |

Source: Vogt Santer Insights, Ltd

The preceding table details the Net Annualized Demand for 2010. The net annualized demand (NAD) in 2010 for Urbana is a current surplus of 782 homes\lots. We estimate that there is a surplus at all price points. The greatest surplus of units is for product (or lots that would accommodate a product) priced greater than \$400,000. Based on current absorption rates, we estimate about an eight- to nine-year supply of single-family lots within Urbana.

D. PUBLIC HOUSING

Currently, the Housing Authority of Champaign County manages 427 units at eight multifamily housing sites. Four of these sites are in the City of Champaign, three are in Urbana and one is in Rantoul. The housing authority also has a portfolio of sixteen scattered site properties, all of which are in located in the City of Champaign, giving them a grand total of 443 public housing units with no vacancies and a waiting list of 77 households.

In addition to these specific locations, the housing authority also manages a portfolio of 1,240 Housing Choice Vouchers. These vouchers are applied throughout Champaign County in the following numbers:



**Housing Choice Voucher
Distribution by Community**

| COMMUNITY | HCV |
|-------------|-----|
| CHAMPAIGN | 724 |
| URBANA | 392 |
| RANTOUL | 100 |
| SAVOY | 11 |
| MAHOMET | 5 |
| TOLONO | 2 |
| VILLA GROVE | 1 |
| ST. JOSEPH | 1 |
| SIDNEY | 1 |

The City of Champaign has nearly 58.5% of all Housing Choice Vouchers located in the city limits, while the City of Urbana has 31.7% of the vouchers. Combined, these two communities have over 90% of all voucher holders in Champaign County, despite only accounting for 58.3% of the county’s population. Rantoul is the only other community with a significant number of Housing Choice Vouchers, having 100, or 8.1%, of the countywide total. This is proportionate with this size of its population, as its 12,007 residents comprise 6.2% of Champaign County’s population.

The Housing Choice Voucher system has a waiting list of 676 households. This suggests that the current Housing Choice Voucher system is meeting less than 65% of the income eligible community’s needs. This is not due to a lack of landlords who will accept the vouchers, but an insufficient number of vouchers to meet the housing demand. Additional state or federal resources would significantly mitigate this backlog of households seeking housing.

E. LOWEST INCOME AND/OR MINORITY CONCENTRATIONS

City of Champaign

Some of Champaign’s lowest incomes can be found in Campustown. Low student incomes, in this case less than \$25,000 per year, are often overlooked in demographic analysis. Students are a group with high levels of unemployment, albeit often by choice, and their earning potential is often lower while matriculating than at other points in their professional lives. Lower incomes can also be found in the Central Business District and the northern part of Planning Area 2, near Douglass Park.

The City’s non-white population is heavily concentrated in Planning Area 2. Those who identify themselves as white comprise less than 20% of the residents in this area. Planning Area 8, south of the railroad right-of-way, and

Planning Area 1, south of West Bradley Avenue, are areas where minorities represent between 60% and 80% of the population.

City of Urbana

As in Champaign, a significant portion of the community's lowest household incomes are either on campus or immediately adjacent to the east in an area heavily populated by students. There is overlap between the lowest income Block Groups (annual household incomes less than \$25,000) and several target areas, which are based upon Block Group boundaries from the 2000 Census. This overlap occurs in target areas 53.2 and 53.3. The balance of Urbana's Community Development Target Areas are found in Block Groups with annual income levels between \$25,001 and \$50,000.

Urbana's highest concentration of non-white households is located north of University Ave. and west of Lincoln Avenue in CDTA 53.2 and 53.5.

Village of Rantoul

The median household incomes by Census Tract in Rantoul fall into two categories: \$25,001 to \$50,000 and \$50,001 to \$75,000. The majority of the lower subset can be found north of State Route 136 in Census Tracts 101.00.

There is no Census Tract or Block Group in Rantoul that has a concentration of a non-white population.

Champaign County

Excluding the cities of Champaign and Urbana, there is little low-income concentration because the population is largely rural and a focused accumulation of low-income households is more difficult to achieve due to low densities that are inherent in rural communities. However, Ayers, South Homer, Brown, Ludlow, Rantoul, Somer and Urban Townships have median household incomes between \$25,001 and \$50,000. While this is not considered lowest income, it is the lowest income strata seen outside of the county's urban core.

Conclusion

We concluded that the overwhelming majority of both low-income and minority populations are located in the cities of Champaign and Urbana. The heaviest concentrations of both groups appear to be located around a portion of the two cities shared border. Specifically, the area bound by Interstate 74,

North Goodwin Avenue and the two railroad rights-of-ways. This is also an area where the majority of Public Housing assets can be found, including a significant concentration of Housing Choice Vouchers. Deconcentrating the existing Public Housing and ensuring that new affordable housing is not concentrated in the area would be good ways to begin mitigating the real and perceived effects that come with concentrated poverty.

F. BARRIERS TO THE PRODUCTION OF AFFORDABLE HOUSING

Within Champaign County over the past 10 years, 297 units in four projects have been developed to serve the lowest and middle income households. Savoy's Parkview Apartments is a 176-unit senior development that represents over half of the new affordable housing developed throughout the county. Champaign's Douglass Square and Urbana's Crystal View Townhomes and Hayes Homes represent the balance of these new units. Parkview is a large structure that contains on-site amenities for seniors under the same roof as their residences. These amenities include a computer room, game room, library, fitness center and two beauty salons. The other three properties consist of a series of two-story buildings that integrate into the existing development patterns of the neighborhoods in which they are located. All four projects have been well received, but the development of affordable housing is often more complicated than the development of market-rate properties because of a series of intrinsic barriers.

The barriers to affordable housing that exist in Champaign County are not uncommon in small to medium-sized communities. It is not an unwillingness to engage in affordable housing development by either the public or the private sector, but the lack of resources required for successful developments to occur. This resource deficiency tends to manifest itself around three categories; production capacity issues, financial challenges or cost impediments to the individual(s) in the household.

Production

These types of barriers can be either financial or non-financial. Non financial barriers include inadequate or insufficient sites, lack of access to labor, lack of access to materials, inability to procure adequate infrastructure, lack of neighborhood or municipal support or a simple deficiency of knowledge regarding affordable housing production. Financial barriers include labor costs (prevailing wage can be an issue), land costs, material costs, relocation costs (some activities can trigger the Uniform Relocation Act) and other associated development costs.

Financial

Affordable housing as a public policy began when communities concluded that despite their state of employment, education or other factors, individuals were still unable to overcome the costs associated with occupying housing. These costs are driven by local supply and demand issues as well as total development costs. Access to reasonably priced capital for the developer and the occupant, as well as knowledge about short- and long-term incentives, can also affect the housing finances.

Cost to the Individual

This challenge is less prevalent in rental housing, especially multifamily, but it still can occur. Housing costs are generally considered to be excessive when the rent or mortgage (including taxes and insurance) plus utilities exceed 30% of the occupant's gross income. When housing costs exceed this parameter, the housing is no longer considered affordable. Obviously, income varies from person to person and from family to family, consequently, market-rate housing can have a sliding scale of affordability. For example, the estimated median home value in Champaign County for 2010 is \$139,419. Assuming that a buyer put 10% down and obtained a 30-year fixed rate mortgage at 4.5%, the purchaser could expect to pay approximately \$800 per month for principal, interest, insurance and taxes. In order for this amount to not exceed 30% of a household's income, said household would have to earn at least \$32,000 per year. Therefore, one-third of households in Champaign County cannot afford the median housing cost.

Housing that has received some sort of subsidy, such as HOME Investment Partnership Program, Community Development Block Grant or Low Income Housing Tax Credits, becomes affordable by virtue of the Area Median Household Income subsidy stream that they are required to serve.

G. POTENTIAL STRATEGIES TO ELIMINATE AFFORDABILITY BARRIERS

Most of the common barriers that impede the development of affordable housing do not exist today as an attempt to deliberately exclude a specific class of people. They are often unintended consequences that result from market forces or broad public policy decisions. There are many ways that the various municipalities could support additional affordable housing, as the three categories below describe.

Production Solutions

Local government can assist by removing encumbrances and streamlining the regulatory process in order to accommodate affordable housing. Suggested actions include: land donation, land banking, land trusts, building development capacity, inclusionary zoning, expediting permitting and revising impact fees.

Financial Solutions

Over the years, a variety of tools have been created that are considered to be mutually beneficial to individuals, municipalities and lenders. As it relates to affordable housing, the system can break down very quickly; if no one is occupying housing, the municipalities are not realizing their goals and the financial services industry becomes weaker since it is not engaging consumers in its product line. Each scenario is different, but one, or several, of the tools may need to be applied to help an affordable housing project come to fruition, including loans, grants, bond financing, tax incentives and utilization of non-profits/foundations.

Cost to the Individual Solutions

Even when great care has been taken to ensure that housing is made affordable, and some of the production and financial tactics described above have been applied, housing costs may still not be affordable to prospective occupants. Methodologies such as down payment assistance, closing costs, rental assistance, lease/purchase homes and addressing the affordability gap are designed to benefit the resident directly.

H. EXAMINATION OF HOMELESSNESS

The availability of affordable housing in Champaign County is still an issue with a high level of unmet need. Needs have continued to increase, enhanced by the recession and associated unemployment. Even if the need has remained constant over the past year, the Continuum of Care indicates that the community is deficient by 135 beds in its emergency shelters for individuals.

Transitional and emergency shelter housing for families with children is another urgent area of need as there are 70 families in Champaign County who cannot be accommodated by the current capacity level. If these issues are properly addressed now, the necessary changes can be made to prevent the need for both temporary and permanent affordable housing from growing to an unmanageable level.



MITIGATION

A review of best practices yields the following four-part strategy to mitigate homelessness.

Intake and Assessment

The intake process serves two very important functions: obtaining documentation to determine applicant eligibility for program services and providing the opportunity to collect information is used to preliminarily assess the suitability of the applicant for program services.

Education and Training

Although participant assessment may indicate a need for educational attainment, the participant's circumstances may rule out this type of instruction, unless some arrangement is made for income and housing support while the individual is involved in basic skills instruction. Grants or other supportive services may need to be applied.

Job Placement

The ultimate goal of most employment and training programs is for participants to secure and retain positions consistent with their training that provide wages that enable them to be self sufficient. This goal applies to homeless participants as well.

Housing and Supportive Services

While the need to incorporate housing strategies into the overall individualized service strategy may seem obvious, it is not necessarily one of the services with which employment and training programs are familiar.

The continuum of housing alternatives includes four major types:

- Emergency shelters
- Transitional housing
- Subsidized permanent housing
- Unsubsidized permanent housing