

Exhibit C: Need

Region 1 Planning Council

Overcoming Local Barriers: Improved Laws, Regulations, or Land Use Policies

Region 1 Planning Council (R1), the Metropolitan Planning Organization (MPO) for the Rockford Metropolitan Planning Area (MPA), has integrated reforms from laws, regulations, and land use policies into its core planning documents and programming. R1 and its member entities, which includes the chief elected officials in its service area, and economic development, utility, labor, and non-profit organizations, have identified the region's housing supply and affordability crisis as the top priority. This determination was made in conjunction with the launch of the planning process for R1's regional Housing Coordination Plan, which covers Winnebago and Boone Counties, as well as the northeastern corner of Ogle County. The Housing Coordination Plan will serve as a revitalization plan which improves conditions and eliminates disparities in access to opportunity between residents. Furthermore, the plan serves as a "playbook" of regional and local actions over the next 5-10 years that will preserve, improve, and expand housing stock in the region. The aim is to offer a range of affordable, accessible, healthy, and safe housing choices and to promote fair and equal access of housing for all. The Housing Coordination Plan will provide tools needed to reform local land use policies, streamline permitting processes, support affordable housing developers, and ensure the availability of rehabilitation funds.

The Northern Illinois Land Bank Authority (NILBA), of which R1 is the host organization, was created in 2019 to support the redevelopment of vacant residential lots and refurbishment of vacant rental properties. NILBA was established through intergovernmental agreements between 12 municipalities in Northern Illinois. NILBA acquires vacant and tax-delinquent properties and returns them to productive use by transferring or selling them to developers and property managers who will invest in their rehabilitation or redevelopment. The intended and realized results of these efforts are reductions in blight, increased property values, and revitalized neighborhoods.

Since September 2020, NILBA has sold 38 parcels via auction to developers or property owners seeking to reintroduce vacant and dilapidated homes to the housing market. The cumulative value of all sales is \$1,030,485; NILBA reinvests this revenue by purchasing additional vacant residential land and then transferring or selling it to developers who will construct or rehabilitate a housing unit and sell it at market value. This process results in a significant increase in the appraised value of homes when compared to auction values. Per Redfin, the average estimated value of NILBA sold parcels in 2024 is 72.85 percent greater than their auction value. Of the 38 homes sold at auction, 10 have since been resold to an owner-occupant.

R1 is also the Delinquent Tax Agent for both Boone and Winnebago County Trustee Programs. Through this program, tax-delinquent properties are acquired through a tax deed. Once acquired, R1 sells the properties through an online sales system to new owners. In its time as Agent, R1 has facilitated hundreds of sales and redevelopments of properties. From those sales, the taxable value of these properties has grown by millions of dollars, putting much needed revenue back into taxing bodies. In addition to these tax benefits, housing redevelopments have created employment and positive economic impact on related sectors like real estate or retail.

Housing and development reform has long been a key consideration for the agency. R1's core planning documents – Metropolitan Transportation Plan (MTP), Comprehensive Economic Development Strategy (CEDS), and Climate Action Plan (CAP) – each contain a set of goals, strategies, and tactics/action items that serve as recommendations to all jurisdictions within the

MPA. These plans incorporate tactics reflective of comprehensive goals among all of R1's jurisdictional partners and are formed with consistent communication between R1 staff and relevant entities. The current version of each plan contains multiple regional goals addressing affordable housing production and preservation. More details on core planning document strategies can be found in Exhibit D, **Alignment with Planning Initiatives, Land Use Policies, and Community Activity.**

R1 has focused on land use reforms that encourage residential development in Boone and Winnebago Counties. As part of these efforts, R1 is developing the Parking Reimagined Plan, which analyzes current parking supply and demand and highlights trends and reforms across the U.S. The plan will equip regional decision-makers with the context needed to understand parking's impact on land use and development. R1 anticipates this plan will lead to parking land use policy reform, which will help spark new residential development in Boone and Winnebago Counties.

The City of Rockford has enacted a three-year Property Tax Rebate program aimed at reducing the affordability barrier for housing units. Many newly constructed homes will be enrolled in the rebate program after their first fully assessed year, which is 2025 for most newly constructed homes under this proposal. The rebate program, which issues a full property tax rebate for taxes levied by the City of Rockford and RPS 205 at the end of each of the first three years after construction to anyone building a single-family, townhome, two-family, three-family, or multi-family structure in the City of Rockford. The property taxes levied by the City of Rockford and RPS 205 account for over 70 percent of the tax bill for City of Rockford residents - a significant reduction for prospective homebuyers, investors, developers, and renters.

The program has spurred a measured increase in new residential builds. In the 12 months prior to the rebates adoption, single-family homes, nine two-family homes (18 units), and one multifamily structure (nine units) were built in the City of Rockford. In the 12 months after the rebate was adopted, 34 single-family homes, three two-family homes (six units), and six three-family townhomes (18 units) were built in the city. In 2022, Rockford projected this program would lead to approximately \$15,825 in abated property taxes per property.

The City of Rockford also reformed its ordinances in June of 2024 to support infill development. The ordinance change to Article 30-004-I means the City now allows up to 50 townhomes to be constructed on a single lot without the need for a special use permit. The city anticipates that the updated ordinance will encourage infill residential development proposals and quicken the timeline to implementation due to the lack of need for a special use permit. In the last year, 18 new housing units were created through construction of townhomes; this ordinance will allow that number to continue growing.

Overcoming Local Barriers: Other Recent Actions

R1 also launched its Livable Communities Initiative (LCI) in 2024. The LCI provides technical assistance and capital funding opportunities for local communities at the neighborhood level to reinvest in middle neighborhoods. Middle neighborhoods can also be described as tipping point neighborhoods; they are stable for moderate-income households but are teetering on the edge between growth and decline. The LCI seeks to reinvigorate these neighborhoods and incentivize an educated and career-ready workforce to move or stay in the region through infrastructure investments and the provision of dedicated resources to update housing and grow home markets

and job opportunities. Investing in these middle neighborhoods will raise the appraisal values of existing and future homes in neighborhoods with low- to moderate- income (LMI) households, complementing the appraisal gap reduction strategies included in this proposal.

With a large share of the region's residents classified as below 100 percent AMI residing in Rockford, city leadership has undertaken the most activity in addressing LMI individuals' barriers to homeownership. In 2022, the City of Rockford opened its Homebuyer Assistance Program for applications. The program was funded by HUD, through the Home Investments Partnership Program (HOME) Investment Partnerships Program. Applications for the program closed in September of 2022. eligible homebuyers to receive up to \$14,999, based on their income, debt, and anticipated mortgage, in the form of a five-year forgivable mortgage loan. Recipients of funds through the program are required to live in the home from the time of purchase through the end of the forgivable loan, an approximately six year period. Only unoccupied, detached, single-family homes valued at \$131,000 or less were eligible for the program. The program also imposed income limits based on household size, determined by HUD, to ensure the program was only assisting qualified individuals. For example, a four-person household's income must have been at or below \$64,400 for them to be eligible for the program. To ensure that the program would be creating households that are not cost-burdened, applicants must have a housing ratio of 30 percent following the reception of homebuyer assistance.

The City of Rockford maintains an Expanded Rehab Assistance Program to allow homeowners below 150 percent AMI to access funds for rehabilitation activities. The first round of applications for the program closed in February 2024, with more award opportunities scheduled for future rounds. The City has a total of \$3,425,000 available in funding, sourced from the Illinois Housing Development Authority (IDHA), the City's general fund, and Community Development Block Grant (CDBG) formula allocations. Five hundred fifty households applied for the first round of funding, with 430 of these households qualifying for the program; seven households have been issued an award totaling \$410,913. Over the next two and a half years, \$60,000 will be awarded to at least 42 households. This program helps combat the aging housing stock issue, as it allows homeowners to maintain their homes in a state of good repair. This program also demonstrates the need for additional renovation programs and the high volume of eligible applicants who will not be serviced by this program alone.

Other initiatives undertaken by the City of Rockford to confront housing issues include but are not limited to:

- (1) *HUD's Thriving Communities Technical Assistance program.* This program ensures local governments consider housing needs and equitable development in infrastructure plans.
- (2) *Community Relations Commission.* This group, consisting of diverse community members, provides input on community issues, including housing.
- (3) *Demolition Program.* The program fosters demolition of blighted structures throughout the city.
- (4) *Critical Home Repair with Habitat for Humanity.* This partnership with Habitat for Humanity, a non-profit, provides financial services to LMI households and prevents irreversible housing disrepair.

- (5) *Rapid Rehousing Program*. This program houses individuals experiencing homelessness.
- (6) *Homeless Prevention Program*. The initiative provides rent or mortgage assistance to individuals experiencing a short-term crisis beyond their control to help them remain housed.
- (7) *Condemnation Relocation Program*. The city assists individuals whose housing has been condemned by offering one month's rent payment at a new location.
- (8) *Mow to Own Program*. This program allows property owners adjacent to vacant lots to maintain the lot and receive a discount on the future acquisition of the property.

Rockford Region's Acute Need for Affordable Housing

The housing market in the Rockford Region, which encompasses Boone and Winnebago Counties, is grappling with several challenges that underscore an urgent need for affordable housing, particularly for households earning below 100 percent of the Area Median Income (AMI). Over the past decade, home prices in the region have surged by 124 percent, while median household income in the area has only grown by 34 percent, compared to the state's average 63 percent increase during the same period. This growing disparity makes homeownership increasingly unattainable for LMI households, leading to an affordability crisis.

Rising home prices, limited housing inventory, an aging housing stock, and a growing cost burden combine to create a significant shortage of regional affordable housing. Without targeted interventions, the gap between housing costs and incomes will continue to grow, further limiting housing opportunities for LMI individuals and deepening the regional housing crisis.

A major factor contributing to rising home prices is the insufficient supply of new housing. While the region experienced a high rate of underwater mortgages following the 2008 crash, it is now recognized as one of the top housing markets in the country by the Wall Street Journal and Realtor.com. This recognition, combined with rising demand driven by the region's relatively affordable housing prices, has exacerbated housing affordability issues for local residents.

After the 2008 mortgage crash, homes in the region were relatively inexpensive for new buyers who could secure a mortgage. This discouraged housing development, both for new construction and rehabilitation projects. The low return on investment for developers worsened by increasing construction costs—a 38 percent increase in the Consumer Price Index for construction materials since February 2020—contributed to stagnation in new housing supply (see Exhibit C.1). The region's recovery from the economic fallout of the crash had been slow, resulting in limited population growth and low demand for new housing. During this period, the share of rentals in the market increased due to investors buying up affordable housing, leading to an increase in renters for those displaced from their homes. This shift is reflected in the decline in homeownership rates, specifically in Winnebago County (see Exhibit C.2).

Exhibit C.1

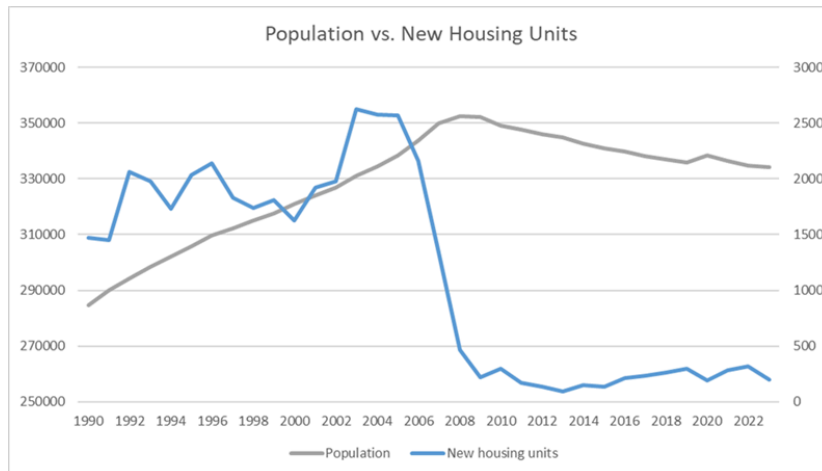
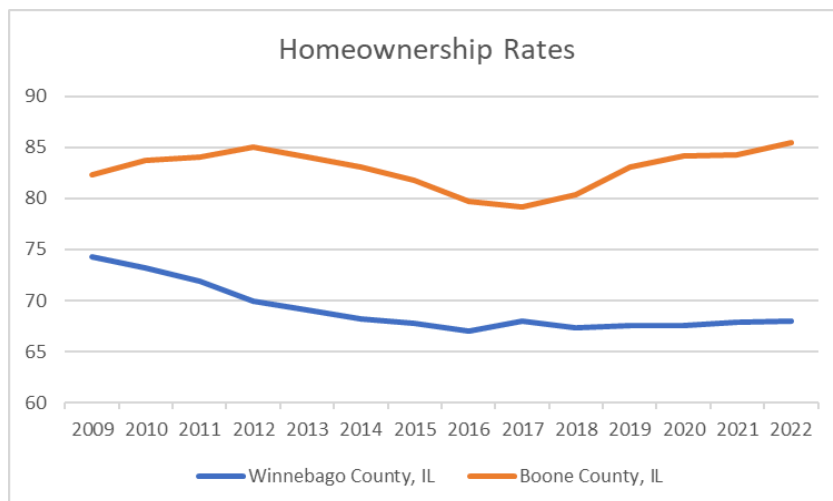
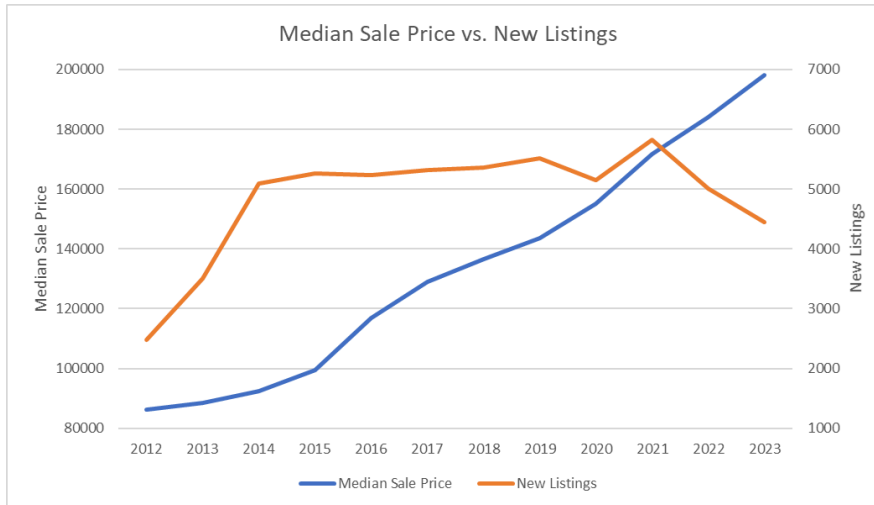


Exhibit C.2



The COVID-19 pandemic further complicated recovery efforts. In the aftermath, as interest rates surged to levels not seen since before 2000, many homeowners who had locked in low rates prior to the increase chose to stay in their homes, limiting property turnover. As prices soared in densely populated urban areas, such as Chicago and its suburbs, more people sought affordable housing in the Rockford Region, especially with the rise in remote working opportunities. Despite a stronger-than-expected rebound from the pandemic, the effects of inadequate housing development became apparent. While the region has gained recognition for affordable housing compared to other regions, the combination of limited supply and rising demand makes homeownership increasingly unattainable for many local residents, exacerbating the crisis with soaring prices and stagnant availability.

Exhibit C.3

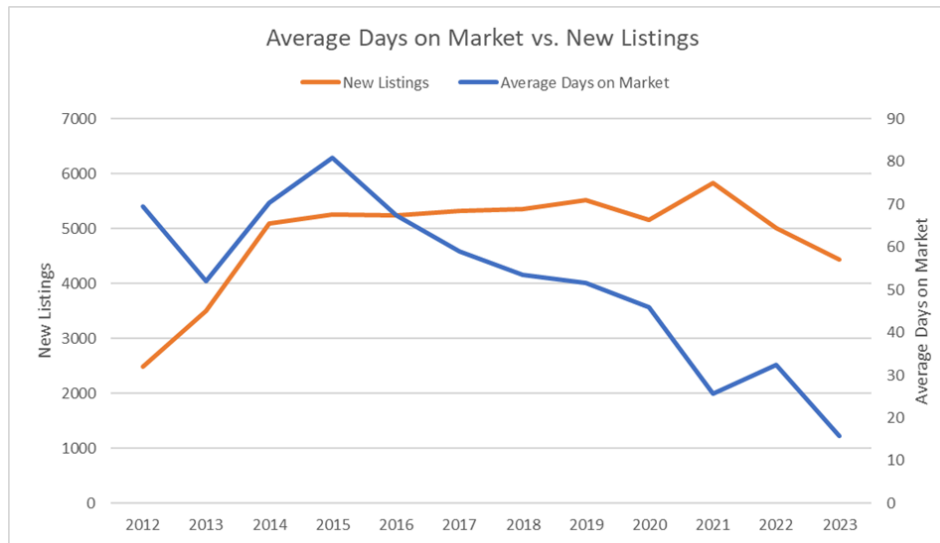


The decline in new listings since 2021 has dropped to levels not seen since 2014, contributing to a supply constraint that drove the median sale price to a record high of \$198,150 across Boone and Winnebago counties in 2023 (see Exhibit C.3). This trend, coupled with a consistent or growing demand, has nearly doubled the median sale price from 2012 to 2023. The lack of available housing inventory since 2020 has made it difficult for buyers to find homes, leading to competitive bidding and further inflating prices.

As of 2020, HUD estimated demand for 770 new sales units in the region over the next three years, and permit data suggests 790 units were planned. However, the relatively short amount of time that units are sitting on the market suggests that supply is still low while demand is high (see Exhibit C.4). The City of Rockford’s Housing Needs Assessment and Market Study estimates a need for up to 9,100 units in the region over the next ten years.

HUD’s Comprehensive Housing Affordability Strategy (CHAS) data supports the region’s inability to meet demand. In 2019, affordable housing was keeping pace with demand at a rate of -0.1029, compared to the state average of -0.2279. While not the most critical, this figure highlights the difficulty the region faces in meeting affordable housing needs. Additionally, the widespread housing cost burden in the area, with a value of 0.2166, is approaching the 95th percentile in the state, signaling that many households are experiencing a substantial financial strain due to housing costs.

Exhibit C.4



If this trend continues, it will exacerbate affordability issues for potential homebuyers, pushing more buyers into the rental market and creating further pressure on rental rates.

Boone and Winnebago County residents are already experiencing a housing affordability crisis. Of the housing units that are available, eight percent are at 30 percent AMI, 45 percent at 60 percent AMI, and 71 percent at 80 percent AMI, according to the 2020 Illinois Housing Development Authority (IHDA) Market Analysis Application. Cost burden is also a critical issue, with over 16,080 households paying more than 50 percent of their income toward housing. Households earning at or below 30 percent of the Household Area Median Family Income (HAMFI) are especially vulnerable, with 17,160 households in this income bracket facing acute affordability issues. Thirty-year fixed mortgage rates are the highest they have been since 2001, now with a 6.8 percent interest rate.

Renting is just as burdensome. According to HUD, Fair Market Rents increased by 14 percent in FY 2025 in Boone and Winnebago Counties, an increase of over \$100 per month, making it difficult for LMI families to afford rent (see Exhibit C.5).

Exhibit C.5

Winnebago County Average Rental Rates					
Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2025 FMR	\$810	\$900	\$1,181	\$1,561	\$1,603
FY 2024 FMR	\$699	\$785	\$1,031	\$1,380	\$1,423
Boone County Average Rental Rates					
Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom

FY 2025 FMR	\$810	\$900	\$1,181	\$1,561	\$1,603
FY 2024 FMR	\$699	\$785	\$1,031	\$1,380	\$1,423

The impact on equity is particularly concerning. In Winnebago County, only 27 percent of Black residents own homes, with 73 percent renting—a stark contrast to other demographic groups (see Exhibit C.6). Without addressing the affordability crisis, the barriers to homeownership will widen, disproportionately affecting communities of color and pushing the dream of owning a home further out of reach. This gap emphasizes the need for targeted interventions to increase homeownership opportunities and ensure equitable access to housing.

Exhibit C.6

Housing Occupancy Type by Race and Ethnicity	Winnebago		Boone	
	Rent	Own	Rent	Own
White	27%	73%	16%	84%
Black or African American	73%	27%	30%	70%
American Indian and Alaska Native	13%	87%	80%	20%
Asian	40%	60%	15%	85%
Native Hawaiian and Other Pacific Islander	52%	48%	0%	0%
Some other race	36%	64%	14%	86%
Two or more races	42%	58%	13%	87%
Hispanic or Latino origin	40%	60%	19%	81%
White alone, not Hispanic or Latino	26%	74%	15%	85%

And houses that are available are not in prime condition. The region's existing housing stock is aged, with 72 percent of its housing stock built before 1990, and 21 percent built before 1950. This requires substantial maintenance and rehabilitation on residences, adding to the cost burden of the home and contributing to the presence of serious quality issues, particularly for low-income households.

A total of 36,690 households report at least one housing problem, and 19,145 households experience severe housing problems (as defined by HUD), which incorporate extreme overcrowding, lacking complete kitchen or plumbing facilities, or being severely cost-burdened.

Breaking that down further, approximately 25 percent of households earning below 100 percent of the AMI encounter housing issues, such as roofing issues, overcrowding, and a cost burden exceeding 30 percent of their income.

In a region where the poverty rate stood as high as 18 percent in 2020, many homeowners face significant challenges covering the costs associated with homeownership.

The dream of being a homeowner is also getting further out of reach for younger generations, particularly in Winnebago County. In Winnebago County, 62 percent of the population under 35 rents (see Exhibit C.7), compared to just 29 percent renting in Boone County, according to the 2022 U.S. Census Bureau American Community Survey. Available housing stock and cost burden are certainly factors, but senior citizens aging in place contributes as well. The population over 65 years of age is expected to increase by 41 percent by 2050, and overwhelmingly own their homes, drawn by relatively affordable housing and proximity to healthcare providers. The number of elderly homeowners will continue to grow, decreasing ownership opportunities for younger generations and raising another cost burden issue: seniors needing to finance home maintenance while on a fixed income.

Exhibit C.7

Housing Occupancy Type by Age Cohort	Boone		Winnebago	
	Rent	Own	Rent	Own
Under 35 years	29%	71%	62%	38%
35 to 44 years	17%	83%	40%	60%
45 to 54 years	16%	84%	31%	69%
55 to 64 years	12%	88%	26%	74%
65 to 74 years	15%	85%	19%	81%
75 to 84 years	10%	90%	20%	80%
85 years and over	9%	91%	34%	66%

All of this evidence demonstrates the urgency of incentivizing developers and contractors to build or renovate housing to address the shortage and make housing more affordable for local residents. Increasing the supply of both new and rehabilitated homes in the region will alleviate pressure on the housing market, provide more affordable options, and ensure that all residents have access to safe and adequate housing.

By targeting infill sites that already have utilities and infrastructure in place, this proposal aims to address these acute housing needs without placing additional strain on local resources. The provision of incentives such as property tax abatements, down payment assistance, and gap financing will enable developers to build affordable homes, helping to close the current housing shortage and meet the needs of families earning up to 80 percent of AMI.

Key Barriers

One of the primary barriers to affordable housing production in the region is the disparity between the cost of constructing new homes and their lower appraised values, commonly referred to as the “appraisal gap.” This gap creates a financial shortfall, as developers are unable to secure a profit when the appraised value of a new housing unit is less than the cost of development. Construction material costs are only one reason for this gap. Regulatory and land use policy barriers, such as burdensome permitting processes, high fees, and zoning restrictions, further contribute by increasing development costs and delaying project timelines. These factors discourage developers from pursuing affordable housing projects, as they face significant challenges in recouping their investments.

This appraisal gap creates additional barriers. Lenders are hesitant to finance projects where the loan amount exceeds the property’s appraised value, also limiting developers’ access to the financial resources needed to initiate or complete housing projects. This issue is compounded by the region’s lower market values, which reduce overall returns on investment and often lead developers to pursue projects in more profitable markets.

The aging and deteriorating housing stock in the region further complicates both the preservation of existing affordable housing and the development of new units. Many homes in the region require substantial repairs, which creates two distinct challenges. First, the cost of maintaining, updating, and preserving older homes is prohibitively high, resulting in a gradual decline in the availability of affordable housing as units become uninhabitable. Funds for rehabilitation are scarce and difficult to obtain, which exacerbates the deterioration of existing housing stock. Second, the deteriorating condition of homes in older neighborhoods deters new development, further limiting the supply of affordable housing. Without substantial investment in preservation, many older homes will continue to fall into disrepair, further reducing the number of habitable affordable units and exacerbating the housing shortage.

These barriers—specifically the financial challenges posed by appraisal gaps and the deteriorating existing housing stock—are significant obstacles to affordable housing in the region. To address these challenges, the proposed solutions include the development of a Pre-approved Housing Design Structures (PAHDS) booklet to streamline permitting procedures for developers, model preferred land use solutions, and increased financial support to developers for affordable housing construction. These solutions are crucial in overcoming these barriers and ensuring the long-term viability of affordable housing in the region.