

Housing Policy Plan: Arlington Heights

PROJECT SUMMARY

Arlington Heights has been a leader in development and redevelopment for the last thirty years. Via careful planning, incentives and marketing, it has created a vibrant transit oriented downtown community which has become a model for many other communities in the six county Chicago metropolitan area. It also has paid careful attention to its neighborhoods and has, over a period of years, created a broad range of housing types that serve the needs of residents at all income levels.

Not surprisingly, Arlington Heights remains a very desirable place to live. With an excellent location in the job-rich northwestern corridor, one served effectively by commuter rail and an extensive highway network, and a good school system, it continues to attract residents and businesses.

Arlington Heights' challenge today is to maintain and enhance an already successful community. Recognizing the important role of housing in such efforts, the Village's Comprehensive Plan set a goal of providing a variety of housing alternatives by type, size, and price range. The Village Board also has among its top 10 goals to "continue to explore and encourage affordable private housing, investigate availability of handicapped accessible and attainable apartments, and assure that Arlington Heights meets State attainable housing percentage requirements."

To move forward with these goals, the Village must make sure that its dwellings, most notably its multi-family rental dwellings built in the 1960s and 1970s, remain in good condition. It must carefully monitor and assure proper maintenance of its condominium projects and single-family housing stock which have, to some degree, been impacted by the foreclosure crisis which is now in its seventh year. Finally, it must carefully think through future housing expansion in the Village and make sure that any expansion meets its future projected housing needs.

This report analyzes Arlington Heights' existing conditions and future needs, and includes recommendations focused on:

- Preserving the Village's multi-family housing stock;
- Addressing condominium foreclosures through local and regional efforts;
- Exploring if and how the community should grow;
- Continuing to redevelop downtown; and
- Strengthening and expanding local housing programs.

EXISTING CONDITIONS

Demographic and Economic Trends

As the only community to touch all of its partners, Arlington Heights sits at the geographic center of the Collaborative. The Village is bordered by Buffalo Grove to the north, Wheeling, Prospect Heights and Mount Prospect to the east, Elk Grove Village to the south, and Rolling Meadows and Palatine to the west.

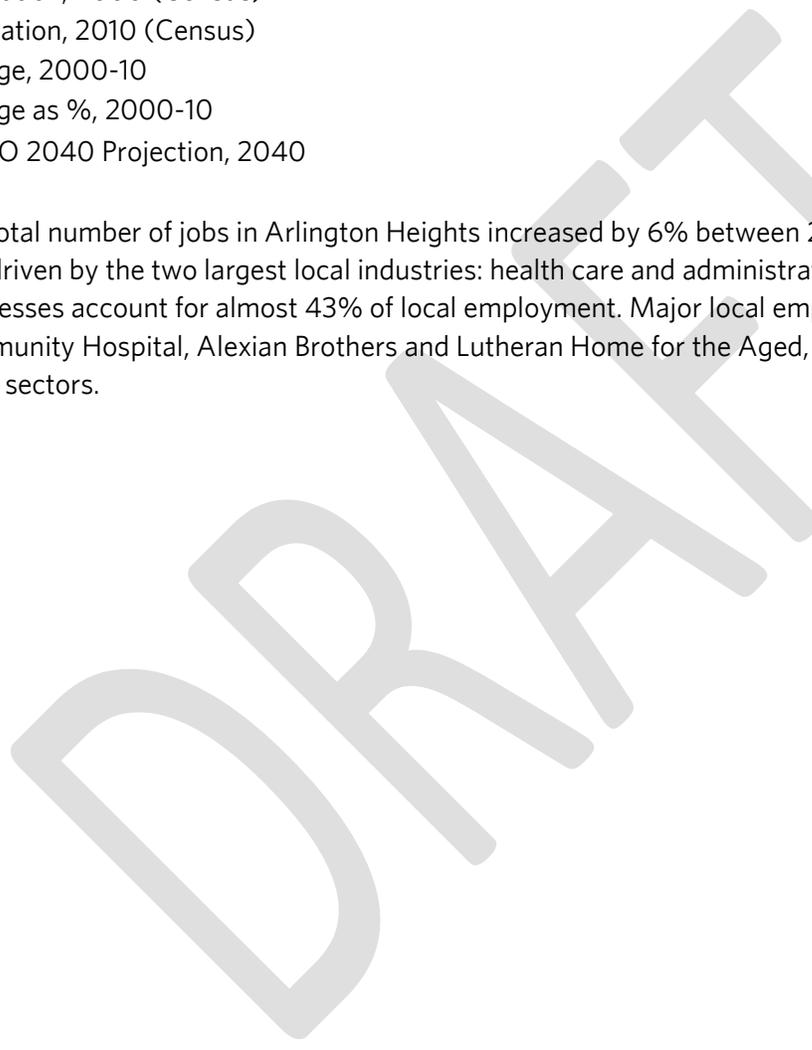
Arlington Heights' population has remained fairly stable over the last decade, at around 75,000 residents. The Chicago Metropolitan Agency for Planning (CMAP) produced population and

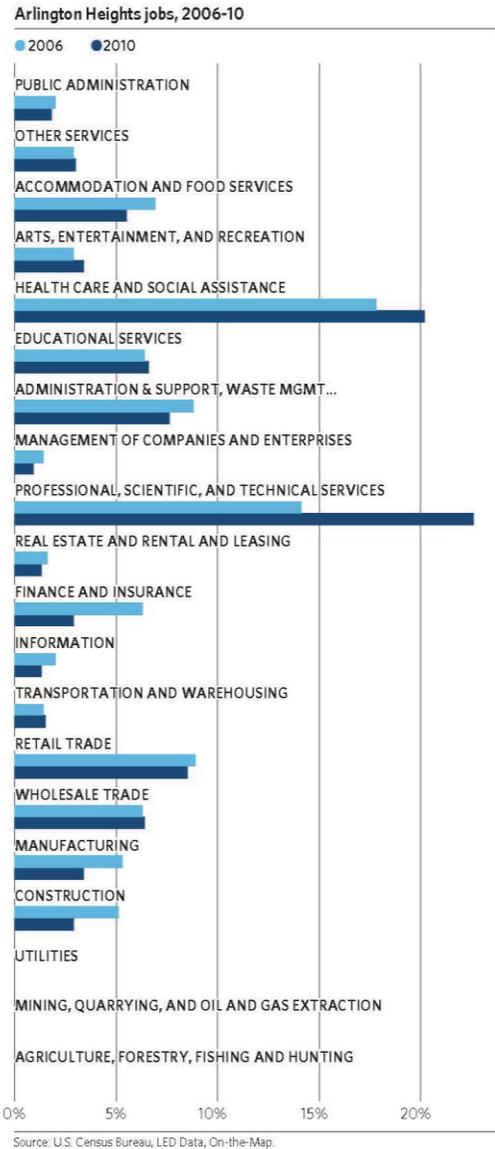
household projections as part of its GO TO 2040 plan. These figures indicate that if GO TO 2040 is implemented and because of the Village's numerous assets, its population could rise to 86,059 in 2040, an increase of 11,000 residents. Such an increase would require roughly 4,400 additional dwelling units which, as will be noted later in this report, exceeds the existing housing capacity of the Village. While any decisions regarding if and how to grow are local, the projected demand bodes well for strength of Arlington Height's long term housing market.

Population and Change in Population, 2000 and 2010

	Community
Population, 2000 (Census)	76,031
Population, 2010 (Census)	75,101
Change, 2000-10	-930
Change as %, 2000-10	-1.2%
GO TO 2040 Projection, 2040	86,059

The total number of jobs in Arlington Heights increased by 6% between 2006 and 2010. The increase was driven by the two largest local industries: health care and administration. Combined, these businesses account for almost 43% of local employment. Major local employers, such as Northwest Community Hospital, Alexian Brothers and Lutheran Home for the Aged, reflect the importance of these sectors.



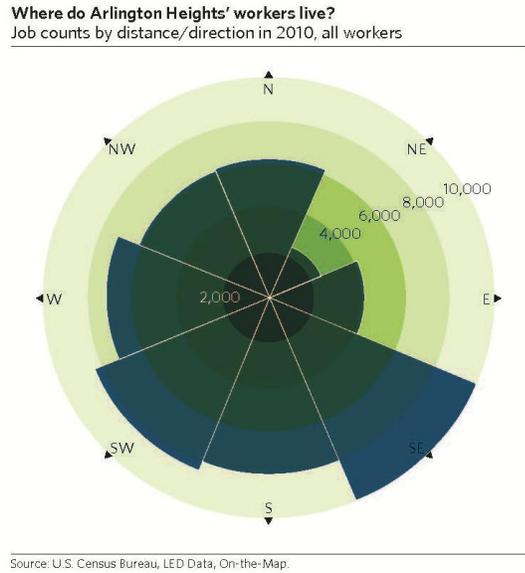
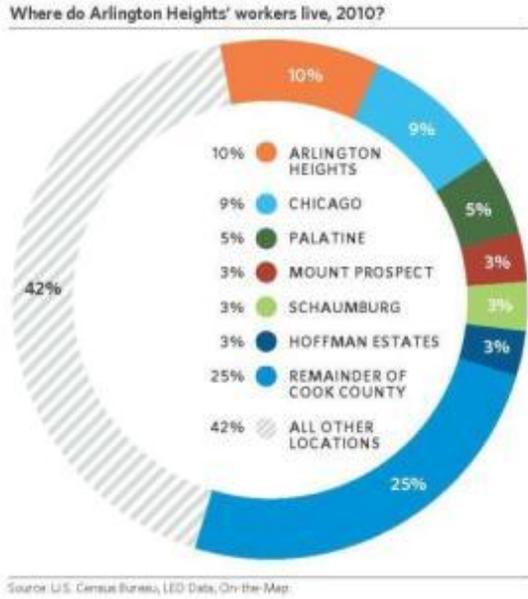


Tax increment financing (TIF) districts play an important role in the Village’s efforts to redevelop key areas, with five total districts established by the Village. Two, covering northern and southern downtown, expired within the past decade. Arlington Heights maintains three active TIF districts. TIF 3 was used to redevelop the corner of Arlington Heights Road and Rand Road with 52,000 square feet of retail space. TIF 4 covers the northeastern corner of Golf Road and Arlington Heights Road, including International Plaza; expansions of this district are allowing the Village to pursue the redevelopment of the former Arlin Golf Plaza and Kitikada Restaurant. TIF 5 was established in 2005 for the redevelopment of the Town & Country and Southpoint shopping centers.

Where Do Arlington Heights’ Workers Live?

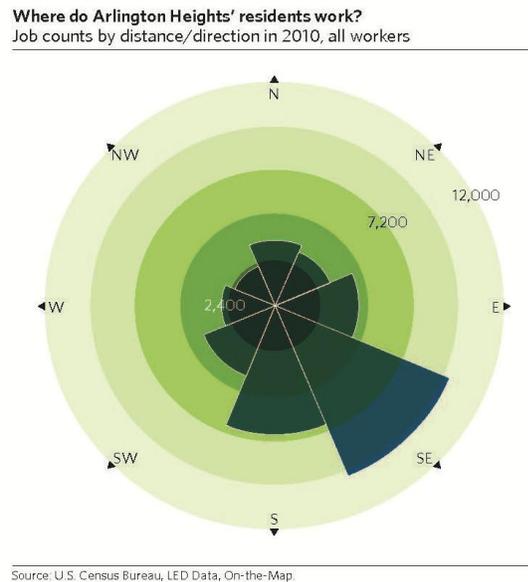
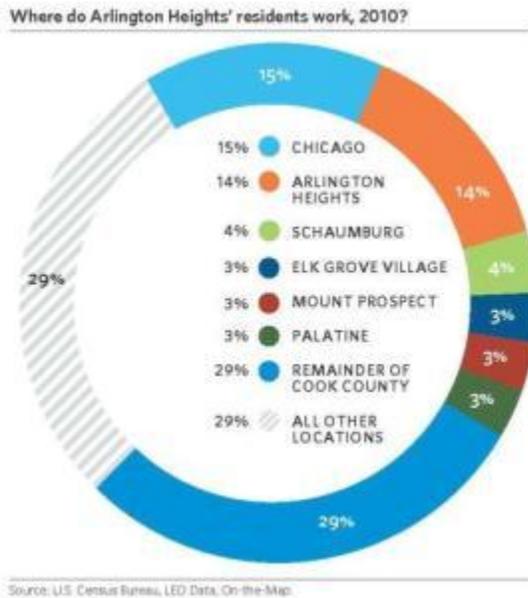
Similar numbers of workers come from Arlington Heights and Chicago. People from nearby communities, such as Palatine, Mount Prospect and Schaumburg, also commute to the Village. Geographically, people working in Arlington Heights come from all over the region. The direction of

travel reflects the ease of access to Arlington Heights from other directions because of Metra, Route 53 and I-90.



Where Do Arlington Heights' Residents Work?

By far the largest numbers of residents work in either Chicago (15%) or the Village (14%). Residents traveling longer distances to work likely commute to the south or southeast, with most other local employment locations closely encircling the Village.



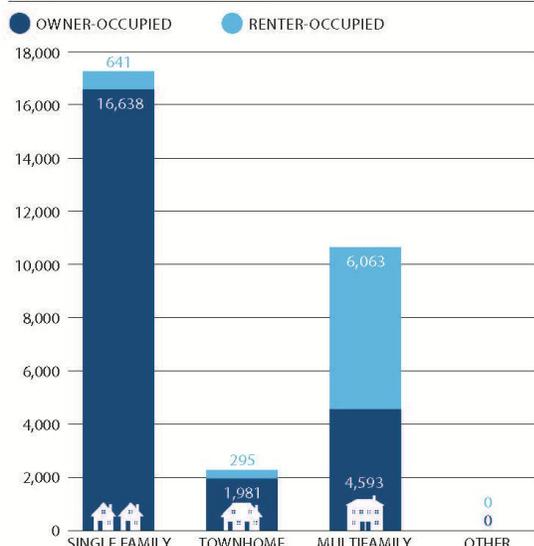
CURRENT HOUSING ANALYSIS

The majority (57%) of housing units are single-family homes. Multi-family units, which comprise 35% of local units, include everything from duplexes to 50+ unit complexes.

Single-family homes tend to be owner occupied. Multi-family units supply Arlington Heights with 87% of its rental stock. As an occupant's income rises, so does the likelihood of ownership. The majority of Arlington Heights rental units are occupied by households making less than \$100,000. Households earning less than \$15,000 are more likely to rent than own.

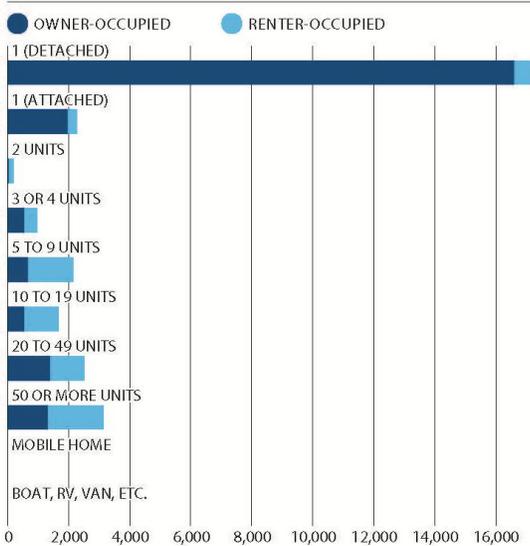
Like many other Collaborative communities and the region, the number of Arlington Heights households paying more than 30% of their income on housing increased in the last decade. The number of cost burdened owners increased from 21% in 2000 to 32% in 2010. This rise among owners was felt across all age groups, though particularly for householders over 35, as they make up close to 90% of all Village homeowners. For renter households, the proportion increased from 35% to 43%, largely because of a doubling in the number of renters between 35 and 65 years old paying more than 30% of their income on housing costs.

Arlington Heights housing type by tenure



Source: CMAP analysis of American Community Survey 2006-10.

Arlington Heights tenure by units in structure



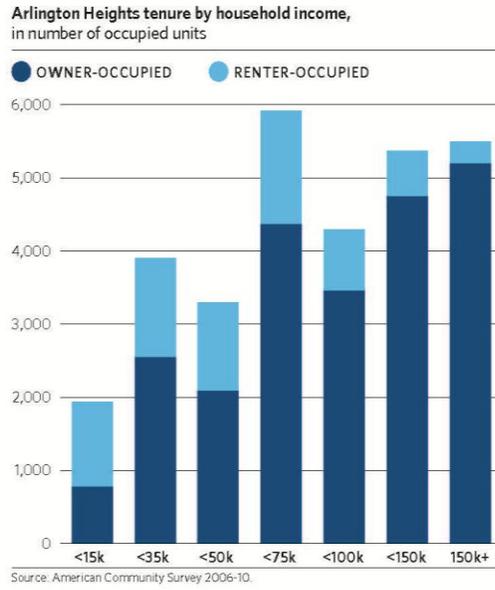
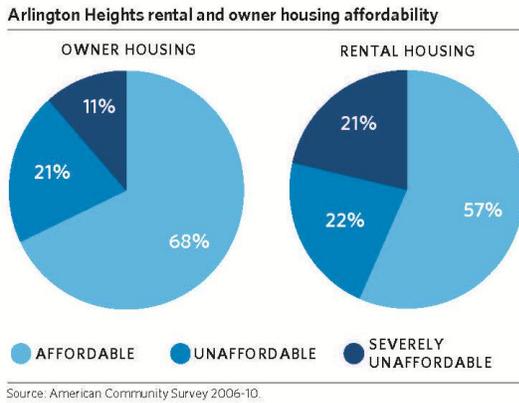
Source: CMAP analysis of American Community Survey 2006-2010.

Inset: WHAT IS "AFFORDABLE HOUSING"?

What constitutes affordable housing varies from household to household, as the measure is relative.

- "Affordable housing" is housing that costs no more than 30% of household income (including utilities, insurance, and taxes)
- "Unaffordable housing" is housing that costs between 30% and 50% of household income
- "Severely unaffordable housing" is housing that costs more than 50% of household income

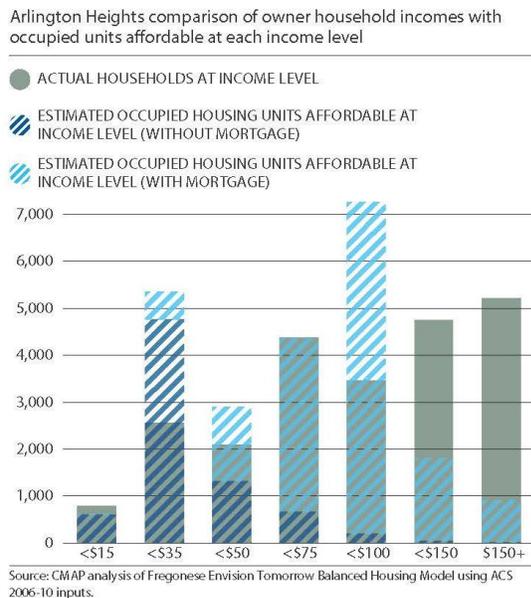
If family transportation costs are included (housing costs plus transportation costs), then "affordability" rises to 45% of household income. According to figures from the Center for Neighborhood Technology (CNT), 16% of Arlington Heights' households pay less than 45% of household income on housing and transportation costs combined.



Current Ownership Housing

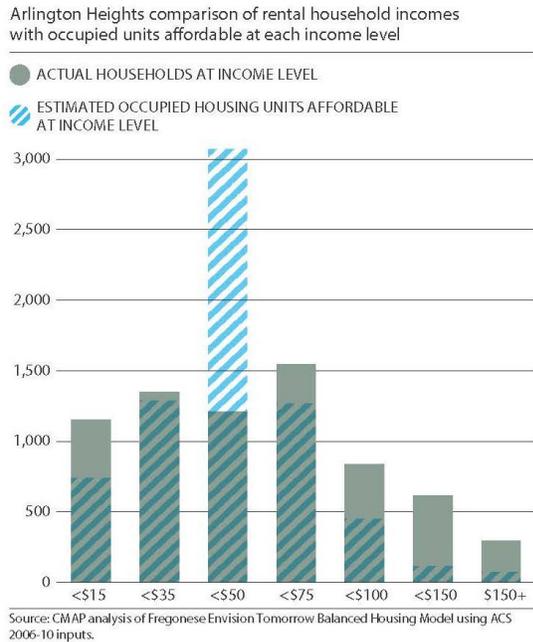
For owners earning between \$35,000 and \$100,000, the number of available units more than covers the number of households. Owner units for households at the lower end of this income range are only affordable to this income groups if the owner does not carry a mortgage. Units affordable to higher income households typically carry a mortgage.

Higher income owners often choose to “move down,” occupying less costly housing and spending less than 30% of their income on housing costs. Lower income households must “move up,” spending more than 30% of their income on housing costs and becoming cost burdened. People moving up the income range include the growing number of cost-burdened owners.



Current Rental Housing

The number of units affordable to a middle income household (annual household incomes between \$35,000 and \$50,000 per year) helps ensure that the Village’s rental stock meets the income needs of residents. Gaps, however, exist at lower and higher income levels. The largest differences are for households earning less than \$15,000 and earning \$100,000-\$150,000. However, while higher income renters can choose to move down and, occupying units that cost less than they can afford, lower income renters must move up and become cost burdened. Lower income residents who are forced to move up help explain the increasing number of cost burdened renters over the last decade.



Today’s Market Segments and Market Preferences

We used tools developed by a leading, well-known market research firm, ESRI, to enrich our understanding of the housing types preferred by families that live in Arlington Heights today. The basic unit of the ESRI Community Tapestry system is the neighborhood. ESRI has classified every neighborhood in the country as one of 65 market segments. These segments are then combined into one of 12 LifeMode groups. Segments and groups are assigned to neighborhoods by sorting more than 60 attributes including income, employment, home value, housing type, education, household composition, age and other key determinants of consumer behavior. Neighborhoods with the most similar characteristics are combined while neighborhoods showing divergent characteristics are separated.

We have identified four groups into which almost 97% of Arlington Heights’ households fall: High Society, Upscale Avenues, Senior Styles and Solo Acts. What does this mean for Arlington Heights’ future housing needs? First, Village households are almost equal in their desire of whether or not to live in a compact neighborhood (e.g. containing a range of housing types that encourage walking to retail stores, neighborhood amenities, other homes and transit lines). About half of current residents

have at least a moderate propensity to live in a compact neighborhood while half are not interested in living in a compact neighborhood.

LifeMode Groups	Income	Family Type	% of Total	Compact neighborhoods
High Society	Upper	Married Couples	47.1%	Low
Upscale Avenues	Middle-Upper	Mixed	25.2%	Medium
Senior Styles	Middle	Married no-kids	13.2%	Medium
Solo Acts	Middle-Upper	Singles-shared	11.4%	High

The largest such group, “High Society,” are higher income households distinguished by their interest in single-family homes. “Upscale Avenues” are also affluent households, but they prefer a variety of housing types and invest in their homes through remodeling or landscaping. “Senior Styles” residents have housing preferences as diverse as their circumstances, residing in single-family homes, retirement homes, or high-rises. Finally, “Solo Acts” are generally young single or roommate households who prefer a mobile, urban lifestyle and denser housing options.

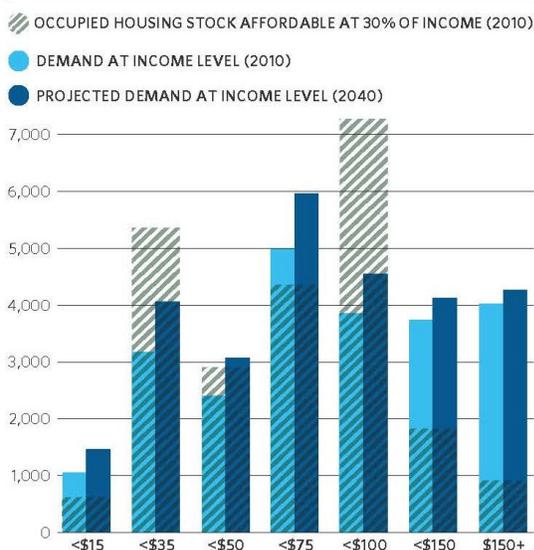
PROJECTING FUTURE HOUSING NEEDS

While all of the previous information describes the current housing market in Arlington Heights, the best housing planning takes into account those who might live in the community in the future. Blending together Census data, CMAP’s local population and household projections for the year 2040 and the ESRI Tapestry market segment data, we can make some realistic estimates of who will want to live in Arlington Heights over the next 30 years and what kinds of housing would allow the Village to meet the needs of current and future residents.

Future Ownership Needs

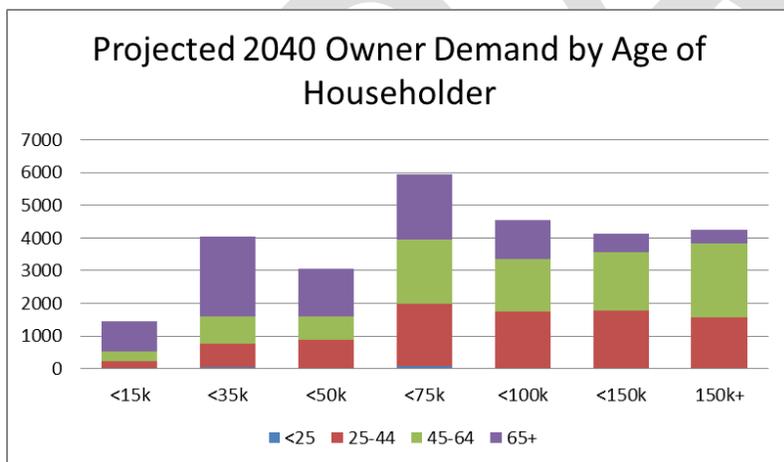
We project all income levels could see more households over the next 30 years. In total, Arlington Heights would need 18% more owner units in 2040 to accommodate all the possible growth. The Village’s current stock of units for households earning \$15,000-\$35,000 and \$75,000-\$100,000 could meet the projected growth. The largest unit shortages would be for households earning more than \$150,000, though as noted before, some of these households may choose to move down. Future population growth may increase the number of cost-burdened low and moderate income households if the housing stock does not grow and change with the population.

Arlington Heights 2010 households and housing stock compared with 2040 owner demand



Source: CMAP analysis of Fregonese Envision Tomorrow Balanced Housing Model using ACS 2006-10 and CMAP GO TO 2040 household forecast inputs.

The age groups which may drive housing demand in the future depend on income. Increased demand at higher income levels will be among owners 25-44 and 45-64. The projected need for units in the less than \$15,000 income category is likely attributable to the community’s aging population and the number of seniors. Over 60% of future owners earning less than \$15,000 are projected to be over 65.



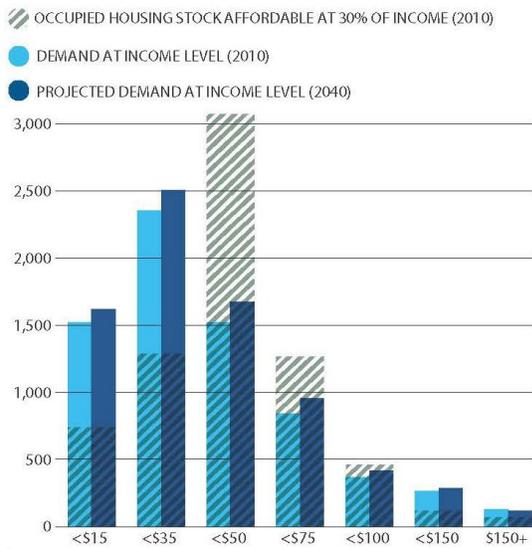
Source: CMAP analysis of Fregonese Envision Tomorrow Balanced Housing Model using ACS 2006-2010 and CMAP GO TO 2040 household forecast inputs

Future Rental Needs

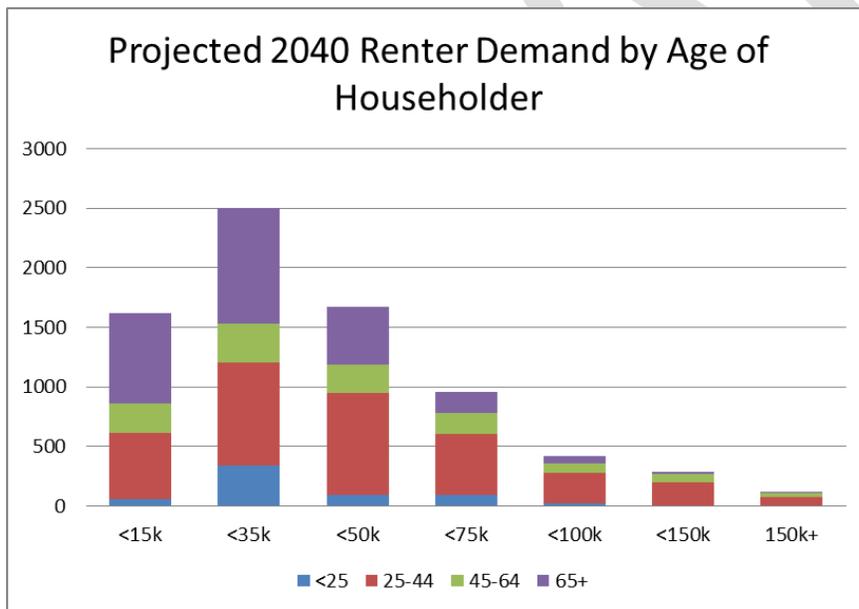
Future rental households could come from across the income spectrum, including higher income households. Given the Village’s current rental stock, the greatest need for future units would be for households earning less than \$35,000. These renters are already among the cost-burdened households squeezed over the last decade, renting units affordable to people earning \$35,000-\$50,000. The core of Arlington Heights’ future rental market is households 25-44, with seniors

playing a more important role at lower income levels. About 45% of future renters earning less than \$15,000 are projected to be over 65.

Arlington Heights 2010 households and housing stock compared with 2040 rental demand



Source: CMAP analysis of Fregonese Envision Tomorrow Balanced Housing Model using ACS 2006-10 and CMAP GO TO 2040 household forecast inputs.

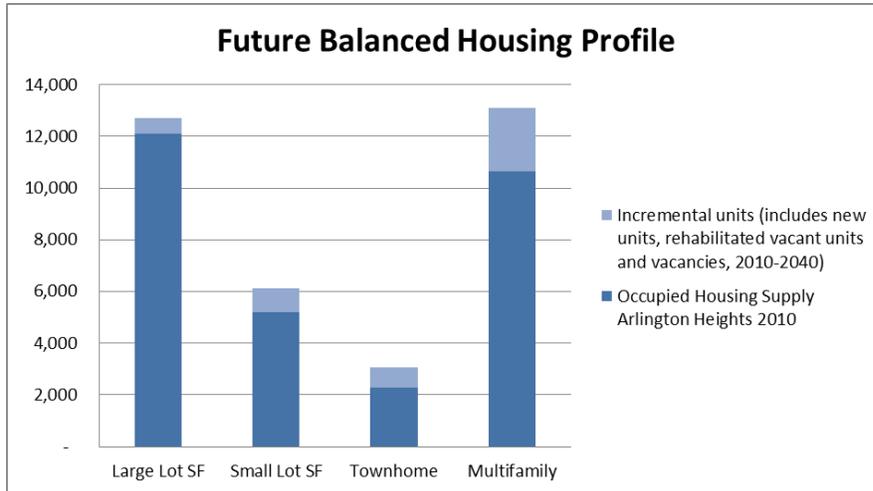


Source: CMAP analysis of Fregonese Envision Tomorrow Balanced Housing Model using ACS 2006-2010 and CMAP GO TO 2040 household forecast inputs

Housing Demand by Type of Unit

When we combine our projections for new owners and renters, we get one possible picture of Arlington Heights' demand for additional housing units by type in 2040. What emerges is a "balanced housing" profile with demand for about 1,567 additional single family, 772 townhome and 2,453 multifamily homes between now and 2040. As noted previously, these figures are based on

projections; real growth may be more or less than estimated and the Village can choose whether it wishes to plan for any of this estimated growth. The ultimate decision regarding if and how to grow is a local one.



Source: CMAP analysis of Fregonese Envision Tomorrow Balanced Housing Model using ACS 2006-2010 and CMAP GO TO 2040 household forecast inputs

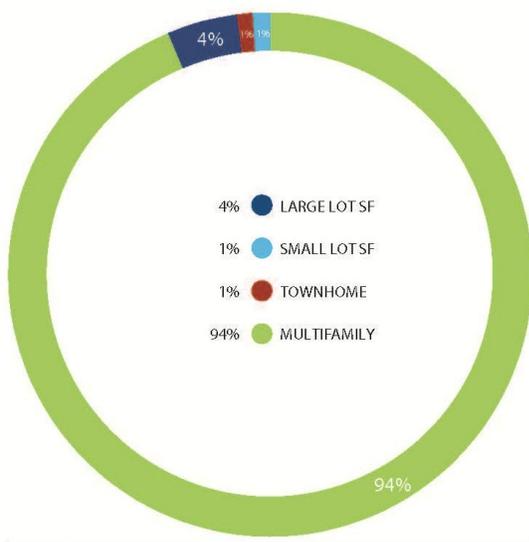
CAPACITY FOR GROWTH

Estimated future population and household growth is only one-half of the equation in considering future housing needs. As a community with numerous assets, it is understandable why many people want to live in Arlington Heights now and in the future. But to plan for future households and housing, it is also important to look at capacity, particularly for a built-out community. To understand the Village’s ability to accommodate projected growth, if desired, we reviewed two key sources of capacity: development/redevelopment and vacancy.

Development/ Redevelopment Analysis

We analyzed the extent to which Arlington Heights could grow based on current land use regulations, development approvals and recent planning efforts. Reviewing Cook County Assessor data, verified by Village staff, we calculated the total square footage of vacant and redevelopable land in Arlington Heights (where the land value is greater than the improvement value). We then applied the community’s current zoning and development standards to those figures, calculating how many units could be built in Arlington Heights given the square footages of vacant and redevelopable land within the various zoning districts. This analysis was done in the aggregate and did not involve analysis of specific parcels. Additionally, we reviewed recent approvals, such as Arlington Downs, and subarea plans, such as the Hickory/Kensington Area Plan, to identify additional development potential. Based on this collective analysis, we estimate the community has the capacity for approximately 4,669 new dwelling units compared to the 4,792 units that would be needed should the Village decide to plan for the estimated increase in its population possible by 2040.

Arlington Heights maximum capacity by unit type



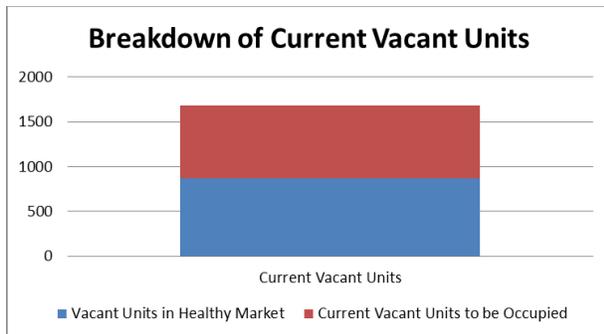
Source: CMAP analysis of Arlington Heights zoning ordinance, local development approvals, subarea plans and Cook County assessor data.

Maximum Capacity by Unit Type	
Type	Units
Multifamily	4,373
Large Lot SF	202
Townhome	44
Small Lot SF	50
Mobile Home/Other	-
TOTAL	4,669

Source: CMAP analysis of Arlington Heights zoning ordinance, local development approvals, subarea plans, and Cook County assessor data

Vacancy Analysis

Because of the current housing market, many homes now vacant may not be so in the future, allowing people to move into Arlington Heights without building new units. According to 2006-2010 American Community Survey estimates, Arlington Heights has approximately 1,684 vacant housing units, which is about 5.6% of all homes in the Village. Normal long-term vacancy rates for a strong community are 7.4% for rental units and 1.5% for owner units.¹ In a healthy market, the Village would only have approximately 866 vacant units. Therefore, 818 currently vacant units could be occupied in the future as Arlington Heights grows.



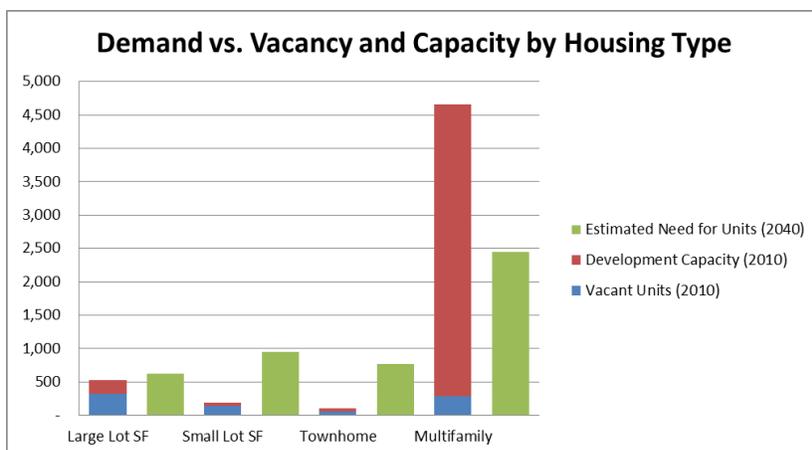
Source: CMAP analysis ACS 2006-2010

FUTURE HOUSING CONCLUSION

Combined, vacancy and development/redevelopment would completely cover the projected growth. While these resources allow the Village to capture all future residents who might want to live in Arlington Heights, the GO TO 2040 projections on which these numbers are based are only estimates of future population; real growth may be more or less than projected. Therefore, we encourage policy

¹ <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/w07-7.pdf>

makers to use these statistics as a guide, focusing on the relative number of single family, multi-family and townhome units which together reflect a balanced housing market when considering if and how to grow.



Source: CMAP analysis of Fregonese Envision Tomorrow Balanced Housing Model using ACS 2006-2010 and CMAP GO TO 2040 household forecast inputs

SUSTAINABILITY

In 2007, Arlington Heights emitted an estimated 16.16 metric tons (MT) of carbon dioxide (CO₂e) per capita, approximately 8% more than the Cook County emissions per capita (14.86 MT CO₂e). With 92% of local emissions coming from electricity, natural gas and transportation, any forward thinking housing plan should analyze these areas.

The Center for Neighborhood Technology (CNT) analyzed Arlington Heights’ residential electric and natural gas usage in comparison to Cook County in 2007. At that time, the average Arlington Heights household consumed less energy than the average Cook County household. Most of the savings come from the substantially lower average natural gas usage.

Residential Energy Use by Municipality Compared to Cook County (2007)

	Cook County	Arlington Heights
Average Electricity Use per Household	7,692 kWh	9,125 kWh
Average Annual \$ for Electricity per Household*	\$828	\$982
Average Natural Gas Use per Household	1,130 Therms	884 Therms
Average Annual \$ for Natural Gas per Household*	\$1,274	\$785
Average Annual Energy Costs	\$2,102	\$1,767

Source: CNT Energy Community Profile

*Calculated using average residential sales per kWh (ICC Utility Sales Statistics 2007)

According to 2007 CNT data, Arlington Heights averaged a higher number of vehicle miles traveled (VMT) per household than Cook County (16,685 versus 14,742 respectively). Because of the difference in mileage, Arlington Heights residents pay approximately \$90 more per month in transportation costs than the average county household.

URBAN DESIGN FOCUS AREA

Design Workshop

In June 2012, the Homes for a Changing Region team conducted a community workshop in Arlington Heights. Residents, community leaders, officials and others presented their views on a focus area selected by the Village: Arlington Heights Road south of downtown.

Stakeholders at the meeting presented a number of different visions for the corridor, ranging from maintaining the area's current design to considering opportunities for mixed-use development. While some groups felt that residential development was inappropriate for the area, others felt that senior housing should be considered. One group recommended the development of medical facilities. A number of groups focused ensuring sufficient parking. All groups emphasized the importance of maintaining the predominantly retail focus of the corridor.

We translated this feedback into pictures that capture the range of sentiments heard that night. The images outline four scenarios showing a spectrum of possible changes, everything from streetscape improvements to redevelopment with multiple mixed use buildings.

Arlington Heights Road today



Arlington Heights Road with streetscaping



Arlington Heights Road with different levels of private investment



Arlington Heights Road with different levels of private investment (cont.)



The pictured buildings do not reflect any particular age or income group which should be in the area. No one picture defines what should happen in the future, but together they illustrate the potential of the corridor as envisioned by the workshop attendees and represent an array of options that the community can explore in the long-term. No specific development (residential or commercial) has been proposed for this area.

RECOMMENDED STRATEGIES

Having carefully analyzed Arlington Heights' current and projected housing needs, a number of practical and achievable housing strategies will allow the Village to build upon its considerable assets while also addressing its future challenges.

- **Multi-family housing preservation:** The Village has a number of aging multi-family properties, both condominium and rental. By continuing to carefully monitor and maintain these units, they can continue to be real assets to Arlington Heights and provide housing opportunities for a wide variety of residents at many income levels. Overlooked and neglected, they could become the source of social and law enforcement problems in the Village. By implementing recommendations in this report focused on foreclosure tracking, rental licensing and rehabilitation, the community can help ensure the quality and viability of its current multi-family stock.
- **Foreclosures:** In the short-term, one of the Village's most pressing housing issues is the impact of foreclosures, in particular condominium foreclosures. We recommend that Arlington Heights focus on the following local relationship building efforts, thereby creating a base for the regional efforts touched on previously in this report.
 - Use the foreclosure data provided through Public Act 96-0856 and Record Information Services (RIS) to track and monitor the location and change of foreclosures within the Village. Such data can be particularly useful for the Village as it works with other Collaborative members to target foreclosure prevention services and heightened code enforcement services, including rental monitoring.
 - Combine this foreclosure data with the data provided by condominium and townhouse associations through the Village's existing registration requirements to undertake the following activities:
 - Monitor the number and ownership of foreclosures within individual buildings;
 - Use annual registration requirements to discuss data trends with associations and hear concerns and issues;
 - Develop benchmarks identifying when a property is considered "troubled" (number/percentage of foreclosures, number/percentage of rentals, number of different rental owners, utility shutoffs);
 - Work with the Collaborative to develop possible intervention strategies for particularly "troubled" properties.
- **Rental Licensing:** As foreclosed condominiums and single-family houses are reoccupied, the Village may see these homes converted to rental units. Therefore, the Village should explore the following changes to its rental tracking and licensing system so that it continues to suit the local rental stock.
 - The Village's current rental licensing system applies to dwellings containing more than two dwelling units under common ownership. Arlington Heights should evaluate the benefits and costs of expanding the rental licensing system to include all rental units in multi-dwelling buildings of more than two units.
 - The Village should monitor the number of single-family and duplex rental units and take additional action as necessary. Foreclosure tracking can help the Village.
 - The Village does not currently offer a landlord education program. The Village should evaluate whether to offer a landlords education program and should consider partnering with other Collaborative members to create and operate this program. Such

- a program could become more attractive to landlord if tied to incentives for participation.
- The Village should consider gathering the same information (ownership, management, unit type, etc.) as the other Collaborative communities so that data can be combined and analyzed on a regional basis. By collecting the same information in the same format, Arlington Heights can work with its partners on common rental housing issues, including addressing problem landlords across a number of communities.
- **Rehabilitation programs:** As a CDBG entitlement community, Arlington Heights has long operated an owner-occupied single-family rehabilitation program and, when funding allowed, has offered a multi-family rehabilitation program. Given the possible future population growth, future rehabilitation should focus on senior occupied and rental rehabilitation.
 - While new housing options are important, many seniors will want to stay in their current home. The Village should continue to rehabilitate senior occupied single-family homes to help older residents age in place. Standards for rehabilitation can be developed by working with the Collaborative to develop an “aging in place” guide. Such a program should identify important modifications needed to improve accessibility, eliminate barriers and create safer spaces.
 - The Village should encourage the rehabilitation of units that are currently affordable to middle-income renters. These are rental units in the \$800-\$1,250 per month gross rent range, keeping these units affordable to households earning less than \$35,000 in the middle income range and above.
 - **Explore new funding sources:** As noted previously, CDBG dollars fund many of the Village’s current housing and social service efforts, including the housing rehabilitation program. Additional funding sources would help speed implementation of this report in general, particularly local rehabilitation programs. Therefore, the Village should explore new funding sources for local housing activities, including pursuing the creation of an affordable housing trust fund. The Village could also consider joining the Cook County HOME Consortium allowing it to access federal funds for rehabilitation, new construction and housing services for low and moderate income households.
 - **Sustainability and Affordability:** Utility and maintenance costs are key components of any household’s ability to afford a unit. The Village already understands this connection as it operated the Home Energy Program, providing matching grants for energy audits and home energy improvements. The existing Single Family Rehabilitation Loan Program also funds improvements which impact utility costs, such as roof replacements. Given increases in the number of cost burdened owners and renters in Arlington Heights over the past decade, the Village should continue to focus on opportunities to reduce utility and maintenance costs for owners and renters through energy efficiency projects. The Village should work with the Collaborative to identify and additional funding sources for energy efficiency improvements and implement energy efficiency projects for single-family homes and multi-family structures.

- **Consider if and how to grow:** The Village's Comprehensive Plan set a goal of providing a variety of housing alternatives by type, size, and price range. As a built-out community, opportunities for new development can be scarce. While we project that potential growth would be met by the current local capacity for new units, evaluating growth is a continual process. Because all decisions regarding if and how to grow are local, the Village should continue to explore whether it wants to grow and, if so, where such growth should occur. If the Village grows, prospective residents would demand everything from single-family homes to apartments affordable to households throughout the income spectrum.
- **Downtown Arlington Heights:** The Village has focused on the redevelopment of downtown Arlington Heights into a mixed-use transit-oriented entertainment district over the past 20 years. Opportunities for redevelopment remain around the Arlington Heights train station. Therefore, the Village should continue to pursue these redevelopment opportunities in accordance with the adopted Downtown Master Plan, the Village's Comprehensive Plan and Village housing policies as a way to increase the supply of multi-family housing. Such housing should provide a mix of rental and owner housing for multiple ages and incomes.
- **Sub-regional partnerships:** Because of the potential held by the area, Arlington Heights should work with Mount Prospect and Rolling Meadows on coordinated strategies for the Algonquin Road corridor. Such efforts should include:
 - Support for transportation improvements on the I-90 corridor which provide greater regional access;
 - Consideration of renovation/redevelopment opportunities which build off of these transportation improvements and emphasize pedestrian and bicycle connections; and
 - Exploration of opportunities for shared social services which meet the needs of residents in all three communities.

CONCLUSION

The Village of Arlington Heights understands that to maintain its place as an attractive location for residents and businesses, it must stay on top of all avenues for improvement. By continuing to pursue targeted opportunities for development and redevelopment, strengthening and expanding existing housing programs, and helping single-family and multi-family homeowners to rehabilitate and upgrade properties, Arlington Heights can address and overcome many of the housing challenges that it is expected to face in the coming decades.