

Regulatory Barriers and Housing Affordability



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1. Introduction

As communities grow and populations change, the region is faced with development choices that often have long-lasting and widespread effects. Local governments and elected officials have great autonomy in adopting development regulations that increase or decrease regional economic competitiveness, promote or hinder environmental protection, and have affects on many other quality of life factors. Local development regulations are designed to shape the character of the community, ensure health and safety standards are achieved, provide sufficient infrastructure, supply public services, and offer desired amenities. Many development regulations are necessary for the public good; however, a common byproduct of regulation is an increase in the cost of development, which is often passed onto potential homeowners and renters. As a result, the costs of regulations can pose a significant barrier to creating a diverse housing stock. This issue has been studied for decades and many have found that excessive regulation increases the cost of housing.

Not all regulations are negative. Many regulations benefit society, such as land use regulations that prevent an industrial building from being developed within a residential block, building codes that ensure developments meet necessary safety standards, and environmental regulations that prevent potential health problems. Other regulations raise development costs and add little or questionable public benefit thereby increasing the cost of housing unnecessarily. These types of regulations are known as “regulatory barriers;” and are often exclusionary in nature; however, some analysts argue that housing prices are primarily determined by market demand, not development constraints (Nelson et al. 2002). Despite the role of the market, there is strong consensus that regulations impact development costs and therefore affect housing affordability.

In a survey of developers in the northeastern Illinois region, nine out of ten developers responded that excessive regulations challenge housing affordability because they drive up construction costs (Brunick & Patton 2003). In fact, studies have shown that the added cost that regulation places on development can be as high as 50% of the cost of development in many suburbs (Downs 1991). In addition to increasing direct development costs, other regulatory barriers restrict development that is more compact, resulting in larger and more expensive lots, which often translate to higher housing costs.

As the region prepares for nearly three million additional residents by 2040, this is an issue that must be carefully and thoughtfully evaluated and integrated into the *GO TO 2040* comprehensive plan. This report intends to better determine how development regulations shape the housing stock and in turn, affects the health and vitality of the region. This paper will outline the major regulatory barriers that drive up housing cost, adding to the housing affordability problem. While outside of the scope of this paper, an

evaluation of local plans and codes for each of the 283 municipalities could be evaluated to fully understand how the northeastern Illinois region measures in terms of regulatory barriers. This report will outline the most common types of regulatory barriers and their impact on housing. A review of previous studies and specific examples will be highlighted to illustrate how regulation affects housing costs. This paper will also highlight strategies and policies that have been implemented nationally and within the Northeastern Illinois region to reduce and remove each of the described regulatory barriers.

2. Regulatory Barriers and Mitigation Strategies

There are several types of regulation that can drive up housing cost. The most common regulations that can become excessive and are considered “barriers” to housing affordability include: building codes, land use controls and zoning, impact and development fees, and permitting and procedural rules. Many regulations provide important functions and should be acknowledged as providing a public good, despite impacts on housing costs. For example, building codes that require fire-retardant materials increase development cost but create safer homes. Regulations can be justified as long as the cost is in balance with the potential benefits that can be derived from the regulation. A regulatory barrier can arise if the cost of a regulation is misaligned with its benefits. This often results when a code or regulation is adopted that goes above and beyond what is widely accepted as meeting an acceptable level of health and safety requirements. Regulations that are carefully crafted to minimize costs and maximize public benefit can be positive for all residents.

Distinguishing regulations that protect and serve the public good, despite their negative affects on housing cost and supply, from other regulatory barriers is a challenge. This challenge has been undertaken by many stakeholders, including, the federal agency, Housing and Urban Development (HUD). In 1990 HUD formed the Advisory Commission on Regulatory Barriers to Affordable Housing to help better understand regulatory barriers. The Commission continues to be a leader on this topic and provides a wealth of resources to help localities address this issue. HUD currently hosts a Regulatory Barriers Clearinghouse website which provides a vast collection of research on regulatory barriers, <http://www.huduser.org/rbc/>.

States, regions, and cities across the country have been grappling with how to confront regulatory barriers. The State of Colorado has been very active in addressing regulatory barriers, and requires the Division of Housing to report the type and prevalence of regulatory barriers, defined as:

“either a deliberate or de facto action that prohibits or discourages the construction of affordable housing without sound reasons directly related to

public health and safety; a federal, state, or local statute, ordinance, policy, custom, practice, or procedure that excessively increases the cost of new or rehabilitated housing, either by improperly restricting the location of housing, or by imposing unjustified restrictions on housing development with little or no demonstrated compensating benefit.”

Most definitions of regulatory barriers are intended to provide clarification; however, many tend to be open to interpretation due to the inherent subjectivity and difficulty in determining what is excessive, especially when it is regarding health and safety or long-term benefits. Analysis of local regulations provides a better understanding of the existence of regulatory barriers within a defined area. In 2002, Business and Professional People for the Public Interest (BPI) surveyed developers in the Chicago region to determine the factors that challenge housing affordability. The respondents ranked the regulations that they most frequently encountered that add to the development cost, the results shown in the table below. Regionally, zoning ordinances were the most common regulation that these developers felt impacted housing costs, which is also directly related to the second most ranked barrier—the cost of land. The fewer units allowed on land, the less the land cost is dispersed between multiple residences. Building codes, permit fees, and administration time were also reported to be top challenges to housing affordability in the Chicago region.

Barrier to Development	Percentage
Zoning ordinances	20%
Cost of land	13%
Political and bureaucratic hurdles (in general)	12%
Building codes too restrictive	12%
Permit fees are too high	10%
Length of permit application process	8%
Lack of funding	7%
Lot sizes too large	6%
Community opposition (“N.I.M.B.Y.”)	5%
Other	5%
Taxes	1%

Source: Brunick and Patton 2003

The following section will outline the types of regulations that have been shown to affect housing costs and in some cases, can be a regulatory barrier to housing affordability. Strategies that mitigate the negative impacts on housing costs, while maintaining a sufficient level of public safety and health, are described to show how local and national governments are addressing this issue.

Building Codes

The purpose of building codes are almost entirely related to safety and health issues, and therefore great scrutiny and evaluation is necessary when discussing reform that could potentially compromise safety. Ninety percent of the U.S. population lives in areas subject to building code regulation (Burby, Salvensen, Creed 2006). Building codes can range from restricting the width of windows to the type of pipes used in plumbing. Meeting a minimum set of building standards to ensure safety is the responsibility of local government, even if it requires materials or building components that increase construction costs. While most building codes provide protection, when they exceed what is necessary they can substantially add to development cost. Previous research has identified several types of restrictions imposed by building codes that may be regulatory barriers. In some cases, codes raise housing costs unnecessarily because they are outdated, often due to administrative or legislative delays. In other cases, governments may use codes that “over-engineer” a building with codes that exhibit unnecessary levels of caution or with redundancies, both of which can raise costs. Building codes can also add to cost by restricting the use of cost-saving materials and technologies. For example, some local municipalities prohibit the use of plastic pipes in their residential plumbing codes, despite inclusion of this lower cost material in the Illinois state plumbing code. Furthermore, some building codes are shaped by the lobbying of building materials manufacturers or labor unions. Some local experts and developers attribute higher construction costs to the influence of trade unions. This has been a long-standing issue and presents a real challenge due to its highly political nature.

Alternatively, localities may purposely exclude lower cost development practices by enacting unnecessary and high cost building codes to ensure lower cost housing is not feasible (Schill 2004). Exclusionary codes may include construction guidelines above and beyond what is necessary for an acceptable level of health and safety or are rooted in an aesthetic benefit rather than safety.

The development of building code ordinances has a long history involving several players, including the insurance industry, engineering industry, federal government, union lobbyists, and model code groups. The most recent national shift in building codes is an effort to consolidate and reduce the number of model building codes; there is now one national and one international model building code. Despite this seemingly uniform system, local governments are not obligated to adopt the national building code. Many states adopt a statewide building code, although in many cases the state code is only applicable to certain types of buildings, such as publicly owned buildings. Furthermore, local amendments to uniform codes often result in much variance among building codes between states and municipalities.

Nationwide, local jurisdictions often have the authority to make amendments to the statewide adopted model code, as seen fit and with the required level of support. This

flexibility is often necessary, depending on local conditions and environmental factors. However, it can also result in neighboring jurisdictions having significantly different code requirements. This in itself can be a barrier to developers because it takes a certain level of familiarity to work across jurisdictions and with varying building codes it is difficult to build efficiently across boundaries. Three states (Connecticut, Kentucky, and New Jersey) have established building codes based on a maximum health and safety standards, which localities must seek approval from the state to modify (Schill 2004). This helps to diminish the exclusionary effects and excessive costs that may arise from overly restrictive building codes. [This chart](#) shows the variety of international codes and which are adopted by each state.

While most states have some semblance of a statewide building code, Illinois does not. There are however, mandatory codes in Illinois that pertain to specific construction activities, for example plumbing, that set minimum standards. The table below shows the various types of building codes and models adopted by Illinois. As the chart shows, Illinois only requires minimum standards for plumbing, fire and safety, and accessibility of which most residential development is excluded (with the exception of plumbing). Therefore each of the 283 municipalities in the northeastern Illinois region has locally adopted codes, and development in unincorporated must abide by county adopted codes. Some local codes may differ little from model codes, but amendments are common, resulting in variance in building codes and thus housing costs, across the region. As previously stated, this can be a burden on developers and add to the overall cost of construction and be exclusive in nature.

Illinois Adopted Building Codes		
Code Type	Code Model	Notes
Building/Dwelling Code	None	
Structural Code	None	
Plumbing Code	Illinois Plumbing Code	Applies as a mandatory minimum to all buildings
Mechanical Code	None	
Electrical Code	None	
Fire/Life Safety Code	National Fire Protection Association (NFPA) 101, 2000 edition	Applies as a mandatory minimum to all buildings except 1 and 2 family dwellings and public schools
Accessibility Code	ADAAG (Illinois Accessibility Code)	Applies as a mandatory minimum to all buildings except residential
Elevator Code	None	
Gas Code	None	
Boiler Code	American Society of Mechanical Engineers (ASME) Boiler & Pressure Vessel Code 2006 edition	

Source: <http://www.reedconstructiondata.com/building-codes/illinois/#ahj>

Some local examples of questionable requirements include the installation of fire sprinklers in single family homes, the requirement of a brick façade, and insulation designed for more extreme weather conditions than local weather conditions call for. These requirements may increase health and safety standards, however they may also be considered excessive or going beyond reasonable standards. According to the U.S. Fire Administration's website, fire sprinklers can add between \$1.00 and \$1.50 per square foot in construction costs; a local suburban developer has spent as much as \$10,000 on home fire sprinklers when required. These costs add up making it increasingly difficult to build a home at an affordable cost. This is not to discount that many construction materials which might cost more upfront do have a better rate of return in the long run such as energy efficient materials. Such materials increase the development cost initially, but might be justified when the investment raises the buildings overall performance in the long run. In other cases, however, excessive building codes can add significant cost to development for little or no return, or improved performance.

Despite several studies on building codes, there remains limited practical information on what constitutes an appropriate code versus an excessive code. Drawing conclusions based on previous research is challenging and out-dated; recent research by Listokin and Hattis (2004) has noted that the bulk of research on building codes is based on data from between 1960 and 1980. This is problematic given recent advancements in technology and the creation of new and better products than were used in the past. Additionally, most research is based on anecdotal evidence, rather than empirical data.

Of the empirical research that does exist, there are large contradictions among them. One of the earliest comprehensive studies on the impact of building codes was conducted in 1968 by the National Commission on Urban Problems. The Commission found that building codes with requirements above and beyond model codes could increase the cost of a house by up to 13%. Conversely, other studies have found that building codes have a minimal impact on the development costs. Muth and Wetzler (1976) completed a multiple regression to determine the relationship between housing cost and four constraints; they concluded: "the effects of local building code on housing cost, is at most, small. Local building codes add at most 2%." Another study by Seidel (1978) found that regulation can add up to 20% to the development cost, but only 1% is a result building code regulations (Listokin and Hattis 2004).

In addition to new construction, building code regulations can greatly affect the cost of housing rehabilitation. Often, rehab codes force new construction codes on existing buildings, which can be very expensive and prevent housing affordability (Listokin and Hattis 2004). Depending on current market conditions and residential demand, building code regulations on rehab can either result in the loss of an affordable unit due to the cost building code regulations add to rehabilitation, or the loss of a unit due to financial infeasibility of reinvestment. Often, rehab codes force new construction codes on

existing buildings, which can be very expensive and can altogether prevent rehab (Listokin and Hattis 2004).

There is wide variation in building codes, and thus wide variation on their impact on the cost of housing. Interviews with local experts indicate that, while some building codes can be barriers to housing affordability, building codes are currently less of a barrier than other regulations. Exceptions exist and some municipal building codes add significant cost to new and rehab development. Locally, industry professionals have organized and advocated for reform in this situation. Their research demonstrates how codes and other regulations challenge housing affordability development by increasing cost. As they report, one local building code has increased construction costs through 175 changes between 1996 and 2002. In this jurisdiction, it was found the total added cost to housing resulting from building codes, zoning requirements, impact fees, and delays has been estimated to be between \$30,000 and \$50,000 (Hannah 2005).

Adoption of building codes are the right and responsibility of local governments. Doing so with a balanced approach will help ensure they are effective and do not unduly affect residents negatively. The following section identifies successful strategies that demonstrate how added construction costs from excessive building codes can be reduced without compromising health and safety.

Strategies to Reduce Building Code Regulatory Barriers

There are several policies that can help reduce the impact of building codes on the cost of housing. In the northeastern Illinois region, perhaps the most significant obstacle posed by building codes, is the variation. A uniform building code would help reduce the amount of time and uncertainty in development while assuring appropriate health and safety standards. Currently, developers that work across the region must become familiar with the locally adopted building codes and their nuances, inhibiting their ability to build across municipal boundaries efficiently. A solution to this is the adoption of a uniform model building code. As noted, many states adopt uniform codes, which provide a level of predictability and consistency. Local control is offered through amendments, but there will likely be less diversity and therefore less uncertainty. Uniform building codes can also help establish benchmarks for satisfactory levels of health and safety requirements, which can reduce the risk of building code costs that are imbalanced with the benefits. Additionally, technological improvements can be more systematically shared and accepted if adopted model codes were amended as new materials and technologies became available.

Building codes often impact the affordability of housing rehabilitation, but states and municipalities have effectively addressed this issue by reforming their codes. In 1998,

with the help of an array of stakeholders, including planners, historic preservationists, and smart growth advocates, the State of New Jersey was the first state to rework the building codes regarding rehabilitation (Mattera 2006). The impact of the new code, referred to as a “smart code,” has been the focus of several studies. The smart code was found to decrease rehabilitation costs by 10 to 40%. Another study of the New Jersey smart code found a decrease in cost by 25% and an increase in rehabilitation activity by approximately 25% (Listokin 2004). Burby, Salvensen, and Creed conducted an empirical analysis of the increase in rehab activity in a sample of New Jersey municipalities after the adoption of the smart code compared to rehab activity in nearby states without such codes. The results showed that the reformed code played a significant part in spurring redevelopment activity. Some researchers suggest other state’s adoption of a similar rehab code as New Jersey’s may markedly increase residential rehabilitation (Burby, Salvensen, Creed 2006). Key to this success was the strong leadership at the state level that was able to cultivate support and buy-in at the local level. Prior to the code reform, multiple reports found that the irrational improvements required and ineffective administration added thousands of dollars to rehabilitation and months of delay (Listokin 2004).

A model rehab code has been developed to make it easier for localities to adopt codes that encourage reinvestment. The International Existing Building Code (IEBC) was issued in 2003 after the International Code Council realized the importance of establishing a model rehab code. The IEBC is modeled after parts of New Jersey’s model code, Maryland’s rehab code, HUD’s Nationally Applicable Recommended Rehabilitation Provisions (NARRP), and the Uniform Code for Building Conservation. Seventeen states have thus far adopted the IEBC, but Illinois is not one of them.

Land Use Controls and Zoning

Land use and zoning regulations set mandatory parameters for uses (e.g. residential, commercial, mixed, etc.), types (e.g. single-family, multi-family, etc.), and sizes (e.g. minimum lot size) of developments. Zoning is an instrument to shape community character by restricting certain uses and setting predetermined development sizes. Zoning codes can be used as a means to exclude or include diverse housing stocks. Municipalities in northeastern Illinois are granted home rule powers to plan, zone and regulate subdivisions (Knaap, Talen & Olshansky 2000); whether those regulations become barriers or facilitators of development of diverse housing depends on municipalities’ willingness to accommodate housing affordability. According to a survey conducted by the University of Chicago in 2002, most municipalities in Cook, west suburban DuPage, north suburban Lake, northwest suburban McHenry and south suburban Will counties had written zoning plans (93 of 99 municipalities), and only one third of those plans identifies expanding affordable housing opportunities within municipality as a goal (Lewis 2002). BPI’s 2002 survey of developers and homebuilders

in Illinois referenced earlier, determined that lower density requirements and lack of land zoned for multifamily housing to be the most significant land use related regulations that inhibit the production of lower cost housing (Brunick and Patton 2003).

Implementing local zoning ordinances are the right and responsibility of each municipality; zoning ordinances that prohibit a diversity of housing types may be regulatory barriers, otherwise known as “exclusionary zoning”. The most commonly cited zoning-related regulatory barrier is the restriction of high-density or multi-family housing. Zoning can often prevent housing affordability if higher density, smaller lots or multi-unit buildings are not permitted. The result of such regulatory barriers is an uneven distribution of housing types across the region. Lower-income communities tend to host the lion’s share of multi-family and high density housing when higher income communities restrict this type of development. Therefore, exclusionary zoning practices bring to light issues of equity and access to opportunity for low-income residents. Pendall’s examination of 159 counties nationwide between 1982 and 1992, found that “low-density-only zoning reduced the construction of attached and rental housing, contributing to higher rents and reducing the proportion of new Hispanic and black residents in the jurisdictions thus zoned” (1999). Restrictions against attached or cluster homes are intended to restrict development to single-family homes, making communities more exclusive and homes more expensive (Nelson, Pendall, Dawkins & Knaap 2002). Such restrictions further exacerbate the mismatch of jobs to housing across the region. Currently, CMAP is researching the regional jobs to housing mismatch with a focus on the location of affordable housing and proximity to the region’s job centers.

Research has found, however, that zoning alone does not determine whether or not developments will result in lower density. Often, suburban subdivisions are not developed to the maximum density allowed by zoning. Knaap, Talen and Olshansky (2000) surveyed three single family developments in Aurora, and found that the developments were only built to between 65 and 86 percent of the maximum allowable density. The research illustrates that regulation does not entirely dictate housing stock, but that market demand and consumer preferences also influence what developers build.

Other zoning and land use regulations can also be considered regulatory barriers. Design requirements, such as excessive set back requirements, wider streets, and parking requirements consume more land than necessary, causing higher development costs per unit. Increased land consumption in turn increases costs for service lines for sewers, water, driveway paving, site clearing, and landscaping (Governor’s Center for Local Government Services 2001). A 2007 study of subdivision requirements prepared by National Association of Home Builders (NAHB) Research Center for the U.S. Department of Housing and Urban Development, found that 91% of subdivisions had regulatory barriers that exceeded acceptable standards. Among these were requirements for off-street parking, front-yard setbacks, lot widths and sizes that

exceeded benchmark standards. Excessive regulations were found to inflate subdivision housing prices by an average of \$11,910, or 4.8% of the total cost.

The complexity of land-use controls have been studied by several researchers, many of who have found that the effects of regulation reach beyond the scope of subdivisions and their respective housing prices. Levine's 1992 study is one of a few to examine the effects of regulation on rental units on a large scale. The study examined 907 growth control measures and land-use controls in 443 California cities and found a \$5 increase in rent for each control that was adopted. Levine's findings may be substantiated by the elevated housing prices that Fischel discovered in his research on land-use regulation. In his study of growth controls, Fischel cites a 1987 study by Katz and Rosen that found houses for sale in communities with growth controls, including building permit caps and moratoria on the extension of infrastructure to new developments, were 17% to 36% more expensive than in communities without growth controls. Through his research in 1996, Malpezzi compared rent prices and house values in areas that were heavily regulated to those in areas that had few regulations. Using a sample of 60 metropolitan statistical areas, he found that areas that are highly regulated experience a 17% increase in rent prices and a 51% increase in home values. In their 1993 study, Cho and Linneman found that land-use controls raise housing prices by reducing the total supply of housing. These findings are in accordance with Levine's findings of a net decrease of 884 units per control adopted between 1979 and 1988 in California cities (Ihandfeldt 2003).

A nationwide survey conducted by the University of Pennsylvania examined the correlation between level of land-use and zoning regulation and housing prices. The survey, which included responses from 2,649 communities, were summarized using the Wharton Residential Land Use Regulatory Index, an index that measures how strongly a community is regulated by land-use and zoning laws. Two trends were found among survey respondents. First, if a community was rated as being highly regulated in one area, it is very likely that it rated highly regulated for at least one other area. Second, the higher the median family income or housing value, the more regulated a community was found to be (Gyourko, Saiz, and Summers 2007). A survey on the determinants of development controls in the suburbs of Chicago found that "nearly everyone agrees that the primary motive for development controls is to raise the property values of the dominant political group, the home-owners" (McDonald and McMillen 2004). The study concludes that this goal is most often achieved in smaller, homogenous communities where local residents have greater influence over government.

Strategies to Reduce Zoning and Land Use Regulatory Barriers

Statewide strategies have been implemented to address the negative impacts of zoning regulation across the country. Zoning reform that incorporates inclusionary policies via courts, state law or local ordinances is one example of statewide efforts. For example, Massachusetts, Connecticut, and Rhode Island have established a statewide housing appeal board to allow affordable housing developers whose proposals have been denied by local decisions to pursue a state-level appeal process. New Jersey and California have adopted a statewide approach to lead municipalities to increase housing affordability. In New Jersey, the Mount Laurel litigations played a critical role in promoting inclusionary housing by requiring 'affirmative governmental devices' such as lower-income density bonuses and mandatory set-asides; it also facilitated lower courts to grant zoning relief or building permits to a builder or landowner (known as 'builder's remedy') who vindicates the court's decision (Calavita et al. 1997).

A study by Knaap et al. explored possible strategies to curb the effects of regulatory barriers on housing affordability in three cities, Miami, Portland, and Boston. Of the three, Portland was the only city found to have sufficient enough zoning to provide an adequate amount of multifamily housing. "In Portland, local planning and zoning are closely monitored by state and regional governments, and zoning must meet density targets and explicit multifamily shares." The authors found this to be one of the most effective approaches toward creating inclusionary zoning practices. Other options explored in the study included creating incentives for local governments to create high density zoning and providing a way for developers to by-pass local zoning laws when it can be proved that multifamily housing is greatly needed (Knapp 2007).

At the local level, there are several ways to provide flexibility in land use regulations and to increase housing affordability. The most obvious solution is to reform excessive zoning codes to allow for a more diverse housing stock. Often municipal codes, are outdated and do not reflect current market conditions. More flexible zoning can include: lot size reduction, allowance of accessory apartments, planned units development, and mixed-use developments. In other cases, such as in communities where there is large demand for high-end housing or land values are too high to support the development of lower cost housing through the private market, extra tools are needed. Most widely used is a density bonus for developers who set aside the agreed-upon amount of affordable housing units for a set period of time. Developers can either add affordable housing units or contribute to affordable housing funds in exchange for a getting density bonus, which allows for more units than otherwise allowed by the existing zoning. The BPI survey of developers in the Chicago area showed that more than 50% of the 165 respondents identified density bonuses as a policy that would help facilitate housing affordability (Brunik and Patton 2003).

Orlando, Florida has a Density Bonus Program and an Alternative Design Standards for Affordable Housing Program, which provides the developer extra design flexibility without negatively impacting the resulting development. The alternative design

standards allow for reduced setbacks, reduced lot sizes, and reduced street widths. Under these flexible standards, houses are still facing the street, adequate street parking is provided, garages are set either from or with the primary structure, and both front and rear yard setbacks are reduced to a minimum of five feet each. (City of Orlando 2008).

Locally, several municipalities have implemented strategies to increase housing affordability through zoning ordinances. In 2003, the City of Chicago adopted an inclusionary zoning policy that requires developments that meet certain criteria, such as those that receive TIF assistance or receive a zoning variance, to include a percentage of affordable units. Additionally, in 2004, the City of Chicago initiated a downtown affordable housing bonus program that allows developers to build an additional three square feet of market-rate residential space for every square foot of on-site affordable units they build. As an alternative, developers can contribute to the Affordable Housing Opportunity Fund in exchange for additional density bonuses for residential developments. In this case, developers must make a financial contribution equal to the bonus floor area multiplied by 80% of the median cost of land per buildable square foot. Developers of commercial buildings can also earn a density bonus by contributing money to an affordable housing fund (City of Chicago 5/27/04). As of May 2007, the program has generated \$24 million of commitments toward neighborhood affordable housing programs and produced 34 units of affordable housing since 2002. In order to receive the bonus, developers must either make a financial contribution or enter into an Affordable Housing Agreement with the Department of Housing to create the affordable units, prior to receiving building permits.

The suburban communities of Lake Forest, St. Charles, and Highland Park have also adopted inclusionary zoning policies. Local developers and experts in the field note that such ordinances can be effective if the policy includes incentives, such as density bonuses, in order to make the developments economically feasible or revenue neutral. To learn more about inclusionary zoning in the northeastern Illinois region, read CMAP's inclusionary zoning strategy paper.

The Village of Plainfield, recently updated its zoning ordinance to facilitate housing affordability. The Village's comprehensive plan identifies the importance of sensible growth along with preserving its historic identity and community character. Key to these revisions was the provision of density bonuses and the creation of two new zoning categories that permit smaller lots and higher density development.

Other zoning reform strategies are targeted toward multi-family developments. In November 2000, the State of Colorado, through its Housing Division of the Department of Local Affairs, issued a report on regulatory barriers to affordable housing. Similar to the situation in the Chicago region, Colorado found that from 1990 to 2000, the proportional share of the rental housing inventory dedicated to multi-family housing

had been steadily declining and regulations were preventing affordable housing development (Colorado Department of Local Affairs 2000). Developers seeking to build multi-family housing discovered a small supply of land available for that purpose. Parcels once zoned for multi-family housing had been “downzoned” for single-family or less dense housing, due to NIMBY (Not In My Back Yard) pressures. To address this, the state enacted an ordinance that requires each community with a population of at least 5,000 to create a comprehensive land use plan that dedicates a minimum percent of land area for multi-family residential use.

Impact Fees

Impact fees are probably the most controversial and complicated regulatory barrier. There are clear benefits from their use, but also strong negative effects on housing affordability. A description of impact fees is first provided, followed by an overview of the most common arguments for and against their use and consequences. The usage of impact fees in northeastern Illinois is described and finally a summary of quantitative impacts on housing costs is given.

Overview of Impact Fees

An impact fee is a one-time charge by a municipality or county to the developer to fund construction of infrastructure that correlates to the construction of new development. The purpose is to ensure development pays its own way by shifting the burden from government and existing residents to the developer and, in many cases, the new residents (Clarke and Evans 1999). Impact fees were initially used for the expansion of water and sewer service but have evolved to cover expenses including new roads, schools, libraries, parks, police and fire protection, and other public facilities (Been 2005). The rationale for impact fees is that they are a way to generate the revenue necessary to develop new public goods that would not be generated from the new residential tax revenue alone. A range of formulas exist for calculating the amount of an impact fee; typical factors include: number of units, number of bedrooms, or square footage. In some cases, instead of a monetary fee, a land dedication can be made by the developer towards the meeting of a public good.

There are two main opposing views on impact fees:

1. *Impact Fees are a deterrent for development and housing affordability* because a financial burden is shifted to private developers who perceive this as an imposed cost; developers may seek other communities which can cause competition between municipalities. Additionally, the costs of impact fees, which are often passed along to residents, increase housing prices making housing less affordable. Overall, impact

fees could potentially discourage economic growth, development, and housing affordability.

2. *Impact Fees are a useful growth and fiscal management tool* for local governments and an effective way to coordinate resources, plan for growth, and impose fiscal responsibility on beneficiaries of land consumption. Additionally, impact fees are an attempt to design communities that maintain and provide a certain quality of life for residents, considering the anticipated demand for public resources.

Opposition of impact fees or support for impact fees come from a variety of stakeholders including political institutions, local interest groups, new residents, private developers, local administrators, and existing nearby communities. The benefits and consequences of impact fees are often debated; several main points are explained in the following table.

Impact Fees: Pros and Cons

BENEFITS OF IMPACT FEES

IMPACT FEES CAN LOWER TRANSACTION COSTS FOR PRIVATE DEVELOPERS

RATIONALE: PAYMENTS BY DEVELOPERS REDUCE COSTS IN DELAY IN REGULATION AND PERMITS APPROVED BY LOCAL GOVERNMENT (NELSON AND MOODY 2003, BURGE AND IHLANDFELDT 2005)

IMPACT FEES PAY FOR BUILDING OR EXPANDING PUBLIC INFRASTRUCTURE (ROADS, SEWERS, SCHOOLS, ETC.)

RATIONALE: IMPOSING HIGHER PROPERTY TAXES RESULTS IN OPPOSITION AND LOCAL GOVERNMENT REVENUES ARE CONSTRAINED. IMPACT FEES ARE A RESOURCEFUL WAY FOR LOCAL GOVERNMENTS TO MANAGE GROWTH.

IMPACT FEES MAY INCREASE ECONOMIC DEVELOPMENT

CONSEQUENCES OF IMPACT FEES

ALTHOUGH DEVELOPMENT CAN AFFECT MULTIPLE COMMUNITIES, IMPACT FEES ARE USUALLY COLLECTED BY ONLY A SINGLE LOCAL GOVERNMENT.

RATIONALE: NEARBY COMMUNITIES AFFECTED BY DEVELOPMENT ARE NOT COMPENSATED FOR THE CONSEQUENCES OF DEVELOPMENT (I.E. INCREASED TRAFFIC).

IMPACT FEES INCREASE THE COST OF HOUSING, WHICH MAKE HOUSING UNITS LESS AFFORDABLE ACROSS COMMUNITIES.

RATIONALE: IMPACT FEES ARE ASSESSED BASED ON A PER UNIT BASIS OR NUMBER OF BEDROOMS WHICH DOES NOT ACCOUNT FOR HOUSING PRICE. REQUIRING AFFORDABLE HOUSING UNITS BECOMES HARDER TO ENFORCE.

IMPACT FEES CAN PURPOSELY BE USED TO DISCOURAGE GROWTH, WHICH INCREASES SCARCITY AND MAKES

PROPERTIES MORE VALUABLE.

RATIONALE: IMPACT FEES INVEST IN IMPROVING INFRASTRUCTURE AND MAY CREATE A MORE SUITABLE ENVIRONMENT FOR ECONOMIC DEVELOPMENT SUCH AS ATTRACTING BUSINESSES AND JOB GROWTH.

RATIONALE: COMMUNITIES CAN MISUSE IMPACT FEES AS A WAY TO PREVENT GROWTH AND THIS COULD ALSO LEAD TO EXCLUSIVITY.

Sources: Bunnell, 1994 and Jeong, Feiock 2006

Finally, government institutions and the state economy are two critical factors that affect local economic growth or lagging growth and should be considered when measuring the economic effects of impact fees (Jeong and Feiock 2006). Overall, impact fees have both benefits and consequences and it is up to local governments and communities to determine how to weigh them in respect to economic growth.

The need for impact fees are often attributed to dwindling federal funds and an increase in development related mandates. For example, in the 1970s the Federal government drafted several new regulations, setting a new environmental standard. With the help of Federal funds, State and local governments were expected to enforce these new regulations. However, while environmental regulations continued to strengthen over the following two decades, Federal funding has gradually disappeared. Braconi demonstrates this through an analysis of municipal sewer system financing, significantly increased by standards set through the Water Pollution Control Act Amendments of 1972 and 1977. From 1972 to 1981, State and local spending on sewerage systems grew from \$17.5 billion to \$40 billion, while Federal spending grew from \$2 billion to \$34 billion (47% of total spending). However, from 1982 to 1991, State and local spending increased to \$106 billion while Federal funding only increased to approximately \$46 billion (30% of total spending). State and local governments offset these increased costs by passing them onto the developer through impact fees, thereby affecting potential homeowners and renters (Barconi 1996). This example demonstrates the need for fiscal creativity among local governments and helps illustrate why impact fees have become a relied upon tool.

The use of impact fees has grown at a rapid rate over the past two decades; according to a 2000 General Accounting Office report, approximately 60 percent of cities with a population of at least 25,000 impose impact fees. With limited and stretched federal funding, Illinois is one of the more frequent users of impact fees nationwide (Been 2005).

Impact Fees in the Northeastern Illinois Region

The local history of impact fees begins in the 1970s, after a case went to the Illinois Supreme Court resulting in a legal precedent set by Naperville for how other municipalities should adopt impact fee ordinances. In this case, the developer sued the

City of Naperville for requiring a donation or cash-in-lieu-of-land for new parks and schools. The state supreme court upheld the City's actions, further stating that the exaction met a "specifically and uniquely attributable" purpose. (Baden, Coursey and Kannegiesser 1999; www.impactfees.com 2008).

An excerpt from the Village of Sugar Grove's ordinance explains the fee requirements:

"As a condition of approval of a final plat of subdivision, or of a final plat of a planned unit development, each subdivider or developer will be required to dedicate land for park or recreation purposes and land for school sites, to serve the immediate and future needs of the residents of the development, or cash contribution in lieu of actual land dedication, or a combination of both, at the option of the village, in accordance with the following criteria and formula. (Ord. 660, 4-15-1997)"

(<http://66.113.195.234/IL/Sugar%20Grove/index.htm>)

A factor analysis conducted using 12 regulation and growth controls in the Chicago metro area found the usage of impact fees increases as the distance from the Chicago Central Business District increases. Additionally, impact fees were found to be less common in areas with an older housing stock. Of a sample of 198 suburbs in Cook, Lake, and DuPage County, in 1995, 50.5 percent imposed development impact fees, exactions or donations. (McDonald and McMillen 2004).

Both county and municipal impact fees are charged to developers. DuPage and Kane County charge impact fees to assist in road improvements. McHenry and Lake County allow impact fees for school districts that cover unincorporated county parcels. Will County has impact fees for schools, parks and libraries. Due to minimum population requirements set by the State, Kendall County does not have the legal authority to collect impact fees either from development within municipalities or for transportation at the county level. Every County's fee structure is different. [Appendix A](#) shows the Fee Schedule for Kane County's road impact fee, and [appendix B](#) shows the fee schedule for DuPage County's road impact fee.

Each municipality decides if and how to assess impact fees, although the Naperville model for parks and school impact fees serves as a common starting point; many jurisdictions in the northeastern Illinois region, calculate impact fees for schools based on estimated density measured by the number of bedrooms per house. Flat rates that do not adjust to the size of the home are often criticized for not being equitable and placing disproportionately large costs on smaller homes and smaller costs on larger homes (Newport Partners and Virginia Polytechnic Institute and State University 2008). An additional challenge arises from the fact that typically, impact fee ordinances are not static and are frequently modified. State statute requires impact fees ordinances be updated every five years. Naperville's fees have been increasing steadily with four fee structure changes in a ten year period. These modifications can add significantly to developers' costs, as they did in 1998, the City Council raised impact fees applicable to

new residential construction between 35 and 50 percent (Baden, Coursey & Kannegiesser 1999).

The table below shows the changes in the Naperville's impact fees between 1995-97 and 2004. In addition to the monetary ramifications of impact fees, frequent changes in the structure of fees can cause uncertainty in cost and can add to the challenge of building. However, required updates should not necessarily be discouraged. Naperville's road impact fee was recently updated in 2008 and the analysis of the fee resulted in a lower fee; currently, single family homes pay \$1,637 in road impact fees.

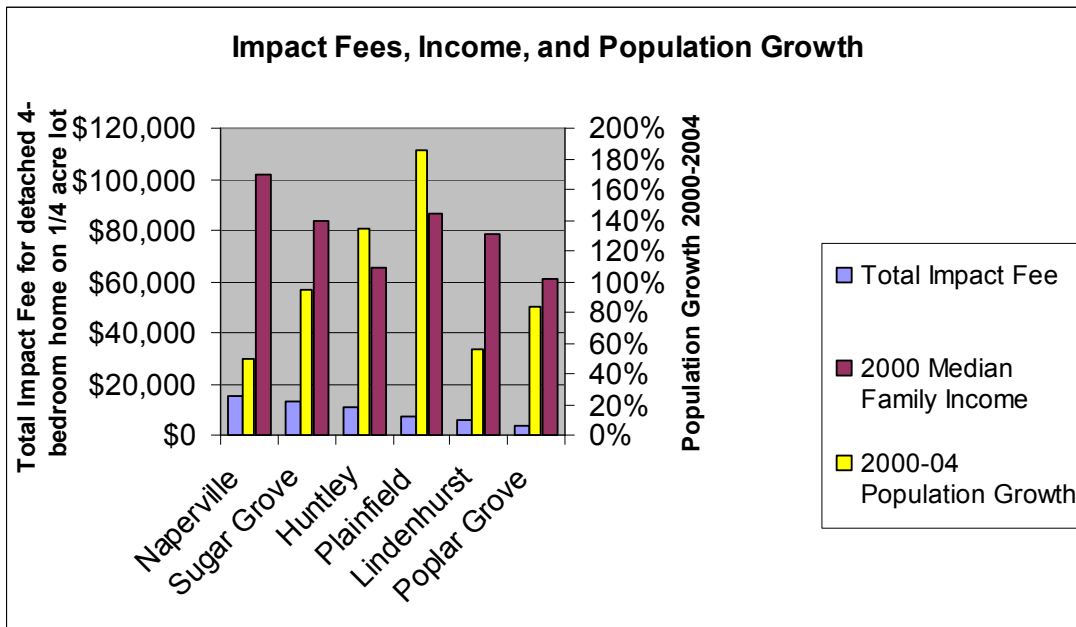
Impact Fees in Naperville		
Impact fees assessed on a four-bedroom single-family home on 1/4-acre lot		
Fee Description	1999 Fee Amount	2004 Fee Amount
School Site	\$1,923.68	\$5,434.88
Park Site	\$1,426.37	\$7,784.53
Road Impact Fee	\$1,665.00	\$1,717.00
TOTAL	\$5,108.05	\$15,586.41

Source: Baden, Coursey & Kannegiesser 1999, Coursey 2007

The following table shows the total impact fees for six Chicago suburbs in 2004. Notably, not only does the amount of impact fees vary, but so do the purpose of the fees. The chart below shows the amount of impact fees for these suburbs along with the 2000 median income and the population growth from 2000 to 2004.

Purpose of Fee	2004 Impact Fees on a four bedroom, detached single family home on a quarter acre lot					
	Naperville	Sugar Grove	Huntley	Plainfield	Lindenhurst	Poplar Grove
School	\$5,435	\$5,080	\$5,832	\$2,069	\$2,584	\$3,589
Park	\$7,785	\$1,549	\$1,250	\$1,000		
Library		\$150	\$340		\$375	
Fire		\$486	\$685			
Life Safety and Emergency Warning		\$600				
Capital Development		\$4,000	\$750			
Local Government Fee			\$1,000		\$3,000	
Transition Fee			\$1,000			

Road or Traffic Related	\$1,717	\$1,100		\$2,000		
DuPage County Transportation	\$650					
Annexation Impact				\$2,500		
Conservation Fee						\$219
Total	\$15,587	\$12,965	\$10,857	\$7,569	\$5,959	\$3,808



Source: Coursey 2007

The areas studied are arranged along the x-axis from highest impact fees to lowest. The bars showing population growth demonstrates that growth rate and impact fees are not necessarily related. As the graph shows, communities with lower growth rates still collect high impact fees; further, of this small sample, these are the higher income communities.

Effects of Impact Fees on the Cost of Housing

As the tables above demonstrate, impact fees can add a significant cost to development and are thus widely recognized in the literature as regulatory barriers to housing affordability. Empirical studies and a variety of models and regression analyses have examined the affects of impact fees on housing costs and on development rates over the last several decades. Various studies have shown a range of effects on the price of housing; nonetheless, they generally show an increase in the price of housing across the board. Even though developers assume the impact fees in order to receive the permits necessary to build housing developments, those fees may be “passed on” to consumers through the price of the house. This increased price of housing results in a “hidden tax,”

or a “double tax” for consumers (Baden et al 1999). The focus of this section is the affect of impact fees on the cost of housing; however it should be noted that if impact fees are not collected for public infrastructure, another financing mechanism would need to be implemented, which may also have housing cost effects.

The effects of impact fees have been measured across the country. Singell and Lillydahl (1990) studied the effect that impact fees had on housing prices in Sarasota County, Florida. They showed that impact fees increased the price of new housing by approximately \$3800, while the value of existing neighboring housing increased by approximately \$7000. A study that examined impact fees in Toronto between 1977 and 1986 found an average increase in lot price to be \$1.88 for every \$1.00 in impact fees (Baden et al 1999). A study evaluating the effects of impact fees on developable land in the southeastern part of Florida found that between 1985 and 2000, for each dollar of impact fee, the cost of new and existing housing increased by \$1.60. A study of 43 cities in Texas found that for every \$1,000 in impact fees, lot value increased by 1.3 percent (Evans-Cowley, Forgey, and Rutherford 2005).

One of the only studies with a focus on the northeastern Illinois region was completed in 1999, with a follow-up report completed in 2007. The study quantified impact fees and their relationship to housing costs. Baden, Coursey & Kannegiesser (1999) studied prices for new and existing housing in eight suburbs west of Chicago. The study looked at the impact fees between 1995 and 1997 for a four bedroom, detached single family home on a quarter acre lot. The study found that, the cost of impact fees increased the housing price in all of the eight Chicago suburbs studied; for new homes with an average selling price of \$384,000, an average of \$4,000 in impact fees were collected, and an increase in housing prices associated with the imposition of impact fees ranged between 70% and 210% of the actual fee imposed (Baden, et al 1999). Of the eight suburbs studied, Aurora had the lowest total impact fees of \$2,223; Burr Ridge had the highest of \$8,942, four times that of Aurora. For all but two suburbs, the entire amount of the impact fee was passed on to the residents. In many other cases, the cost increase exceeded the amount of the impact fee.

The update of this report examined six suburbs, all of which were different from the first study except Naperville. Again it found that impact fees significantly increased the cost of new and existing housing. An average impact fee of \$10,000 was assessed on the average price of a new home, priced at \$391,000. The total effect on new homes was found to increase their cost by 7%, or \$27,000. This increase is in part due to an expanded list of impact fees for additional amenities.

Furthermore, the 1999 and 2007 study found that impact fees influenced the cost of existing housing. The 2007 study found that the price of the average 25-year-old home, priced at \$292,000, increased by \$7,200, or 2.5%, as a result of impact fees assessed to new homes. Fees increased the price of older homes by amounts almost equal in

magnitude to the fees, without any fees being attached to them. Existing homeowners could potentially benefit from the price increase. It has been suggested that this increase in capital gains may push existing homeowners to support higher impact fees on new houses (Coursey 2007).

The effect impact fees can have on the rate of residential development has also been studied locally. Skidmore and Peddle (1998) studied a 15-year period of residential development in all DuPage County municipalities. From 1977 to 1992, a correlation was discovered between an impact fee being introduced by the municipality and a 30% reduction in new residential construction (Skidmore and Peddle 1998). Some suggest this shows evidence of impact fees serving as a “smart growth” technique, as it may discourage “greenfield development” where impact fees may be higher due to lack of existing infrastructure. High impact fees may also encourage developers to “leap frog” certain areas for cheaper impact fees.

A major source of controversy in the use of impact fees stems from the possibility they charge fees disproportionately to the costs they are designed to cover. There is not a one-size fits all equation for deciding how impact fees are calculated; ideally, impact fees should be calculated based on the variables that are most related to its purpose. This can be a complicated process with much subjectivity. Alternatively, extensive research on different methodologies found the most accurate and simple approach is to base the fee on square footage (Newport Partners and Virginia Polytechnic Institute and State University 2008). Flat impact fees that are based on the number of units rather than the size, such as Kane County’s fee for single family homes, may charge fees disproportionately to the corresponding public finance required. The DuPage County impact fee for single family detached homes increases incrementally for every additional 1,000 square feet; the fee for single and multi-family attached is calculated on a per unit basis.

Strategies to Reduce Impact Fee Regulatory Barriers

As has been shown, impact fees add to the development costs and can pose significant barriers to housing affordability. While the long term solution is likely rooted in reforming the way in which parks, schools, roads, and other necessary infrastructure are paid for, there are ways to address the impact, specifically for affordable housing. Waiving the fees for housing that meets determined affordability levels can help localities create a more diverse housing stock that meets the demand. Additionally, restructuring flat fees to scale relative to the size of the home by square footage or the cost of the home can ensure that lower cost homes are not charged disproportionately high fees. Community Benefit Agreements are a useful tool for municipalities to facilitate housing affordability. Local experts note the growing importance of these agreements, which outline which fees will be waived in exchange for the development

meeting specified affordability criteria, and describe other concessions provided to the developer contingent on the price of the housing.

Locally, impact fees have been modified to incentivize developers to build in certain ways or certain places. For example, Kane County revised its Road Improvement Impact Fee Ordinance in 2007 to provide a discount and encouragement of new developments that are designed to reduced the use of automobiles. There is also an affordable housing exemption in the revised ordinance. For each affordable home built (or a designated percentage of the homes that are affordable within a multi-family housing development), the developer will be exempt from paying the county-assessed Road Improvement Impact Fee. The designated affordable housing must meet the minimum affordability requirements set by the Illinois Housing Development Authority (IHDA) for a 10-year period (Kane County Government 2007; Metropolitan Planning Council 2007b). The ordinance also allows the developer to receive a discounted fee between 40 and 70 percent, depending on the criteria designed to lower auto traffic. To receive the minimum discount, the development must meet all four criteria: housing is within the defined walking distance to different types of transit, development includes a set minimum of diverse land uses, the minimum density is met (seven units per acre), and the development adheres to a maximum block perimeter of 2,200 feet with access to public sidewalk with no parking in front of the building (Metropolitan Planning Council 2007b). This new ordinance has yet to be applied to any developments, due to a grandfather clause that allows development approved throughout 2008 to adhere to the original structure, which assesses lower fees, until 2010.

Highland Park has also implemented a fee waiver to help developers to assist housing affordability through [its inclusionary zoning policy](#). A variety of fees are waived for housing units priced for household incomes between 50 and 120 percent of the area median income. Fees for sewer and water are waived, in addition to permitting and processing fees, and demolition taxes. The impact fees are instead typically paid by the city's Housing Trust Fund (Metropolitan Planning Council 2007b).

Impact fees affect housing affordability across the country. The City of Orlando, FL, has a number of programs that encourage affordable lower cost housing construction in conjunction with impact fees. Through the Affordable Housing Impact Fee Grant, Orlando will reimburse the amount of city impact fees to certified developers of affordable housing. The developer pays the impact fees when the building permits are pulled but is reimbursed for the total amount of both the sewer and transportation impact fees when Certificates of Occupancy are issued. The developer is also reimbursed a certain percentage of the school impact fees. If the developer is building rental housing, the developer is reimbursed 25% of school impact fees; if owner-occupied housing, then 62% is reimbursed (City of Orlando 2008).

Administrative and Procedural Processes

An additional regulatory barrier stems largely from the existence of the aforementioned regulations—the administration process and procedures used to implement development regulations. There is an important distinction between this type of barrier and the other more “substantive” regulations; there is no direct public good gained solely from regulations’ administration, other than the implementation of the regulations. Excessive costs can stem from lack of efficiency and redundancies, which delays development time, increasing overall costs. Lengthy permitting processes are a major source of delaying the development. The cost increases come mostly from extending time-sensitive development soft-costs, such as architect and legal fees, holding costs, property taxes, and insurance payments (www.housingpolicy.org 2008). Lengthy procedure processes are often attributed to insufficient staffing, a backlog in the various administrative processes, and outdated procedures (Schill 2004). In addition, lack of coordination between different units of government often further delays development.

In addition to permit processes, environmental regulations can add to the cost of housing due to the manner in which the regulations are implemented. In a 2005 study, the U.S. Department of Housing and Urban Research composed a study on regulatory barriers to affordable housing in which the implementation of environmental policies was a key focus point. Several issues were identified that involved environmental regulations and their subsequent impact on development. Among the issues identified are increases in the complexity of environmental regulation at all levels of government, lengthened approval and review processes, and increases in mitigation requirements (HUD 2005).

Unfortunately, the amount and depth of previous research on the effect of administration processes and procedural rules on housing affordability is more limited, and what does exist is mostly anecdotal. It may not be surprising that survey responses on this topic between developers and regulation administrators contrast significantly. A 2002 national survey by Ben-Joseph on subdivision regulations found that 97 percent of public officials cite the developer as the reason for delays, due to incomplete and changing proposals. However, more than half of public officials also see inefficient administration as causing delays as well. One of the earlier studies on cost increases by Seidel (1978) found that the selling price increases by 1-2 percent each month the development is delayed.

Over the last few decades, the efforts to increase regulatory efficiency have increased, but so has the complexity of regulations and therefore the time required to navigate through the processes and obtain necessary approvals. Interviews with local developers and local government employees indicate that the northeastern Illinois region is not exempt from this barrier. In addition to the standard processes typical of a development,

when providing a diverse housing stock, rezoning is a very common step. Land zoned for multi-family units or for higher density is scarce in many communities, requiring those seeking to build more densely to enter into a lengthy process.

Strategies to Reduce Administrative Procedural Regulatory Barriers

Developers must seek approval at various stages in the development process from multiple units of government and divisions within a unit. There are several ways to ease this process and shorten the amount of time it takes. Some cities offer an expedited permitting process in addition to other administration processes when the development is specifically to increase housing affordability. This strategy reduces costs by quickening the processes, but also incentivizes or rewards developers building affordable housing. The amount of time a development is involved in administrative processes can also be shortened by streamlining between different divisions and reducing redundancies. Integrating technology into the application processes can also save time. For example, online applications that allow for developers to check the status and receive updates add to efficiency and reduce uncertainty.

Increasing the uniformity across jurisdictions would likely reduce the amount of time and money developers spend to become familiar with local ordinances and tailoring plans to each. Development time can increase as interpretation of ordinances can be difficult do to unorganized regulations and outdated information, which creates confusion and can delay projects. The State of Pennsylvania report on reducing barriers to affordable housing suggests the county planning commissions should publish advisory guidelines and encourages joint municipal planning and zoning to promote uniformity and to increase the level of professionalism in the current fragmented structure.

The Kane County road impact fee has an impressive turn around time of 14 days. In addition, Kane County offers an online application for developers of larger scale developments. The city of Elgin provides an additional local example of administrative fees streamlined, which can result in lower development costs. The process has been structured to take on average two weeks. This short amount of time not only reduces development costs tied directly to time, but also provides greater predictability allowing developers to work more efficiently.

Orange County, Florida has created a workforce housing task force to address their housing affordability problem. The task force suggested a series of strategies to make lower cost housing development more financially feasible, including an expedited review for qualifying affordable housing projects. In exchange for a certified affordable housing development, the approval process will be shortened by a minimum of 60 days (www.orangecountyfl.net 2008).

3. Conclusion

As demonstrated throughout this paper, this topic has been very well researched due to the direct implications that regulatory barriers have on housing affordability. In addition to understanding the barriers, much effort has been put forth to develop strategies to mitigate regulatory barriers. Due to the difficulty in resolving regulatory issues at the local level, many states have adopted state-wide initiatives to overrule local resistance to affordable housing development (Brunick & Patton 2003). While local control is highly revered in the northeastern Illinois region, the state has taken some measures to assure that housing affordability is evenly distributed throughout with the enactment of the Illinois Affordable Housing Planning and Appeals Act. Illinois localities have great freedom in their development regulations; along with this local control comes a responsibility to minimize negative externalities on the region which it is a part of.

Through regulatory reform, states have facilitated housing affordability to millions without any additional public cost (National Governors Association 2004). This paper outlined several effective strategies that have been implemented in the region and across the country that show how communities can maintain local control and successfully reduce housing costs for their residents, which in turn has many positive ripple effects on their greater region. Yet, regulatory barriers remain a challenge in the northeastern Illinois region. CMAP is presenting this research to evoke further discussion among our partners and to facilitate a better understanding on how the region can be positively affected through regulatory reform. Further, CMAP offers municipalities and local decision makers a tool to better understand the costs of development and how different types of regulations change the cost. The purpose of this tool, known as the Return on Investment (ROI) tool, is to close the information gap between developers and local government and as a result, local plans and ordinances will better reflect the economic realities of development. CMAP believes this information will help lead to a regional housing stock needed for a thriving future.

*Appendix A***Exhibit B: Impact Fee Schedule in Effect July 1, 2008 through June 30, 2009**

Land Use	Impact Unit	Gross Impact Fee (\$) per Impact Unit			Reduced Impact Fee (\$) per Impact Unit*		
		North	Central	South	North	Central	South
Single Family Detached	Dwelling Unit	4,926	4,869	4,792	1,970	1,948	1,917
Single Family Attached	Dwelling Unit	3,804	3,760	3,701	1,522	1,504	1,480
Multi Family Attached	Dwelling Unit	3,024	2,989	2,942	1,210	1,196	1,177
Age Restricted Housing	Dwelling Unit	1,609	1,591	1,566	644	636	626
Retail 1-50,000 s.f.	1,000 s.f.	7,827	7,737	7,615	3,131	3,095	3,046
Retail 50,000-300,000 s.f.	1,000 s.f.	11,368	11,238	11,061	4,547	4,495	4,424
Retail 300,000-1,000,000 s.f.	1,000 s.f.	8,233	8,138	8,010	3,293	3,255	3,204
Retail over 1,000,000 s.f.	1,000 s.f.	6,867	6,788	6,681	2,747	2,715	2,672
Supermarket	1,000 s.f.	15,289	15,114	14,876	6,116	6,046	5,950
Convenience Market	1,000 s.f.	38,341	37,900	37,303	15,336	15,160	14,921
Service Station	Fueling Position	10,139	10,023	9,865	4,056	4,009	3,946
General Office	1,000 s.f.	7,267	7,183	7,070	2,907	2,873	2,828
Medical-Dental Office	1,000 s.f.	18,142	17,934	17,651	7,257	7,174	7,060
Office Park	1,000 s.f.	7,316	7,232	7,118	2,926	2,893	2,847
Business Park	1,000 s.f.	6,291	6,219	6,121	2,516	2,488	2,448
Warehousing/Distribution Terminal	1,000 s.f.	2,877	2,844	2,800	1,151	1,138	1,120
Light Industrial/Industrial Park	1,000 s.f.	4,487	4,435	4,365	1,795	1,774	1,746
Fast Food Restaurant	1,000 s.f.	16,894	16,700	16,437	6,758	6,680	6,575
Other Restaurant	1,000 s.f.	9,132	9,027	8,885	3,653	3,611	3,554
Day Care	1,000 s.f.	6,428	6,354	6,254	2,571	2,542	2,502
Hospital	Bed	6,340	6,267	6,169	2,536	2,507	2,468
Nursing Home	Bed	1,073	1,061	1,044	429	424	418
Hotel/Motel	Room	2,292	2,266	2,230	917	906	892
Religious Institution	1,000 s.f.	3,219	3,182	3,132	1,288	1,273	1,253

*Beginning July 1, 2008, the Reduced Impact Fee shall be calculated by multiplying the Gross Impact Fee by the applicable Impact Fee Multiplier found in Exhibit C.

Source: Kane County

<http://www.co.kane.il.us/dot/roadimpact/CRIP/feeSchedule.pdf>

Appendix B

Source: DuPage County http://www.dupageco.org/emplibrary/ODT021Q_R1130.pdf

DuPage County Division of Transportation
 Fair Share Road Improvement Impact Fee Schedule
 Ordinance ODT-021Q-89, revised, effective December 1, 2007

LAND USE	RATE PER	Impact Fee District									AVERAGE FEE OUT-021Q			
		1	2	3	4	5	6	7	8	9				
Residential - General														
Single Family Detached	1,000 sq ft	\$572	\$467	\$118	\$456	\$239	\$78	\$239	\$291	\$362	\$312			
Single Family Attached	Dwelling Unit	\$900	\$738	\$190	\$712	\$372	\$124	\$380	\$466	\$537	\$482			
Multifamily Attached	Dwelling Unit	\$1,016	\$832	\$222	\$814	\$434	\$157	\$439	\$536	\$632	\$564			
Residential - Service														
Nursing Home 200,000 sq ft and under	1,000 sq ft(2)	\$841	\$709	\$217	\$801	\$379	\$172	\$365	\$458	\$574	\$488			
Nursing Home Over 200,000 sq ft	1,000 sq ft(2)	\$409	\$341	\$89	\$245	\$169	\$74	\$163	\$224	\$268	\$220			
Assisted Care/Congregate Care	1,000 sq ft(2)	\$242	\$218	\$54	\$149	\$104	\$53	\$98	\$130	\$159	\$134			
Commercial - Industrial														
Warehouse/Distribution Terminal	1,000 sq ft(2)	\$373	\$401	\$133	\$274	\$228	\$90	\$170	\$256	\$341	\$282			
Light Industrial/and Park	1,000 sq ft(2)	\$1,568	\$1,607	\$570	\$1,167	\$911	\$455	\$752	\$1,039	\$1,368	\$1,049			
Commercial - Office														
0-50,000 sq ft	1,000 sq ft(2)	\$3,682	\$3,759	\$1,362	\$2,752	\$2,135	\$1,073	\$1,760	\$2,434	\$3,222	\$2,464			
50,001 to 100,000 sq ft	1,000 sq ft(2)	\$3,174	\$3,223	\$1,167	\$2,373	\$1,817	\$922	\$1,514	\$2,088	\$2,747	\$2,114			
100,001 to 250,000 sq ft	1,000 sq ft(2)	\$2,317	\$2,413	\$868	\$1,777	\$1,370	\$686	\$1,139	\$1,555	\$2,070	\$1,583			
250,001 to 500,000 sq ft	1,000 sq ft(2)	\$2,122	\$2,159	\$783	\$1,578	\$1,217	\$610	\$1,015	\$1,388	\$1,846	\$1,413			
500,001 to 750,000 sq ft	1,000 sq ft(2)	\$2,045	\$2,083	\$767	\$1,530	\$1,185	\$594	\$982	\$1,356	\$1,771	\$1,368			
750,001 sq ft and over	1,000 sq ft(2)	\$1,994	\$2,032	\$732	\$1,493	\$1,148	\$587	\$960	\$1,319	\$1,749	\$1,335			
Medical	1,000 sq ft(2)	\$3,810	\$3,890	\$1,302	\$2,819	\$2,132	\$1,001	\$1,759	\$2,471	\$3,276	\$2,486			
Office Campus	1,000 sq ft(2)	\$1,775	\$1,799	\$644	\$1,317	\$1,016	\$514	\$843	\$1,173	\$1,545	\$1,181			
Business Park	1,000 sq ft(2)	\$2,084	\$2,133	\$719	\$1,545	\$1,179	\$562	\$964	\$1,348	\$1,803	\$1,371			
Commercial - Restaurant														
Quantity	1,000 sq ft(2)	\$7,829	\$7,007	\$2,113	\$4,571	\$4,891	\$1,835	\$2,707	\$4,528	\$5,739	\$4,580			
High Turnover	1,000 sq ft(2)	\$2,668	\$2,316	\$723	\$1,517	\$1,721	\$585	\$908	\$1,455	\$1,910	\$1,533			
Fast Food	1,000 sq ft(2)	\$5,320	\$4,633	\$1,296	\$3,010	\$3,166	\$954	\$1,705	\$2,824	\$3,655	\$2,944			
Commercial - Retail														
Up to 50,000 sq ft	1,000 sq ft(1)	\$684	\$927	\$173	\$514	\$402	\$153	\$455	\$494	\$499	\$480			
50,001 to 100,000 sq ft	1,000 sq ft(1)	\$1,274	\$1,737	\$363	\$988	\$786	\$334	\$867	\$914	\$969	\$916			
100,001 to 1,000,000 sq ft	1,000 sq ft(1)	\$1,382	\$1,874	\$384	\$1,081	\$843	\$344	\$957	\$1,008	\$1,056	\$982			
Over 1,000,000 sq ft	1,000 sq ft(1)	\$1,476	\$2,047	\$411	\$1,160	\$921	\$384	\$1,039	\$1,086	\$1,141	\$1,074			
Supermarket	1,000 sq ft(1)	\$3,379	\$4,573	\$895	\$2,609	\$2,071	\$844	\$2,317	\$2,403	\$2,507	\$2,400			
Convenience Market	1,000 sq ft(1)	\$4,499	\$6,024	\$1,026	\$3,399	\$2,515	\$929	\$2,503	\$3,145	\$3,243	\$3,075			
Service stations - pump		\$918	\$1,243	\$247	\$690	\$548	\$247	\$633	\$653	\$676	\$651			
Commercial - Service														
Hotel/Motel/Transient suites	1,000 sq ft(2)	\$1,450	\$1,221	\$321	\$860	\$612	\$229	\$589	\$778	\$997	\$784			
Day Care Centers	Room	\$914	\$788	\$220	\$545	\$405	\$144	\$383	\$493	\$625	\$502			
Movie Theaters	1,000 sq ft(2)	\$910	\$979	\$360	\$625	\$613	\$250	\$539	\$644	\$831	\$639			
(1) Gross Leasable Floor Area	1,000 sq ft(2)	\$4,030	\$5,438	\$999	\$3,078	\$2,407	\$922	\$2,676	\$2,804	\$2,961	\$2,819			
(2) Gross Floor Area														

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