

on common ground

IN ILLINOIS

Inside

Fair Housing Update **2**

Sales Tax for
Non-Home Rule Units

REAL Study on
Foreclosure Cost **3**

Home Sales Data &
Housing Price Forecast **4**



Stormwater Management: Rules and Implications for Developers and Property Owners

Dear Illinois Elected Officials:

We had you—the local government official—in mind when we designed this newsletter providing research, local ordinance and state law updates, and economic data related to the Illinois real estate industry.

The Illinois Association of REALTORS® (IAR) is “The Voice of Real Estate in Illinois.” In this role, the Association works to protect the rights of private property owners and advocate for a healthy business environment.

We want to be a resource for you regarding real estate issues and look forward to an ongoing dialogue among Illinois REALTORS®, our elected officials, the IAR Governmental Affairs staff and interested citizens.

For more information on our role as the Voice of Real Estate in Illinois, see page 4 to learn who the Local Government Affairs Director is in your area.

In recent years, local-government entities in Illinois have introduced measures to deal with stormwater management.

The Illinois Association of REALTORS® (IAR) has weighed in on these proposals in various localities. Flooding protection is very important and we share policy-makers’ desire to maintain a healthy, sustainable ecosystem.

Many of the proposed regulations have dealt with “volume control” or retention requirements; this has to do with calculations about how much stormwater is permitted to run off a property to prevent flooding. Volume control requirements that are imposed on property owners are essential. However, overly restrictive requirements and inflexible retention rates could make redevelopment very difficult and cost prohibitive. Often, redevelopment sites will have existing infrastructure and there may be grading issues associated with constructing access points or driveways that, as a result, limit the opportunity for surface collection or treatment practices. It’s important to remember that previously developed sites do provide valuable opportunities to improve stormwater management conditions on these sites. But too often, proposed rules and the approach to redevelopment lack flexibility.

With redevelopment, businesses are usually expanding; this has positive implications for local economic development and for growing the tax base. A highly inflexible set of rules can stifle that redevelopment.

continued on page 2



Fair Housing Update

In 2013, the U.S. Department of Housing and Urban Development (HUD) issued a proposed rule to refine their policy for communities to affirmatively further fair housing.

As you may be aware, if your community receives HUD program funding, this rule does apply to you and is expected to be finalized by the end of the year.

Grantees or sub-grantees of programs operated by HUD must affirmatively further fair housing. These programs include:

- The Community Development Block Grant (CDBG)
- The Home Investment Partnership (HOME)
- Emergency Solutions Grant (ESG)

Any municipality that is such a grantee or sub-grantee is considered an "entitlement community."

This proposed rule means that entitlement communities must take proactive steps beyond simply addressing individual acts of discrimination in housing. It means taking steps to proactively achieve a housing market that is free from discrimination and expands freedom of housing choice.

The proposed rule suggests that entitlement communities must do the following:

1. Conduct an analysis of impediments to fair housing within their jurisdiction.
2. Take appropriate actions to overcome the effects of any impediments that were identified through the analysis.

The final rule on this has not yet been adopted.

We are expecting more guidance from HUD on ways to comply. Watch for it in early 2015.

For more information on this, go to:

http://www.huduser.org/portal/affht_pt.html

"Stormwater Management"

continued from page 1

REALTORS® and developers encourage rule makers and regulators to consider the following points when developing new stormwater management plans.

- An economic impact study should be done. As important as stormwater management is, the economic well being of the municipality or the region and that of property owners and businesses must be understood. An economic impact study is particularly important if the proposal is a very extensive re-write of existing rules.
- Some measure of flexibility should be provided in the volume control requirements for redevelopment projects. The focus should be more on a comparison of pre-development and post-development conditions rather than imposing absolute standards that may be more difficult for re-development sites to meet.
- While protection of wetlands and riparian areas can be important in flood storage, it is important that a stormwater management plan does not over-reach in this regard. For example, habitat protection and ecological values should not serve as a foundation for regulation in this area. That kind of regulation is outside the stormwater management authority granted in the Illinois statute.
- Permit reviews and the administrative process for development reviews should not be overly complex or time-consuming. This adds to the cost of development. If development takes too long to finalize and volume control requirements are overly strict, this could drive development to other communities.

Sales tax for Non-Home Rule Units

Nearly all Illinois municipalities are dealing with dwindling local revenues. Municipalities which are not home rule have a significant option to raise revenue and allow some property tax relief at the same time.

Pursuant to legislation which passed in 2012, non home rule units can impose a sales tax if approved by the voters in a referendum, and the proceeds of the tax can be used for municipal operations until December 31, 2020. The proceeds can also be used for public infrastructure costs or for property tax relief. This type of referendum can be placed on the ballot in any future election.

Several local REALTOR® Associations have supported these referenda when the sales tax proposal is coupled with property tax relief. Some Associations have advocated for the measures with voters. In recent years, REALTOR® Associations have supported these referenda in Machesney Park, Franklin Park and Crest Hill.

REAL Study Shines Light on Cost of Foreclosures

Stephanie Sievers

It is not surprising that foreclosures, which may be vacant or in a state of disrepair, can have a negative impact on the surrounding neighborhood, but a study by the Regional Economic Applications Laboratory (REAL) at the University of Illinois puts a dollar figure on the effect foreclosures can have on nearby property values in the city of Chicago.

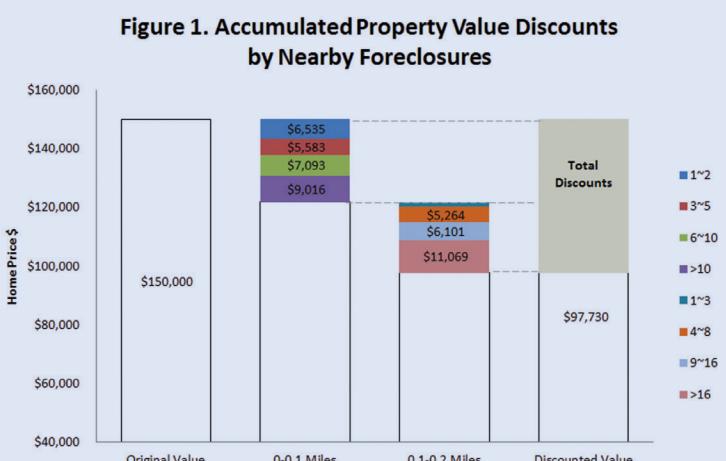


Figure 2. Average Impacts per Foreclosure by Intervals



For example, having one or two foreclosed properties within a tenth of a mile of a \$150,000 home can reduce its price by \$6,535, according to the study.

"While the foreclosure inventory is likely to return to pre-recession levels sometime during the next 12 months, the localized impact on property values remains significant. Especially impactful is the effect of clusters of foreclosed properties on prices of nearby properties generating impacts exceeding 5 percent and in some cases approaching 10 percent of the median prices," said REAL Director Dr. Geoffrey J.D. Hewings.

The REAL study examined five years of data (2008-2012) for the Chicago housing market. Illinois' foreclosure outlook has steadily improved and the number of foreclosures is falling, but the study does illustrate the broader market impact foreclosures have had on home prices and values.

Among the other findings:

Foreclosures "contaminated" neighborhoods by dampening home prices. Distressed properties have a higher incidence of being poorly maintained or vacant, factors which detract from the neighborhood's overall appearance. Additionally, areas with high incidences of foreclosures create a surge of property on the market, a factor which can further weaken prices,

Additional foreclosures in close proximity to a home further reduce the price, although not at as steep a rate. In a particularly hard hit area with more than 10 nearby foreclosures, each foreclosure reduced property values by \$2,246 accumulating to a total discount of \$28,000 according to REAL. (See Figure 1 and Figure 2: 0-0.1 mile nearby)

Find more information about the REAL study at www.illinoisrealtor.org/foreclosureimpact. Research for the study was conducted by University of Illinois Graduate Research Assistant Xian Fang.

IAR Local Government Affairs Directors

The Association has assigned local staff to cover real estate related issues at the local government level. They monitor developments locally and weigh in on proposed ordinances and regulations that affect the industry. Shown below are the local Government Affairs Directors (GADs) and some of the areas to which they are assigned. The areas listed here are not all-inclusive. To find out who the local Government Affairs representative is in your area, contact Mike Scobey at mscobey@iar.org.



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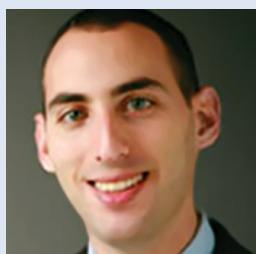
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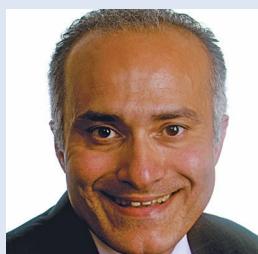
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Home Sales Data

The Illinois Association of REALTORS® compiles information on home sales in Illinois. With this, you can see monthly reports, quarterly reports and other research.

In addition to market stats, you can also read reports by Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory of the University of Illinois, who provides IAR with economic analysis and housing market forecasts.

This can be found at:
www illinoisrealtor org/marketstats

The screenshot shows the IAR MarketStats homepage. It features a main navigation bar with links like 'About IAR', 'Member Benefits', 'Leadership', 'Government Affairs', 'Media Resources', 'Publications', 'Legal Center', and 'MAC'. Below the navigation is a section titled 'Illinois Housing Market Statistics' with a sub-section 'IAR MarketStats'. It includes a 'Snapshot: Illinois Home Sales' graphic showing a chart of home price trends from April 2012 to February 2014. Other sections include 'MEMBERS CLICK HERE', 'Infographic: Median Home Prices Continue Gain in February', 'Infographic: Median Price Continues to Rise', 'Infographic: A Look at the 30-Year Fixed-rate Mortgage', 'Infographic: Illinois Home Price Recovery', 'Infographic: The Highs and Lows of the Illinois Real Estate Market', and 'Infographic: The Cost of Putting Off a Home Sale'. There are also links to 'Statewide Sales - 11.6%' and 'Chicago PMAs - Sales - 11.1%'.

Housing Price Forecast

"As the housing market enters a normally slow season, the trend of the last few months of declining sales on a month-to-month basis is expected to continue, but with gains on a year-over-year basis for the remainder of 2014," noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory of the University of Illinois. "However, prices are still forecast to increase and inventories are slowly expanding."

To see a complete analysis and regional breakdown of Hewings' report, go to:
www illinoisrealtor org/marketstats

www illinoisrealtor org