

# WORKFORCE HOUSING



## YEAR 1 REPORT

by the Workforce Housing Workgroup  
June 17, 2024

**MCH**  
MCHENRY COUNTY • IL

# Workforce Housing Workgroup: A Year in Review

*There's another one for \$2,000, Jen thought to herself, as she scanned the rental listings. Her lease was expiring next month, and she had the unenviable task of finding another two-bedroom apartment to live in with her two daughters. The shriek of an alarm pierced the quiet McHenry County morning. Jen knew she had 10 minutes left to chug her morning coffee and buckle her protesting toddlers into their car seats so she could arrive for her shift at the local hospital on time. As a newly-minted licensed practical nurse, Jen could not be late.*

*Jen earned a respectable living of \$54,000, but housing costs are not recommended to exceed 30% of a household's income. For Jen, that amount is \$16,200 annually, or \$1,350 monthly, which is not enough to rent a two-bedroom unit costing an average of \$1,774 per month in McHenry County.*<sup>1</sup>

While Jen is not a real person, her story is common, not just here in McHenry County but across the nation, as the cost and availability of once-obtainable housing has outpaced working wages.

This is a problem that impacts a variety of workers from first responders, to teachers, to retail workers and the members of our hospitality and service industry. When these workers can no longer afford housing here, they are forced to find jobs and housing opportunities in different communities. At the urging of County Board Member Lou Ness, the County Board recognized housing as a critical issue in

its 2023 Strategic Plan update and included a goal to better understand the availability of workforce housing. To achieve this goal, Chairman Michael Buehler, in consultation with Public Health & Community Services Chair, Tracie Von Bergen, established the Workforce Housing Workgroup. This workgroup, co-chaired by County Board Members Pamela Althoff and Lou Ness, brought together business leaders, real estate experts, members of the McHenry County Workforce Network, transportation planners, community development practitioners, and county staff to evaluate workforce housing needs from different

“the cost and availability of once-obtainable housing has outpaced working wages... This impacts a variety of workers from first responders, to teachers to retail workers...”



viewpoints. The workgroup also invited presenters from the Housing Opportunities Development Corporation, McHenry County Housing Authority, Illinois Housing Development Authority, the R1 Planning Council, and municipalities.

After diligent research, the Workforce Housing Workgroup concludes that there is a housing shortage for McHenry County's workforce, which includes households earning 30-80% of the area median income. Solutions to address this shortage are complex, and the workgroup requests additional time to study the issue with McHenry County municipalities, non-profit agencies, and the State.

## DEFINING WORKFORCE HOUSING

Workforce housing is exactly what it sounds like- housing that working individuals and families can afford. The Workgroup has specifically defined it as households whose incomes are between 30% and 80% of the average median income. In McHenry County, that translates to approximately \$30,000 to \$80,000 for a household of three. Attainable units must cost the occupant no more than 30% of their gross income per the Illinois Housing Development Authority.<sup>2</sup>

Workforce housing is different from the two other forms of affordable housing- senior housing and housing for people with disabilities- as residents are not included based on age or ability. Seniors and people with disabilities could be qualified for workforce housing if their incomes met the requisite 30% to 80% of the average median income.<sup>3</sup>

## THE HOUSING CRISIS

According to the National Association of Realtors, housebuilding has not kept pace with housing needs over the past 20 years, resulting in a **shortage of 5.5 million housing units** across the United States. The availability of housing middle-income families can purchase has decreased from 450,000 homes listed for sale in 2019 to 280,000 homes in 2023.<sup>4</sup> Across Illinois, there is a shortage of 14,808 affordable units.<sup>5</sup>

Even from 2017 to 2021, workers were often cost-burdened meaning they were living in housing that cost them more than 30% of their annual household income as demonstrated by Chicago Metropolitan Agency for Planning (CMAP). While data

from CMAP does not line up perfectly with our definitions, 43,517 McHenry County households, 32.3% of McHenry County households, earn between \$20,000 and \$74,999.

Of those 43,517 households, 25,494, or 58.6% of McHenry County households, earning between \$20,000 and \$74,999 are cost-burdened.<sup>6</sup>

**This means of the 112,941 households in McHenry County, nearly 1 in 4 are cost-burdened due to their housing expenses.**

Overall, rental prices are not proportionate to incomes of working families in McHenry County. According to the Heartland Realtor Organization, the average rate for a studio is \$968, \$1,216 for a one bedroom and

## WORKFORCE HOUSING


### THE FACTS:

It's housing for **working households**

These households earn **30-80%** of the average median income, about **\$30k to \$80k per year**

Annual full-time minimum wage pay:  **~\$30k**

### COST-BURDENED

households spend over **30%** of their income on housing 

Nearly **1 in 4** McHenry County households are cost-burdened



\$1,774 for a two-bedroom. The minimum salary needed to stay under the 30% threshold would be \$38,720, \$48,640, and \$70,960, respectively.<sup>7</sup> Our working households earn approximately \$30,000 to \$80,000. At the current average rent rates, a two-bedroom apartment is not attainable for most of our working households, and the 19,065 households earning between \$20,000 to \$49,000 would struggle to pay for even a one-bedroom apartment.



## SIZE APPROPRIATE HOUSING

Compounding the overall shortage of workforce housing is the lack of right-sized housing for the majority of its households. **In McHenry County, 55% of households are comprised of one to two individuals, yet only 27.3% of its housing units are sized at**

**zero to two bedrooms. Also, most of McHenry County's housing stock, 87.5%, is single family residences.** The next highest percentage is multi-family housing between 3-9 unit buildings making up 8% of the housing stock and as low as 3.9% multi-family housing between 10-20+ units.

In comparison, our CMAP region has 57.4% single family residences, 15.7% multi-family 3-9 unit buildings, and 19.2% multi-family 10-20+ unit buildings.<sup>8</sup> This shortage forces households to choose housing beyond their needs and means.

## THE HOUSING CRISIS' IMPACT ON BUSINESS

*Joe is the president of a local manufacturer that has been in business in McHenry County since the 1950s. When he learned that an additional 312 unit apartment complex was being considered in the City of Crystal Lake, he was eager to support it to increase the availability of workers in the area.*

"We continue to struggle to find good people to come work for us," Joe said.<sup>9</sup>

Joe's manufacturing company, like many of the area manufacturers and local businesses, has a good reputation as an employer and provides competitive wages. The wages, however are not as competitive if a worker has to commute from a distance and incur additional transportation expenses.

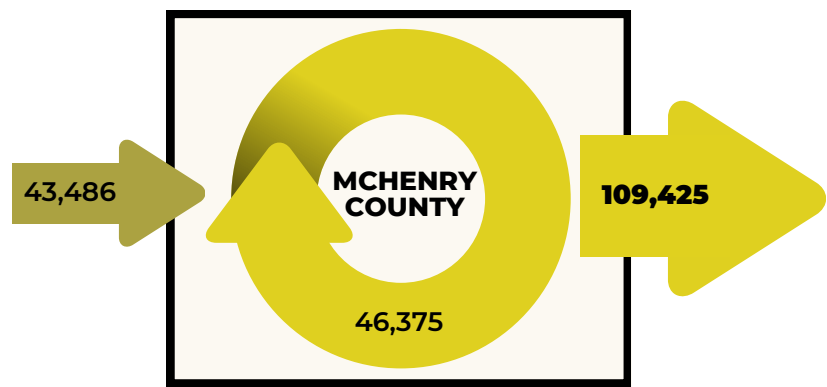


Figure 1: McHenry County Worker Inflow & Outflow

## THE JOBS & HOUSING MISMATCH

McHenry County suffers from a severe jobs-housing mismatch, in which many individuals that work in the County cannot afford to live here due to the high cost of housing (Figure 1). According to the Census Bureau, in 2021, McHenry County was home to 89,861 jobs. Nearly half of those jobs (43,468) were filled by workers that live outside of McHenry County, typically in areas of the region with lower housing costs.<sup>10</sup> Bringing more workforce

housing to McHenry County will allow these workers to live, work, and play within the same community.

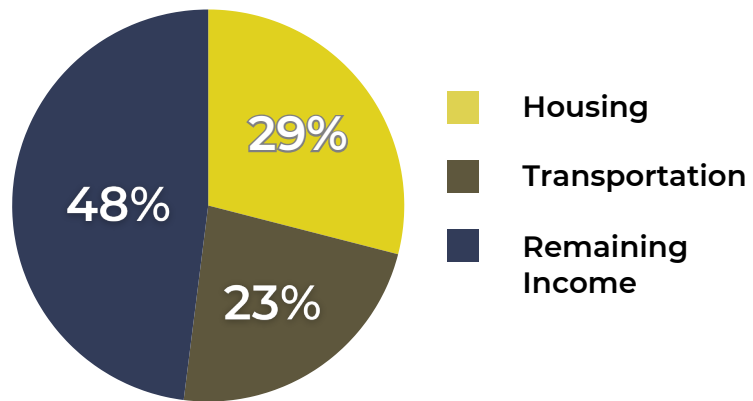
On the other hand, McHenry County was home to 155,800 workers in 2021. The vast majority of these workers (109,425) work in locations outside of McHenry County, mostly towards the City of Chicago.<sup>11</sup> These workers spend a large percentage of their salary on transportation costs commuting to distant job locations, leaving a lower budget for housing.

## TRANSPORTATION & WORKFORCE HOUSING

Transportation costs (the cost of owning, operating, and maintaining a vehicle) are second only to housing costs as a household's largest expenditure. In McHenry County, transportation costs make up 23% of a household's budget, only slightly less than housing costs (29%). This equates to \$16,423 per year to maintain the 2.09 automobiles per household, on average, in McHenry County. This financial burden means residents have less income to spend on high-quality, affordable housing near their jobs.

Locating more households and jobs near frequent transit (Metra stations) is an effective strategy to reduce the burden of transportation on our residents. According to the Center for Neighborhood Technology, "Places that are compact, close to jobs and services, with a variety of transportation choices, allow people to spend less time, energy, and money on transportation" (CNT H+T Fact Sheet).<sup>12</sup> When locating workforce housing, policymakers should place a special emphasis on locating this housing within walking distance (one-half mile) of one of the seven Metra stations in McHenry County.

## Percent of Income Spent on Transportation & Housing across All McHenry County Households



### Household Transportation Costs in McHenry County



This will allow residents to drive less and reach their jobs, or even allow them to reduce the total number of vehicles owned by their household.

Given the mobile nature of today's workforce, McHenry County must take transportation costs and concerns into consideration when developing Workforce Housing plans. McHenry County has invested over

\$5.5 million in Advance McHenry County funds to train workers and encourage opportunities for employment within the County's manufacturing sector. If these same workers can no longer make rent (or their mortgage) in McHenry County, then they may choose to take the skills they have learned to another job closer to the housing they can afford.

# WORKFORCE HOUSING OPPORTUNITIES

## INCOME-CONTROLLED DEVELOPMENTS

Dr. Richard Koenig of the Housing Opportunity Development Corporation presented to the Workgroup on the path to create housing such as the Taylor Place Apartments, a successful example of income-controlled developments that will create 50 housing units for households with incomes between 30% and 80% of the County's average median income.

Income-controlled developments like Taylor Place Apartments are made when various entities collect tax credits, government grants, and/or non-profit contributions to build a development but not pass on as much of its costs to the future residents. As Dr. Koenig noted, the process is not without challenges.



Board Members Kelli Wegener, Carolyn Campbell, Tracie Von Bergen, Carl Kamienski, Pamela Althoff, Louissett Ness and Chairman Michael Buehler (third from the left) break ground on the Taylor Place Apartments

Land acquisition costs are the first major hurdle to overcome with these developments, but those are soon followed by zoning obstacles. Landowners must wait to sell while the developer acquires layers of 'lasagna financing.'

One such source of revenue is the Low Income Housing Tax Credit program, a federal program administered through the Illinois Housing Development Authority, which provides income tax credits for developers to build or preserve housing for lower-wage workers. The application process can take over three years, and there are few tax credits available. If the development

does obtain a credit, inflation may have increased the cost of building materials, delaying the project as the developers seek additional funding. These credits also attach prevailing wage and Davis-Bacon Act requirements, which inflate costs for income-controlled developments over their non-income controlled counterparts.

Due to the legal, financing, and administrative requirements, the cost for the Taylor Place Apartments will exceed \$500,000 per unit. Comparable market rate units can be built for considerably less and have a greater rate of return.<sup>13</sup>

### THE INVERTED PYRAMID OF HOUSING COSTS

#### Market Rate Housing



Profit for Developer  
Building Materials & Wages  
Investment in land

#### Income-Controlled Housing



Investment in land  
Building Materials & Wages  
Regulatory Costs & Time  
Inflation

## LAND BANKING

The Land Banking program, administered by the R-1 Regional Planning Council, aims to acquire vacant, abandoned or tax-delinquent properties and clear the taxes and liens. The properties are then sold with a deed restriction which requires the purchaser to perform necessary improvements to bring the property back to a livable condition within a set period of time. This not only creates affordable housing, it also benefits the community by restoring or saving a distressed property.<sup>14</sup>

## COMMUNITY LAND TRUST

The Community Land Trust (CLT) is a program which is intended to bridge the gap of the high cost of housing. The CLT functions to provide an initial subsidy to allow home buyers obtain a home and build equity. The CLT owns the land under the home and because of this, the home buyer can purchase a home significantly below market value (20% - 65%). The homeowner can make additions or alterations to the home and build equity. The property can be sold, but the resale price for the home is restricted based on a formula. Also the property must be sold to an income-

qualified buyer so the property remains affordable.<sup>15</sup>

## LESS RESTRICTIVE ZONING

Loosening zoning regulations can create greater opportunity to add units at a reduced cost. By allowing accessory dwelling units (ADU's) and being more favorable to duplex, triplex and multifamily development, municipalities would encourage the addition of more affordable units in their communities. In addition, revisiting local regulations that add cost to the development such as parking requirements will reduce costs which will translate into lower priced units. Zoning revisions are not a one size fits all solution, and municipal partners must be the decision-makers when evaluating the unique circumstances of their communities and ways revisions can augment their local planning initiatives.



*This garage with an apartment above it is an example of an accessory dwelling unit that may be prohibited or permitted by local zoning ordinances*



**Income  
Controlled-  
Developments**

'Uses lasagna 'financing,' layers of funding from partners and federal tax credits to build workforce housing. Requirements for federal tax credits increase development costs. It can take **3 years** to secure all funding.



**Land Banking**

'Vacant, abandoned, or tax delinquent properties are acquired, taxes and liens are cleared and the properties are sold to flippers who fix and resell them as workforce housing.



**Community  
Land Trust**

Allows income-qualified buyers to buy property below market rate. Restricts resale to other income qualified buyers.



# PUBLIC EDUCATION & COMMUNICATION

When Mayor Kownick cast the tie-breaking vote approving zoning for the Garden Place Apartments, he knew there would be pushback. Even though the Village of Cary was below the 10% affordable housing threshold and was on the Illinois Housing Development Authority's (IHDA) 'watchlist', some members of the public had such a negative perception of Section 8 housing that it did not matter what kind of development was being made. If the development were dubbed affordable housing, some members of the public could not see the distinctions between it and Section 8 housing or the benefits of the project.

The outcry grew so contentious that someone blew up the Mayor's home mailbox. He had to request police patrol of his home for his safety.

In the end, Garden Place has not become a tax burden on the community. When the property was zoned industrial, property owners were only paying at most \$25,000 per year to the Village. Now, the property is generating \$150,000 in tax revenue to the Village to pay for community services.

Opponents claimed Garden



Place would reduce their property values, but in reality, a village study showed that surrounding housing values increased by 15 percent. Fears of schools being flooded with additional students also proved false.

After Garden Place was constructed, a nearby 98-unit apartment complex was renovated so that it could better compete and attract renters. Today, Garden Place blends in seamlessly with the rest of the Cary community.

After all the successes of the Garden Place Apartments, Mayor Kownick told the Workgroup, "I'm not sure I would ever do an affordable housing project again."

Mayor Kownick did not cite initial public backlash as the reason. His reason was the challenge of working with IHDA. "They did not make it easy," he said about the complicated procedures for

building the development.

The mayor recommended streamlining IHDA's processes because it took five years to complete the Garden Place Apartments from start to finish.

In addition, he suggested educating residents early on what workforce housing is and how it benefits the community before embarking on any developments.<sup>16</sup>

**“I'm not sure I would ever do an affordable housing project again”**  
-Mayor Mark Kownick

**5** Years were needed to complete the Garden Place Apts.

Early communication with residents is essential to dispel myths on workforce housing





# PRELIMINARY NEXT STEPS

This year-long exploration only scratched the surface of McHenry County's workforce housing needs. However, it gave the workgroup a deeper understanding of the complexities surrounding this issue and ways in which it can be addressed. This is a 'long game' and any meaningful advancement and solutions will only come through continued education and discussion with municipalities, legislators, developers and the community. McHenry County is best positioned to coordinate these conversations, and the Workforce Housing Workgroup seeks the County Board's approval to continue its vital work and provide yearly updates on its progress.

A "Phase II" of this work would focus on our municipal partners and provide them with practical tools to promote the creation of workforce housing developments with their communities. This would:

- Develop a positive narrative on the benefits of workforce housing and dispel misinformation and misconceptions.
- Educate local elected officials and leaders on what to expect when considering income restricted developments and strategies to address political and community opposition.
- Collaborate with municipalities to identify vacant properties, and distressed or underutilized structures along public transportation corridors that fit within their comprehensive plan and community vision that would be good candidates to create or develop workforce housing.
- Facilitate the leveraging of incentives, existing programs and opportunities to promote the development of workforce housing.
- Partner with the Chicago Metropolitan Agency for Planning as it explores regional workforce housing solutions with Kane and other collar counties.
- Partner with municipalities to explore observed zoning challenges to workforce housing.

- Collaborate with governmental bodies to explore ways to loosen housing regulations and processes.
- Provide guidance and support to pursue programs and resources.
- Promote local strategies with our partner municipalities.
- Coordinate with our local businesses to find ways to promote attainable housing for workers.
- Enable the County to assist community partners with unforeseen workforce housing needs as they arise.

## NEXT STEPS



**Collaborate further with municipal partners**



**Explore observed zoning challenges**



**Educate partners on workforce housing issues**



**Encourage the streamlining of housing development**

# ACKNOWLEDGEMENTS

## A MESSAGE FROM THE CO-CHAIRS

We are grateful to Chairman Michael Buehler and to Tracie Von Bergen, Public Health and Community Services Committee Chair, for the freedom and trust they had in us to discover more about the issues surrounding workforce housing issues in McHenry County. We are also grateful to all the presenters who educated us on workforce housing issues in McHenry County, and to the members of the Workforce Housing Workgroup who committed a year of their lives to better understanding workforce housing and how it can improve our community.

## Workforce Housing Workgroup Members

**Pamela Althoff**, McHenry County Board  
**Louisett “Lou” Ness**, McHenry County Board  
**Chalen Daigle**, McHenry County Council of Governments  
**Ed Dvorak**, McHenry County Economic Development Corp.  
**Neeley Erickson**, Illinois Realtors  
**Jim Haisler**, Heartland Realtor Organization  
**Scott Hartman**, McHenry County Administration  
**Scott Hennings**, McHenry County Division of Transportation  
**Brandon Kyker**, McHenry County Community Development  
**Jim McConoughey**, McHenry County Economic Development Corp.  
**Hans Mach**, McHenry County Community Development  
**Jeffrey Poynter**, McHenry County Workforce Network  
**Jake Rohn**, McHenry County Workforce Network  
**Alicia Schueller**, McHenry County Administration  
**James Sitko**, McHenry County Economic Development Corp.  
**Faith Taylor**, McHenry County Community Development

## Workforce Housing Workgroup Presenters

**Garrett Anderson**, Economic Development Director, City of Woodstock  
**Kevin Burns**, Mayor of the City of Geneva  
**Kathryn Cowlin**, Director of Community Development, City of Crystal Lake  
**Donovan Day**, Community Development Director, City of Harvard  
**Kristin Faust**, Executive Director, Illinois Housing and Development Authority  
**Danielle Gulli**, Executive Director- Business Development, City of Woodstock  
**Dr. Richard Koenig**, Housing Opportunity Development Corp.  
**Mark Kownick**, Mayor of the Village of Cary  
**Lou Leone**, City Administrator, City of Harvard  
**Eric Setter**, Land Bank Coordinator, Region 1 Planning Council  
**Cody Sheriff**, City Planner, City of McHenry  
**Roscoe Stelford**, City Administrator, City of Woodstock  
**Kim Ulbrich**, Executive Director, McHenry County Housing Authority

# APPENDIX A: ENDNOTES

1. Midwest Real Estate Data, LLC, 2024. <https://ww2.mredllc.com/>.
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11. United States Census Bureau, "OnTheMap." <https://www.onthemap.ces.ensus.gov/>.
12. Center for Neighborhood Technology, "H+T Fact Sheet County: McHenry, IL." <https://htaindex.cnt.org/fact-sheets/>.
13. Richard Koenig, Invited talk at McHenry County Mental Health Board, Crystal Lake, IL, July 24, 2023.
14. Eric Setter, Invited talk at McHenry County Workforce Network, Woodstock, IL, August 21, 2023.
15. Kim Ulbrich, "Community Land Trusts (CLT)." Invited talk at McHenry County Workforce Network, Woodstock, IL, August 21, 2023.
16. Mark Kownick, Invited talk at McHenry County Mental Health Board, Crystal Lake, IL, September 18, 2023.



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