



BUSINESS AND PROFESSIONAL PEOPLE  
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# A Snapshot of Affordable Housing Need in Naperville



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## A Shifting Economy; A Growing Affordability Problem

As one of the largest cities in the state, Naperville serves as a critical economic engine for the greater Chicago region and for DuPage and Will counties in particular.<sup>1</sup> In 2000, Naperville was home to an estimated 66,209 jobs, and that figure is projected to more than double to almost 150,000 jobs by 2030.<sup>2</sup>

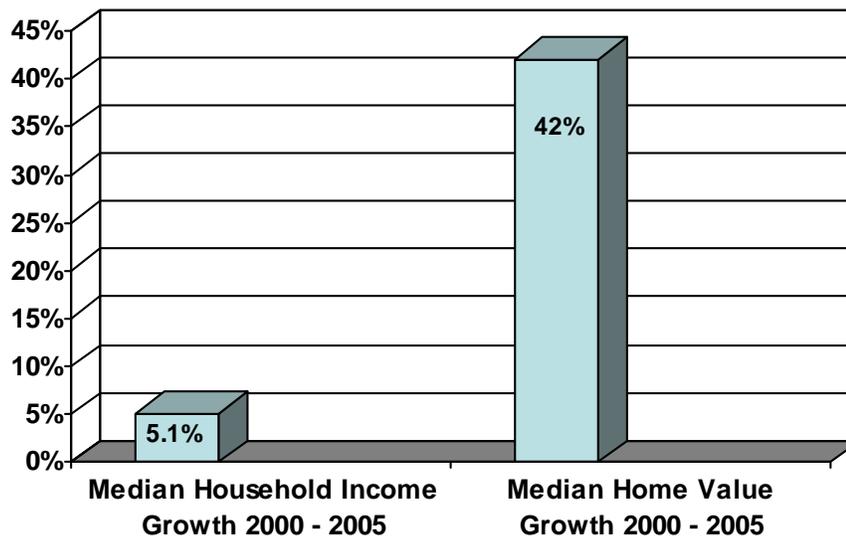
Yet job-rich Naperville is growing increasingly unaffordable to many who are vital to the local economy and who provide critical community services. Many teachers, nurses, police officers, and retail workers cannot afford to live where they work, or even close to where they work.

Naperville's affordability problem is further exacerbated by a shift in the economy away from higher paying jobs and towards lower-wage service sector jobs. Over the past 30 years, DuPage County has been transformed into a major hub for lower-wage service-sector jobs. Such jobs have grown more than three times the rate of higher-paying manufacturing jobs. In fact, DuPage County has seen the highest growth in low-wage service-sector jobs of any county in the region. Lower-wage service-sector jobs have grown faster than any other sector in Will County as well.

### Home Prices Outpace Incomes in Naperville

Increases in home values have fast been outpacing income growth in Naperville. While the median household **income grew about 5.14%** between 2000 and 2005, the median single-family **home value grew by over 42%** during the same time.<sup>3</sup>

#### Income Growth vs. Home Value Growth in Naperville: 2000 - 2005



<sup>1</sup> Because the majority of Naperville is located in DuPage County, most county-level data presented will be based on DuPage County.

<sup>2</sup> Northeastern Illinois Planning Commission employment estimates.

<sup>3</sup> U.S. Census 2000; American Community Survey 2005; Multiple Listing Service 2000 and 2005. In real dollars, incomes actually fell 5.95% while median home values grew by over 27%.

Naperville's rental stock remains relatively affordable to households earning at the median, though fewer options exist for lower-income households. However, the majority of Naperville's housing stock is owner-occupied (almost 84% in 2005), and the rental stock continues to shrink (a decrease from 25% in 1990 to just over 17% in 2005). The owner-occupied stock is increasingly unaffordable to moderate-income households.

While households earning the median income level are able to afford the median rent, they are now unable to afford the median single-family home value. Further, the gap between an affordable home price and the actual median home price has grown dramatically. In 1990, the median home price was affordable to a household at the median income level. In 2000, the gap between the affordable home price and the actual median home price was almost \$29,000. **By 2005, the gap between an affordable home price and the actual median home price grew dramatically, to almost \$140,000.**

#### Affordability Figures for the Naperville Median Household (1990, 2000, 2005)<sup>4</sup>

Year	Median Household Income in Naperville	Affordable rent for the median household income	Median rent in Naperville	Affordable home price for the median household income	Median Home Value in Naperville
1990	\$60,979	\$1,524	\$698	\$182,937	\$176,200
2000	\$88,771	\$2,219	\$942	\$266,313	\$295,000
2005	\$93,338	\$2,398	\$1,009	\$280,014	\$420,000

#### Renters and Homeowners Stretching to Meet Housing Costs

- In 2000, almost 34% of Naperville renters paid more than 30% of their household income towards rent.<sup>5</sup> Among households earning \$50,000 or less, 61% were paying too much for rent.
- About 20% of homeowners allocated more than 30% of their household income for mortgage costs in 2000.<sup>6</sup> Among households earning below \$50,000, 68% of homeowners were stretching to meet their monthly mortgage costs.
- While the number of renters paying too much remained steady between 2000 and 2005 (rising slightly to just under 35%), the number of homeowners stretching jumped almost 10 percentage points to almost 30%.

<sup>4</sup> Median household income data and median rent data taken from U.S. Census 1990, 2000, and American Community Survey 2005. Affordable rent figures based on 30% of income. Affordable homes figures based on three times salary. Median home value data taken from U.S. Census 1990 and MLS 2000, 2005.

<sup>5</sup> U.S. Census Data, 2000. HUD defines affordable housing as paying no more than 30% of gross income on housing costs.

<sup>6</sup> U.S. Census Data, 2000.

## Who Needs Affordable Housing In Naperville?

Naperville lacks a sufficient supply of housing that is affordable to critical community members. Even double-income households earning moderate salaries are unable to afford the median single-family home sales price in Naperville.

### The Affordability Gap in Naperville<sup>7</sup>

<u>Occupations</u>	<u>Combined Median Wage</u>	<u>Affordable Home</u>	<u>Actual Median Home (2005)</u>	<u>THE GAP</u>
Registered Nurse and Bank Teller	\$73,398	\$220,194	\$420,000	(\$199,806)
Preschool Teacher and Police Officer	\$72,568	\$217,704	\$420,000	(\$202,296)
Bookkeeping Clerk and Paralegal	\$71,944	\$215,832	\$420,000	(\$204,168)
Fire Fighter and Nursing Aide	\$62,933	\$188,799	\$420,000	(\$231,201)
Receptionist and Security Guard	\$46,316	\$138,948	\$420,000	(\$281,052)

<sup>7</sup> Occupation data: Illinois Department of Employment Security 2006 Median Annual Wage Data for DuPage County. Affordable home price calculated as three times annual salary. Median home value data: detached single-family homes; MLS 2005.

## What's Available in Naperville on Today's Market?: A One-Day Snapshot<sup>8</sup>

A one-day snapshot of Naperville's housing market from November 10, 2006 reveals that **most of the double-income-earning households below would not have found a single detached home in their price range** had they been house-hunting on this day.

Occupations	Combined Median Wage	Number of Households At or Below Income Level (As % of All Naperville Households)	Affordable Home Price	Number of Detached Single-Family Homes at Affordable Price	Number of Attached Homes at Affordable Price
Registered Nurse and Bank Teller	\$73,398	18,779 (39%)	\$220,194	1 (.08%)	142 (42%)
Fire Fighter and Nursing Aide	\$62,933	16,531 (34%)	\$188,799	0	92 (27%)
Preschool Teacher and Bookkeeping Clerk	\$56,642	13,270 (27%)	\$169,926	0	63 (18%)
Receptionist and Security Guard	\$46,316	9,705 (20%)	\$138,948	0	30 (8%)

<sup>8</sup> Occupation data: Illinois Department of Employment Security 2006 Median Annual Wage Data for DuPage County. Household income data: American Community Survey 2005. Affordable home price calculated as three times annual salary. Detached and attached home data: homes on the market on November 10, 2006; MLS for Naperville.

## Conclusion

Naperville's affordable housing shortage continues to grow. In 2006 (ytd), **there was only one affordable home for every 52 Naperville households** earning at or below 80% of the area median income (\$59,600 for a family of four).<sup>9</sup>

### Ratio of Affordable Homes to Moderate-Income Households in 2006<sup>10</sup>

<b>Fannie Mae Calculator Affordable Home Price</b>	<b>Number of households earning less than \$59,600</b>	<b>Percent of Naperville households earning less than \$59,600</b>	<b>Number of affordable homes (attached and detached) sold in 2006 (ytd)</b>	<b>Ratio of affordable homes to eligible households</b>
\$190,478	14,356	29.5%	271 (1)	<b>1 affordable home for every 52 eligible households</b>

Gone unaddressed, Naperville's affordable housing shortage will likely hinder economic development. Because of the lack of affordable housing near jobs, many employers struggle to attract and retain employees. The shortage of affordable housing near jobs contributes to increased rates of absenteeism, worker turnover, and lost productivity. Business costs are being driven up as a result. It also increases traffic congestion and air pollution as workers travel farther and farther to get to work. And it encourages sprawl as development is forced outward to the fringes of the region. If Naperville wants to continue to attract business and maintain a robust local economy, it must work to provide a full range of housing options to all sectors of the workforce.

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<sup>9</sup> Area Median Income figures are determined annually by HUD. 80% AMI for the Chicago region was \$59,600 for a family of four in 2006. The 80% AMI figure is a commonly used measure to determine housing affordability.

<sup>10</sup> The Fannie Mae calculation assumes paying no more than 30% of income for housing (\$17,880 annually, or \$1,490 monthly); an interest rate of 7%; and 20% down payment.