City of CHAMPAIGN

REPORT TO CITY COUNCIL

FROM: **Joan Walls, City Manager**

DATE: **March 21, 2025**

SUBJECT: **Housing Needs Analysis and Strategy SS2025-010**

A. Introduction: The purpose of this Study Session is to seek City Council input on a draft scope of work and a Request for Qualifications (RFQ) for consultant services to complete a Housing Needs Analysis and Strategy.

B. Action Requested: The Administration recommends Alternative 1 which would direct staff to proceed with the proposed housing analysis and strategy and to prepare a Request for Qualifications for consulting services, incorporating any input from Council.

C. Prior Council Action:

- In a Special Study Session on June 19th, 2007, City Council outlined a vision for housing in Champaign, which was prompted by an anticipated reduction in Community Development Block Grant (CDBG) funding due to federal budget pressures.
- In 2009 (SS 2009-74), City Council directed staff to release an RFP for a Regional Housing Study, which involved the City of Urbana, the Village of Rantoul, Champaign County Regional Planning Commission (CCRPC), and the Housing Authority of Champaign County (HACC).
- In 2010 (CB 2010-150 and CB 2010-151), City Council authorized entry into a contract with Vogt Santer Insights as the consultant to complete the Regional Housing Study.
- In 2010 (SS 2010-066), a draft of the Executive Summary from the Regional Housing Study was shared with City Council, which identified a need for nearly 1,500 units in Champaign.
- In late 2023 and early 2024 (SS 2023-029 and CB 2024-001), City Council adopted the 2023-2025 goal, "Our City Supports our Vibrant, Diverse Neighborhoods" which includes the key project to "Expand programs to preserve the City's housing stock and bridge the affordability gap between household incomes and escalating housing costs."
- In 2025 (SS 2025-004), City Council was presented with a progress report on the 2023-2025 goals, which named conducting the Housing Needs Analysis and Strategy as the first step toward the goal of expanding housing preservation and affordability.

D. Summary:

- The purpose of the Housing Needs Analysis and Strategy is to provide an in-depth understanding of Champaign's housing stock and affordability levels, as well as a roadmap of policies, programs, and initiatives toward addressing these needs.

- Champaign has not conducted a housing study since 2010 when the city participated in a regional study conducted by a consultant contracted by the Champaign County Regional Planning Commission.
- Current understandings of the housing stock are often anecdotal or partial, meaning City staff lack actionable insights from which to make data-driven, forward-thinking decisions.
- There are indicators that Champaign's housing stock is not fully meeting the needs of residents, including increasing rental costs and rates of rental cost burden, rising numbers of people experiencing homelessness, and the decreasing availability of affordable homeownership opportunities.
- This project will require assistance from a consultant with extensive experience in housing analyses. Staff anticipate posting a Request for Qualifications (RFQ) to solicit interest from qualified consultants in mid-spring and selecting a consultant by early-summer 2025.
- The Housing Needs Analysis will include data on the existing housing stock and resident demographics, quantifying the number and type of housing units needed by income level.
- The Housing Needs Strategy will be informed by findings from the Housing Needs Analysis, providing suggested policies, programs, and initiatives to meet the identified needs.
- Resident and stakeholder engagement will be a significant part of the project, contributing to both the Housing Needs Analysis and Housing Needs Strategy.
- Staff estimate that completing this project will take twelve to fifteen months, with the Housing Needs Analysis completed around six to eight months into the process. Periodic updates will be provided by staff to relevant groups and at public meetings.
- Staff anticipate the hiring of a consultant and execution of this project to cost up to $200,000, along with time invested by staff in the Neighborhood Services Department.
- Based on Council direction, staff will incorporate any feedback, release the RFQ for consultant services, and return to City Council with a preferred vendor for final contract approval.

E. Background:

1. Connection to City Council Goals. Safe, affordable housing is at the core of every neighborhood, and the City Council goal of *"Our City Supports Vibrant, Diverse Neighborhoods"* makes clear this connection between housing and livability. A key project of this goal is to *"Expand programs to preserve the City's housing stock and bridge the affordability gap between household incomes and escalating housing costs."* In order to most effectively utilize City resources to expand and preserve affordable housing, it is necessary to have a thorough understanding of housing costs, resident needs, and barriers to affordability. The purpose of the Housing Needs Analysis and Strategy is to quantify and understand the City's housing stock at all affordability levels and then provide a roadmap for how to better meet these housing needs. This will allow housing programs and policies to be developed with a data-driven approach, informed by a thorough understanding of the current housing stock and resident demographics.

2. Past Housing Studies and Plans. While Champaign has never conducted a Housing Needs Analysis and Strategy, similar studies have taken place previously. Relevant studies and proposals are described below:

a. 2010 Regional Housing Study. The most recent housing study conducted in the community was in 2010 at the regional level, involving the City of Champaign, the City of Urbana, the Village of Rantoul, Champaign County Regional Planning Commission, and the Housing Authority of Champaign County. The consultant, Vogt Santer Insights, did field surveys of properties, generated maps displaying housing data across the County, and conducted interviews with local stakeholders. The study projected a widespread shortage of rental units across income ranges from 2010 to 2015, with the largest deficit (1,820 units) for those with the lowest incomes ($0-$14,999). While this study provides a helpful foundation for understanding housing development and affordability post-financial crisis, at fifteen years old it no longer provides actionable insights from which to develop housing policy and programs.

b. City of Champaign Consolidated Plan. Every five years, as required by the U.S. Department of Housing and Urban Development, the Neighborhood Services Department undertakes the Consolidated Planning process to outline how Community Development Block Grant (CDBG) funds will be utilized. This process includes a needs assessment, a five-year strategic plan, and an annual action plan. The Consolidated Plan relies heavily on data from the American Community Survey (ACS) and Comprehensive Housing Affordability Strategy (CHAS). While the Consolidated Plan provides an overview of major housing issues, its purpose is to guide the utilization of limited federal funds, typically for single-family housing rehab projects and shelter support. The Housing Needs Analysis and Strategy differs from the Consolidated Plan in that it will provide data at a more granular level than existing data sets allow and focus on a variety of strategies, beyond the scope of federal funding, to meet housing needs.

c. CCRPC PRO Housing Grant. In 2023 and 2024, staff at CCRPC collaborated with the City of Champaign and the City of Urbana twice to prepare a proposal for funding from the U.S. Department of Housing and Urban Development's Pathways to Removing Obstacles to Housing (PRO Housing) Grant. The proposals included funding to research and write a Champaign County Regional Housing Plan, which would include data gathering, analysis, and public engagement at the County-scale. In January 2025, CCRPC was notified that the grant application for the second round would not be awarded. Without the grant funding, the Regional Housing Plan has not moved forward.

3. Indicators of Champaign's Housing Affordability Challenges. The impetus for the Housing Needs Analysis and Strategy comes from knowing Champaign's housing stock is not fully meeting the needs of residents. The following data points as well as recent anecdotal information illustrate known housing issues to be further investigated in the Housing Needs Analysis and Strategy.

a. Increasing Rental Costs. Over the past decade, rental costs have increased significantly. According to the Zillow Observed Rent Index, market rate rents have increased by 57% from 2015 to 2024, going from $881 to $1,379. In 2023, 55% of renters were cost-burdened, with at least 30% of incomes going toward housing costs. The Zillow Observed Rent Index is used for a quick analysis although the study will

likely consider other sources as well. The increasing costs of attaining rental housing are outpacing incomes. In 2023, the median household income was $57,544 in Champaign – which would allow for no more than $1,438 in monthly housing costs to afford housing without being cost-burdened. While those at the median income level and above may be able to afford market rate rents, residents below median income are likely to struggle finding housing they can afford. During public engagement for the 2025-2029 Consolidated Plan, residents identified building affordable rental housing as the highest priority need in terms of housing issues.

b. Increasing Cost to Purchase a Home. Champaign has also seen the cost of attaining a home increase. From 2018 to 2024, median home prices increased by 63%, from $143,983 to $234,967. Zillow estimates that in order to afford purchasing a home in Champaign as of January 2025, residents need to have an income of at least $66,885.

c. Decreasing Supply. Exacerbating the issue of high housing costs is the decreasing availability of opportunities for homeownership. Monthly listings of for-sale properties in Champaign have decreased from approximately 1,200 in 2018 to 392 at the end of 2024, signaling the shift from a buyers' to a sellers' market. Construction rates have also slowed over the past few years, with only 23 single-family homes permitted in 2024 – the lowest number recorded since data collection on permitting began in 1967. A lack of supply is also concerning when considering economic development initiatives intended to grow the workforce in the community.

d. Demand for Housing Assistance. The demand for housing assistance serves as a proxy for the number of residents struggling to afford housing. The Champaign County Rental Assistance program, jointly administered by CCRPC, Cunningham Township, and the City of Champaign Township, runs out of funding every year. During consultation for the 2025-2029 Consolidated Plan, service providers reported that the available resources for rental assistance do not meet current levels of need. The Housing Authority of Champaign County (HACC) also provides rental assistance in the form of 2,258 total vouchers – but it faces lengthy waitlists of residents requesting vouchers. The following counts of individuals on HACC's waitlists indicate the high level of need for housing assistance. Note that over 50% of applicants on the Tenant Based Waiting List are also on one or more of the Project Based Waiting Lists.

- Federal RAD Housing Choice Vouchers (Site-Based): 2,514
- Federal MTW Housing Choice Voucher Program (Tenant Based): 1,466
- Federal MTW Housing Choice Voucher Program (Project Based): 3,965

e. Rising Numbers of People Experiencing Homelessness. The number of individuals across Champaign County experiencing homelessness has increased significantly over the past couple of years. In 2022, 137 people were homeless, as identified in the Point-in-Time Count, and in 2024 that number rose to 279. Of the 279 people, 57% of the individuals and 77% of families experiencing homelessness were Black, indicating disproportionate impacts.

f. Overall Housing Conditions and Availability. The experience of working on housing in Champaign has exposed staff to additional issues that are difficult to capture in a single data point. For example, multifamily building operators have shared with staff that vacancy rates in buildings are very low. This is underscored by the experience of tenants who struggle to find alternative housing options after their unit is condemned as unlivable. While a notable number of units have been removed from the market because of their condition, there are other pressures taking units off the market, such as conversion into short-term rentals.

4. Project Process. The next steps in this project include releasing the Request for Qualifications (see Attachment A) and selecting a consultant. From there, the project includes two components: a Housing Needs Analysis and a Housing Needs Strategy. The process for these two components is described below, along with an explanation of the public engagement process, which will inform both parts of the project.

a. Housing Needs Analysis. The Housing Needs Analysis consists of three sections: an examination of the housing stock, a study of resident demographics, and a demand analysis. These sections will be informed by quantitative data collection and analysis, as well as findings from public engagement (see paragraph C below). Staff will work with the consultant to identify and collect necessary datasets. The housing stock section will report on characteristics like ownership, age and type of housing, and price. Resident demographics will include population statistics, such as employment, income, race, and household size. Bringing these two sections together, the demand analysis will identify where resident demographics and the housing stock are mismatched, quantifying the number of housing units required by type, cost, and geography.

b. Housing Needs Strategy. The Housing Needs Strategy will identify a realistic pathway forward to meet the identified housing needs with concrete policies, programs, and initiatives. The selection of strategies will be guided by the findings from the Housing Needs Analysis, best practices from comparable cities, and takeaways from public engagement. Each strategy will include the priority level of the action, key stakeholders (e.g. City departments, private sector, etc.), and if applicable, possible funding sources. City staff will create a buildable lands inventory to be included in the Housing Needs Strategy, identifying possible sites for housing development based on zoning, current use, and resident demand.

c. Public Engagement Process. While quantitative data collection and analysis are an essential part of this project, the experiences and needs of Champaign residents remain at the center of the Housing Needs Analysis and Strategy. Public input will be collected in a variety of ways throughout the project process. Staff will create a survey to post on Engage Champaign, soliciting resident input on housing costs, barriers, and policies or programs they would like to see in the city. The survey will also be shared on social media, at registered neighborhood group meetings, and on marketing materials. Staff and the consultant will conduct roundtable conversations with local housing providers, as

well as stakeholder interviews with local and regional housing developers.

d. Collaboration with the City of Urbana. When residents are looking for housing, the question of which side of Wright Street it falls on is often not a deciding factor. Housing availability and affordability is not limited to Champaign's municipal boundaries – it is a community-wide issue. While the Housing Needs Analysis and Strategy will focus on Champaign, it will include collaboration with Urbana in the form of data sharing and stakeholder engagement. This will not require a formal intergovernmental agreement, and staff from both cities have already been in discussion about what this collaboration will look like. A complete study needs to consider the data from both cities in order to provide an accurate report of the housing needs in the broader community.

5. Project Timeline. Staff estimate that completing the Housing Needs Analysis and Strategy will take between twelve and fifteen months. The project will begin with the release of the RFQ, which staff anticipate will take place in mid-spring, selecting a consultant by summer 2025. The Housing Needs Analysis will be completed before the Housing Needs Strategy, likely taking six to eight months. Staff will provide periodic updates to various groups throughout the process, including the Neighborhood Services Advisory Board, Developers Forum, City Council, and registered neighborhood groups.

F. Alternatives:

1. Direct staff to proceed with the proposed housing analysis and strategy and to prepare a Request for Qualifications for consulting services, incorporating any input from Council.

2. Provide alternative directions to staff.

G. Discussion of Alternatives:

Alternative 1 directs staff to proceed with the proposed housing analysis and strategy and to prepare a Request for Qualifications for consulting services, incorporating any input from Council.

a. Advantages

- The Housing Needs Analysis and Strategy will update housing data information last compiled locally in 2010.
- Addressing the affordability of the city's housing stock is a key project under the City Council Goal, Our City Supports our Vibrant, Diverse Neighborhoods.
- Conducting an in-depth Housing Needs Analysis and Strategy will provide staff and residents with a comprehensive understanding of the housing stock and barriers to increased affordability.
- The Housing Needs Strategy will serve as a roadmap toward meeting these housing

needs, providing guidelines and recommendations to guide future policy and programs.
- Community engagement throughout the project process will provide stakeholders and residents to provide input and ideas for the future of Champaign's housing stock.

b. Disadvantages

- The Housing Needs Analysis and Strategy will require staff time and resources, which some might prefer to be directed toward other Council goals.

Alternative 2 would provide alternative direction to staff.

a. Advantages

- City Council could provide alternative direction to staff on how to prepare and write the Housing Needs Analysis and Strategy.

b. Disadvantages

- Alternative direction could delay the timeline for the Housing Needs Analysis and Strategy, pushing back the completion date.
- Delays addressing a key project under the existing City Council goals; Our City Supports our Vibrant, Diverse Neighborhoods.
- Addressing the current housing shortage and rising housing costs is critical not only locally but nationally. Delaying the analysis and strategy could further delay achieving actions sooner.

H. Community Input: The Housing Needs Analysis and Strategy will include a significant amount of public input, in the form of surveys with residents, roundtable discussions with housing providers, and interviews with stakeholders, such as local and regional housing developers. To engage the public, staff will create a survey to post on Engage Champaign, so that residents can share ideas and input at any point throughout the project process. Staff will also attend neighborhood meetings and other relevant events (such as Neighborhood Services Advisory Board meetings and Developers Forum events) to spread the word about the survey. Staff will plan and conduct roundtable discussions for local housing providers to share challenges, successes and ideas to better serve local populations. The consultant and staff will collaborate to identify housing developers for more in-depth interviews, conducting conversations on development barriers, local and regional market conditions, and additional strategies for affordable housing development. Gaining insight from a wide variety of stakeholders, from residents to developers, is essential to generating a comprehensive understanding of housing needs in Champaign.

I. Budget Impact: Currently $75,000 is available in the Neighborhood Services Department budget. Additional funds are being considered for Housing Needs in the FY 25/26 budget.

J. Staffing Impact: Although a consultant will be retained, conducting the Housing Needs Analysis and Strategy will still require staff time, primarily from the Neighborhood Services Department. This is for consultant management and direction, collecting local data and assisting with facilitating input sessions. Staff resources will come primarily from the Neighborhood Services Director and Community Development Specialist. Staff also anticipate collaborating with the Planning and Development Department to conduct engagement events and create a buildable lands inventory as part of the Housing Needs Strategy. This is typically a key component to the City's Comprehensive Plan.

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