

# **IMPACT STUDY:**

## **Comparing two proposals for North Shore Estates**

Prepared for:

Family Service of South Lake County

Prepared by:

Nathalie P. Voorhees Center for Neighborhood and Community Improvement  
University of Illinois at Chicago

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The Nathalie P. Voorhees Center for Neighborhood and Community Improvement was established in 1978 as a technical assistance and applied research center in the College of Urban Planning and Public Affairs at the University of Illinois at Chicago. Its mission is to improve the quality of life for all residents of the metropolitan area by assisting community organizations and local government entities to revitalize the many and varied communities in the City of Chicago and surrounding area. Among its many projects over the years, the Voorhees Center was responsible for developing and writing the Affordable Housing Needs and Implementation Plan for the city of Highland Park, which recently won an American Planning Association award for “housing choice and affordability.”

This report was written by: Janet Smith, Voorhees Center Co-Director  
Nancy Hudspeth and Dawni Freeman, Research Assistants

# IMPACT STUDY:

## Comparing two proposals for North Shore Estates

### OVERVIEW

This report was produced for Family Services of South Lake County to examine the potential impact of two proposals for the North Shore Estates development. Proposal one (Landmark Northshore LLC, a private for-profit developer) will convert all 252 units to market rate condominiums. Proposal two (Hispanic Housing, a private nonprofit developer) will retain 84 units as “affordable” rental and convert the remaining 168 units into condominiums, with one-fourth affordable to moderate-income families and the rest market rate.

We begin with an overview of residents living in North Shore Estates using data from a survey completed in December 2005 by staff from the Interfaith Housing Center. We then examine the likely impact each proposal might have on:

- current residents of the development
- renters and owners in Highwood
- future supply of workforce housing in Highwood
- Highwood property taxes
- local businesses
- school districts
- ethnic diversity in Highwood

The analysis utilizes conventional techniques for assessing impact and/or housing market shifts, noting all assumptions and any limitations to the analysis. We include here data from the US Census, written reports and other administrative sources. We also include data and information from interviews and public documents to provide a sense of the current context and attitudes toward North Shore Estates and concerns for the families currently living there that will be affected by either proposal.

# TWO PROPOSALS

The following data comes from information gathered from presentations made by each developer: the Landmark Northshore LLC proposal at the February 28, 2006 Highwood City Council meeting and the Hispanic Housing proposal at a meeting of North Shore Estates residents and supporters on February 7, 2006.

## 1. Landmark Northshore LLC proposal

252 units: 100% market rate condominiums

Starting prices:

\$150,000-170,000	1 bedroom (72)
\$190,000-210,000	2 bedrooms (144)
\$230,000-250,000	3 bedrooms (36)

Likely market:

- 10-20 percent of current residents
- Newlyweds (in/outside of Highwood)
- Empty nesters (in/outside of Highwood)
- Weekend use by adult children from area (in/outside of Highwood)

## 2. Hispanic Housing proposal

252 units: 1/3 "affordable" rental, 2/3 condominium (42 "affordable" and 126 market rate)

Affordable rental units (84):

\$647-788	1 bedroom (24 units)
\$774-944	2 bedrooms (48 units)
\$890-1,086	3 bedrooms (12 units)

Affordable condo units (42):

\$146,100	1 bedroom (12 units)
\$190,372	2 bedrooms (24 units)
\$235,645	3 bedrooms (6 units)

Market rate condo units (126):

\$165,000	1 bedroom (36 units)
\$215,000	2 bedrooms (72 units)
\$265,000	3 bedrooms (18 units)

Likely market:

- Current renters in North Shore Estates
- Other renters in Highwood (rent or purchase)
- Other potential purchasers seeking market rate condos (in/outside of Highwood)

# IMPACT POTENTIAL

To understand the potential impact of each proposal, we need to look at each from many different perspectives. The following lays out these perspectives. It is important to keep in mind that “impact” depends on your position and stake in the situation; what is a positive outcome for one group or individual can be a negative outcome for another, and vice versa.

We start from the assumption that no position is better or superior to any other. However, our analysis does assume that any change from the status quo (current conditions) will produce an effect in the community given the total number of renters, residents and rental units this development represents in Highwood.

## Stakeholders and their likely concerns include:

Stakeholder	Likely concerns
Current North Shore Estates residents	<ul style="list-style-type: none"> <li>• Where to move if they cannot afford to buy a North Shore Estates condominium</li> <li>• Having to change schools if they cannot stay in same district</li> <li>• Commuting to work – means and time – relative to new home</li> </ul>
Current renters in Highwood	<ul style="list-style-type: none"> <li>• Rent increase</li> <li>• Potential conversion/sale of their rental property</li> <li>• Ability to buy new condominium in North Shore Estates</li> </ul>
Current owners in Highwood	<ul style="list-style-type: none"> <li>• Impact on property values and taxes</li> </ul>
Business owners	<ul style="list-style-type: none"> <li>• Change in workforce / labor</li> <li>• Change in demand for goods and services</li> </ul>
City of Highwood	<ul style="list-style-type: none"> <li>• Impact on property taxes</li> <li>• Change in workforce housing options</li> <li>• Impact on services</li> <li>• Impact on diversity</li> <li>• Impact on traffic</li> </ul>
Public School Districts	<ul style="list-style-type: none"> <li>• Change in number and diversity of students in classrooms, schools</li> </ul>
Surrounding communities	<ul style="list-style-type: none"> <li>• Impact on business</li> <li>• Impact on rental housing options</li> </ul>

## CONTEXT

The following summarizes information from public documents and interviews that illustrate the current climate or context in Highwood that will likely affect how different stakeholders view the two proposals.

### Changing residential mix

Highwood has historically had a lot of rental housing and affordable housing (renter and owner-occupied). This has changed with the addition of the Town of Fort Sheridan on the north end beginning in the late 1990s, which added 550 new units of high-end single-family, townhouse and condominium housing in the past five years (208 units are in Highwood). Still, Highwood continues to have a proportionately smaller share of single-family housing (about 40%) when compared to its neighbors (80% or higher). Many of these single-family homes are renter-occupied -- nearly one-third in 2000.

### Concerns about density at North Shore Estates

Most attention to rental housing in Highwood has been focused on North Shore Estates, and particularly, its density. For example, the *Highwood Comprehensive Plan* (1996) found that:

“The density of this area approaches 30 units per acre, which is an undesirably high density for a City the size of Highwood. The size and high density of the development contributes significantly to the over crowded conditions in the area” (p.28).

While this incorrectly suggests that density causes overcrowding—which it does not necessarily do (overcrowding is the result of too many people per room in a home and not per acre), it conveys a message that it is perceived too many people are living in this section of Highwood. The plan suggests that this can change “when the Fort Sheridan property develops, [since] there is an opportunity to redevelop the property for lower densities and greater green space” (p.46). The plan also suggests the site presents an opportunity to meet the needs of senior citizens: “The North Shore Estates property is one area which could advantageously be redeveloped for Senior Housing” (p. 46). Also in that plan, the recommended density is no more than 24 units per acre for new construction, and this depends on the location.

### Increasing density in the Central Business District

In 2003, the Urban Land Institute of Chicago produced a report, *New Places for a Changing Population: Highwood Illinois*, for the City of Highwood based on findings from a Technical Assistance Panel (TAP) co-sponsored by the Campaign for Sensible Growth. The report aimed to help the city think about the future of the Central Business District, and

specifically how to: 1) Maximize the future of the existing restaurant market niche; 2) Identify other market niches; 3) Identify potential development sites; and 4) Prioritize, maximize and leverage tax increment finance funds (p. 3).

Among its many recommendations, the TAP suggested changing zoning to allow 4-5 story buildings that could accommodate a mix of retail and residential “without jeopardizing the small-town feel” (p.13). With regard to the housing, it was recommended that all price points were “essential to getting the consumer base that will shop, create daytime traffic and leverage the current assets to attract other businesses and fill in the empty storefronts” (p. 14). Looking generally at Highwood’s housing situation, one TAP member also recommended development of rental apartments for seniors and families:

“We’re encouraging a good mix of people...that includes housing for the working class who live here, improving the currently substandard housing in the downtown area, improving code enforcement and establishing tax incentives to pay for improvements” (p.15).

### **Preserving single-family housing**

December 20, 2005, Highwood City Council passed a 180 day moratorium on “development of multi-family residential structures in the City’s residentially zoned districts.” As noted in the January 2006 *Highwood Reporter*, “during this time, the City Council will direct the Plan Commission to study issues of density and building requirements in an effort that is intended to help insure vitality and character of our residential districts for years to come.”

### **Recent real estate activities**

In looking at recent sales of properties, there is evidence of increased investor purchases in Highwood. This includes “flipping” based on the quick re-sale at higher prices, and transactions involving Limited Liability Corporations and Trusts instead of individual owners (see Voorhees report: Highwood, Illinois: People, Housing, Real Estate, 2006). Also, while anecdotal, recent newspaper advertisements suggest that investors are being sought with ads that encourage tearing down and converting rental housing to for-sale homes as well as development of vacant land. Below are listings from January 2006.

**\*\*Attention\*\*** tear down, investor, rehabber - do some renovation on this 2 story brick home located on a quiet family street in booming Highwood. This private location is nestled on the fringe of downtown and is conveniently positioned near the train, shopping, ballpark and schools. 327 Ashland Ave. Koenig and Strey. \$229,000.

Great opportunity for investors, builders, large family. 2- unit property on large lot. Property located near schools and transportation. Property sold "as is." 226 Evolution Ave. Prospect Equities Inc. \$365,000.

Two for the price of one on extra large lot both units are rented month-to-month. Bring your investors or your rehabbers. This won't last! 237 Prairie Ave. Estate Property Group. \$419,000.

Beautiful, completely renovated duplex with hardwood floors and granite countertops. Both units have 3 bedrooms, 3 baths, 2000 sq ft each. Full finished basement. Second unit has full bathroom and kitchenette. 524 N. Central. Sunset Real Estate. \$689,000.

Raw land \$435,000.

### **Contrasting views of North Shore Estates and residents' future**

Several people were interviewed including local business owners, social service providers, and educators to gauge concerns about what might happen if North Shore Estates is converted to market rate housing and current residents have to move. There were two different and contrasting viewpoints evident:

Positive for community and current North Shore Estates residents: Some people interviewed strongly supported either converting the development to market rate condominiums or even demolishing it claiming it is overcrowded and in poor condition. These same people generally believed that the tenants would find housing they could afford elsewhere, either in Highwood or nearby, and that moving would not necessarily affect their ability to retain a job and/or the businesses in Highwood.

Negative for community and current North Shore Estates residents: Some interviewees—most who work directly with residents at North Shore estates—were concerned that this was the beginning of significant change. They feared that current North Shore Estates residents were not the target market for these units even if they could afford them, and that the loss of North Shore Estates would trigger a domino effect in the community for Latinos, rental housing for workers and social services for both. They also assumed that these residents would most likely have to move to Waukegan or North Chicago to find housing, based on what has been witnessed in the past in surrounding communities and what they now expected to happen in Highwood.



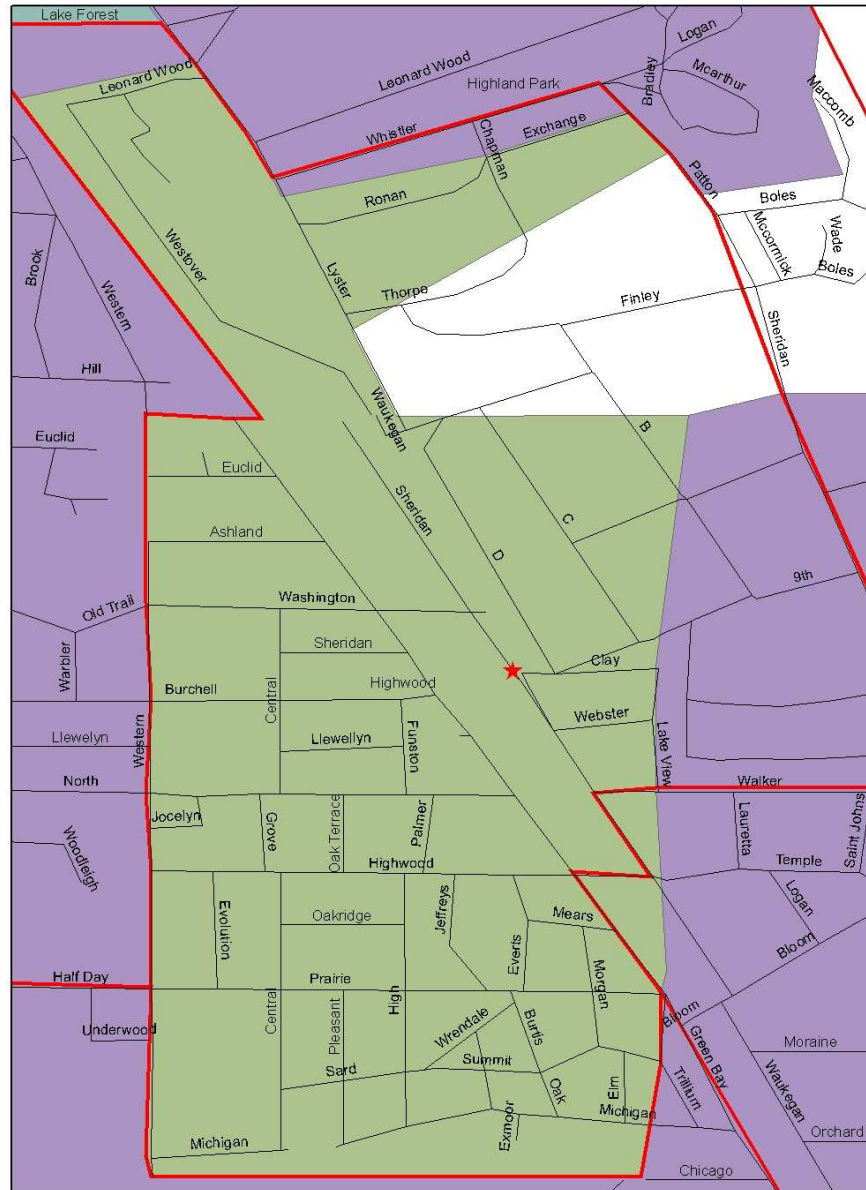
# BACKGROUND

## Highwood, Illinois

According to the US Census, Highwood occupies most of one census tract, 8652, and four blocks in the adjacent census tract, 8655.01 (See Map).

Tract 8652 is divided into 4 sub-areas, or block groups (BG 1 thru 4). Block groups 1 thru 3 are completely within Highwood, roughly comprising the “triangular” area bounded by Green Bay Road, Western Avenue, and Chicago Avenue.

Block group 4 in tract 8652 is sub-divided into 46 blocks, of which 31 are within the boundaries of Highwood. (The 15 blocks that are *not* in Highwood include: 4000, 4006, 4013, 4014, 4022-25, 4039-43, 4045-6).



Generally the BG4 blocks in Highwood extend east from Sheridan Road/Waukegan Avenue, to H Street in the central area and Patten Road in the northern section. Sheridan Road/Waukegan Avenue is within the boundaries of Highwood between Burkhardt Road on the north and Walker Avenue on the south.

Just east of Green Bay and Waukegan Road and south of Walker and Temple Avenue, four blocks in the adjacent census tract 8655.01 fall within the boundaries of Highwood. These are blocks 1007, 1023, 1024 and 1025.

## Census 2000 Error

In the 2000 US Census Highwood's population was undercounted by 1,327 persons—a 20% error. According to the 2000 census, the total population of Highwood was 4,143 persons; the correct count is 5,470. Housing units were also undercounted. The 2000 census reported total housing units in Highwood as 1604; the correct number is 1,876.

### Original Highwood total Population (2000 US Census)

<b>CT 8652 (pt)</b>	
BG1	1,059
BG2	913
BG3	1,330
BG4 (pt)	707
<b>CT 8655.01 (pt)</b>	
1007, 1023-5	134
<b>Total population (error)</b>	<b>4,143</b>

Source: Table P1, SF1

The reason for the error was that 1,327 residents of four multi-unit housing complexes were not counted in the census for Highwood: North Shore Estates at 628 Sheridan Road, condominiums at 730 and 740 Sheridan Road, and residents of the Exmoor Country Club Workers' Dorm. These persons were counted as living in Highland Park. However, the three multi-unit complexes on Sheridan Road are clearly in the middle of Highwood, in tract 8652.

### Revised 2000 Census Population and Housing Counts

	Population		Housing	
	2000 (error)	2000 (revised)	2000 (error)	2000 (revised)
<b>Highwood</b>	4,143	5,470	1,604	1,876
<b>Highland Park</b>	31,365	30,262	11,934	11,746

Source: 2000 Census Notes and Errata

In light of the significant error, we found that although the data appears to indicate that Highwood's population and number of housing units declined during the 1990s, when the revised population and housing counts are used, it becomes clear that Highwood actually experienced population growth during this time and a less dramatic decrease in housing units.

**Note:** Because the only counts revised were total population and housing units, in the analysis that follows we indicate if we have adjusted totals to include North Shore Estates.

## **Workforce Housing**

Workforce housing is a term used most commonly to identify units—rental and for-sale—that are affordable to families with income earnings between 50-120% of the area median income (AMI). In Highwood, the 2000 Census indicates that this included 615 rental units (54%; includes North Shore Estates) and 271 for-sale units (58%).

## **Affordable Housing**

The State of Illinois passed the Affordable Housing Planning and Appeal Act in 2003. This legislation is intended to “encourage municipalities and counties to incorporate affordable housing into their communities” (<http://www.ihda.org/>). It was determined that 49 communities in Illinois were not exempt from the law and therefore must pass an Affordable Housing Plan by April 1, 2005. This includes nearby communities of Deerfield, Glencoe, Highland Park, Lake Forest, Lincolnshire, Northbrook, and Riverwoods.

Highwood is exempt based on an analysis of 2000 Census data completed for the Illinois Housing Development Authority (IHDA). Excluding North Shore Estates, Highwood “officially” had 397 affordable rental units (monthly rent at or below \$775) and 32 affordable for-sale units (sales price at or below \$123,720). Assuming that only 1 bedroom units (60) at North Shore Estates would meet these criteria, we can adjust the total affordable rental units in 2000 to 457.

## **Tenure by race and ethnicity**

According to the 2000 Census, the majority of people (64%) in Highwood rented their housing. When we compared tenure of non-Latino Whites and Latinos, we find that about 80% of Latino households (four out of five) rent rather than own their home while less than half of non-Latino Whites are renters.

# PROFILE OF NORTH SHORE ESTATES FAMILIES

A survey was designed and completed by Interfaith Housing Center of the Northern Suburbs in December of 2005, providing data from 126 households living in North Shore Estates. While not the entire development, this represents about three-fifths of the families in North Shore Estates (based on estimated occupancy at the time). Using this data, we provide the following profile of respondents. While not a random or complete sample of North Shore Estates residents, we assume based on the variation in the data that this data is a good representation of all families living in the development.

## Housing

- Median rent paid: \$1,000
- Rent/mortgage could pay if family had to move: most said current rent or higher
- Families interested in buying: 26% (includes 4% wanting to buy with another family)
- Families interested in staying renters: 66% (8% were undecided)

## Family

- Average family size: 4.8 people (adults and children)
- Half reported having at least one child attending a local school. Of this total:<sup>1</sup>
  - 67% have children attending Oak Terrace grade school
  - 30% have children attending Highland Park High School
  - 14% have children attending Northwood Junior High School
  - 14% have children attending Red Oak
  - 5% have children attending Elm Place
  - 3% have children attending St. James
  - 3% have children attending Sherwood
  - 2% have children attending Des Plaines

## Workforce

- Average number of workers per family: 2.7
- Up to 26% work in Highwood
- Up to 34% work in Highland Park
- Up to 14% work in Northbrook
- Up to 10% work in Deerfield

## **North Shore Estates Residents as part of Highwood Workforce**

Based on the survey of 126 units, there were 337 adults working in the area. The largest number and proportion of respondents indicated that at least one adult in the household worked in Highwood (between 54-88 people; 16-26% of 337 workers) or Highland Park (86-114 people; 26-34% of 337 workers).

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<sup>1</sup> These percentages total more than 100% since families have more than one child attending school.

Since the survey data did not include all 252 units, we assume the actual number of people living in North Shore Estates and working is higher than 337. To estimate the total number of workers living in North Shore Estates, we multiplied the average number of workers per home (average of 2.7 workers per unit) by 100 (estimated occupied units not responding to survey):

$$100 \times 2.7 = 270 \quad 270 + 337 = 607 \quad \text{Estimated total workers at NSE} = 607$$

If 16-26% work in Highwood, then we estimate between 97-157 workers living in North Shore Estates may work in Highwood.<sup>2</sup>

To put this in context, we compare this estimate to the 2000 US Census data on where workers work who live in Highwood. Excluding North Shore estates, the Census counted 2,108 people living in Highwood that were also in the workforce (about 50% of population). Of this total, only 300 (14%) worked in Highwood. Using our estimate for North Shore Estates, we estimate that this could increase to 457 (300+157), which would mean that up to 34% of people that live and work in Highwood, reside at North Shore estates.

### Highwood Residents Place of Work

<i>Where people living in Highwood work, 2000</i>	Highwood (1)		North Shore Estates (2)			
	All workers		Low estimate		High estimate	
	#	% of Total	#	% of Total	#	% of Total
Total employees	2,108	100%	607	100%	607	100%
Worked in place of residence	300	14%	97	16%	157	26%
Worked outside place of residence	1,808	86%	510	84%	450	74%

(1) US Census, 2000, STF3

(2) based on extrapolation of NSE residents in 126 units

### Transportation to work

Driving is the primary mode for getting to and from work for North Shore Estates workers, followed by public transit, walking and carpooling. When compared to Highwood residents, the proportion of drivers and carpoolers is smaller while the proportion using public transit and walking is larger.

### Primary mode of transit to/from work

	Highwood	North Shore Estates
Drive	68%	59%
Public Transit	8%	22%
Walk	5%	12%
Carpool	16%	7%

Source: 2000 US Census and 2005 North Shore Estates survey

<sup>2</sup> For Highland Park, we estimate 158-206 of NSE residents may work in Highland Park. This is a very small percentage of the nearly 12,000 employees working in Highland Park (less than 2%).

# RENTAL HOUSING IMPACT

Based on a survey of North Shore Estates residents, most want to stay in Highwood if they have to relocate. Given the low vacancy rate, this will not be possible for most of the tenants, especially if all units are converted to condominiums. Furthermore, options to rent in a surrounding nearby community are very limited. These conditions also affect residents if only a portion of units are converted to condominiums; however, this would mean fewer households seeking units overall.

## Current Supply

There were about 6,000 rental units in and around Highwood in 2000 according to the US Census. Assuming the vacancy rate in these communities continues to be tight (2000 average rate was 3%), there would be only about 35 currently available rental units in Highwood, and 147 in the surrounding communities. This number drops when considering what proportion is likely to be affordable with only 14 units in Highwood and only 40 in surrounding communities. As the Lake County Housing Authority's rental housing survey illustrates most housing available is not affordable.

### Total Rental Housing, Available and Affordable in and around Highwood

	Total Rental Units, 2000	Total "Affordable" Rental Units*	% Affordable	Vacant Units (3% rate)	Vacant Affordable units
Deerfield	642	134	21%	19	4
Glencoe	220	46	21%	7	1
Highland Park	2,059	653	32%	62	20
<b>Highwood **</b>	<b>1,164</b>	<b>469</b>	<b>40%</b>	<b>35</b>	<b>14</b>
Lake Forest	851	279	33%	26	8
Lincolnshire	78	5	6%	2	0
Northbrook	1,014	205	20%	30	6
Riverwoods	36	16	44%	1	0
<b>TOTAL</b>	<b>6,064</b>	<b>1,807</b>	<b>30%</b>	<b>182</b>	<b>54</b>

\* Based on IHDA's estimates of "affordable" units in 2004. \*\*Adjusted to include 272 units excluded from 2000 Census. We assume only 1 bedroom units in NSE are affordable based on IHDA definition and rents.

### Lake County Housing Authority Rental Survey 2005

Highwood, Deerfield, Highland Park, Lake Forest				
	1 BR	2BR	3 BR	TOTAL
Deerfield Gardens	\$810-910	\$910-1,010	\$1200-1400	56
Single-family home	NA	NA	\$1,200	1
Green Bay	NA	\$1,100	NA	2
Braeside Apartments	NA	\$1,250	NA	4
Americana Apartments	\$1,000	\$1,875	\$2,010	108
Duplex, Lake Forest, IL	\$950	NA	NA	2
Duplex, Lake Forest, IL	NA	\$1,310	NA	2
580 Bank Lane	\$1,150-1,250	\$1,350-1,375	NA	4
<b>AVERAGE RENT</b>	<b>\$ 978-1028</b>	<b>\$ 1300-1320</b>	<b>\$1470-1540</b>	<b>179</b>

## Future supply of rental housing in Highwood

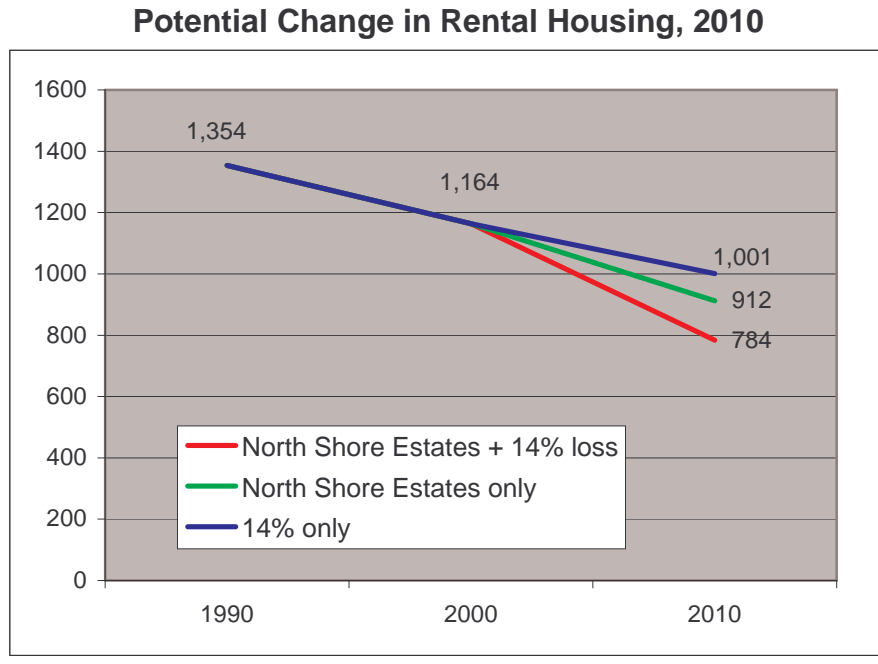
If North Shore Estates is converted to condominiums, then this would mean a 22 percent decrease in rental housing for the community. While this loss is significant, it only would reduce the proportion of Highwood’s rental housing to about 48 percent of its total stock (based on adjusted 2000 Census). However, given recent activity in the real estate market, particularly by investors, we expect to see additional rental housing converted or torn down to make way for larger for-sale homes.

Based on previous trends and current real estate activity, we could assume that Highwood would lose another 14 percent of its rental housing stock. If, North Shore Estates remains all rental (status quo), then this would mean a potential loss by 2010 of 162 rental units. If Highwood followed the Lake County trend line of losing only 6 percent of its rental stock, then this number would be reduced to 70 units lost. Using both, we calculated what might be lost by 2010 with either the Landmark Northshore LLC (LNLLC) or Hispanic Housing proposal. The “worst case” would be that all 252 units at North Shore Estates and 14 percent of remaining stock are lost.

Potential rental units lost 2000-2010:<sup>3</sup>

Scenario 1: trend follows rental loss in Highwood 1990-2000 (14%)  
 LNLLC: 380 units (33% loss)      Hispanic Housing: 307 units (26% loss)

Scenario 2: trend follows rental loss in Lake County 1990-2000 (6%)  
 LNLLC: 307 units (26% loss)      Hispanic Housing: 228 units (20% loss)



<sup>3</sup> In both scenarios, % lost is calculated based on 2000 adjusted unit count (1,164) minus units that will be lost with each proposal (Landmark Northshore LLC = 252; Hispanic Housing = 168).

## Potential impact in Highwood and surrounding communities

Housing demand: An important impact to consider is the spillover effects into the surrounding communities as families move out of North Shore Estates. Given the apparently tight market in Highwood, we assume that most residents moving out of North Shore Estates seeking to live in or near Highwood will quickly exhaust the limited number of vacant units in the surrounding communities. Still, given the likely number of units they can afford and that meet their family size needs, we expect at least half of the households will have to move farther away to communities with more affordable housing including Waukegan and North Chicago. A concern here is that these communities have large portion of extremely lower-income renters (earning less than 30% area median income) with housing problems, which is even higher among Latino households. If the rental market in these communities tightens, then we would expect increased problems for these extremely low-income renters, including more overcrowding.

### Percent of Renter Households with Any Housing Problems, 2000

Municipality	All Households			Hispanic Households		
	% with problems by Income			% with problems by Income		
	0-30%	31-50%	51-80%	0-30%	31-50%	51-80%
North Chicago	<b>63.6</b>	57.6	21.9	<b>73.2</b>	42.9	17.4
Waukegan	<b>72.2</b>	77.7	36.5	<b>84.0</b>	76.8	46.3

Source: US Dept of Housing and Urban Development, CHAS, 2000.

Housing supply: The short-term response to a tightening market due to an increase in demand is an increase in rent rates. The long-term response—if demand continues—is to increase supply. However, given the region’s history of “underproduction,” we assume the probability of building additional affordable rental housing in the area is very low if at all.<sup>4</sup> Furthermore, Highwood has put a moratorium on new development of multifamily rental housing, which means there cannot be any new rental units developed unless that is lifted.

Given these conditions, we can expect to see a short-term spike in prices of lower cost rental units in Highwood due to the relocation of North Shore Estates families. It is less clear how landlords in surrounding communities will respond but if demand is sufficient, the same can be expected. As a result, we may see a decrease in the number and percentage of units meeting the State of Illinois Affordability guidelines. If higher prices are sustained, then this could result in some municipalities losing some of the affordable housing units that currently exist. Also, assuming current renters want to stay in their community, there may be an increase in the number of rent-burdened families and/or at-risk of being evicted.

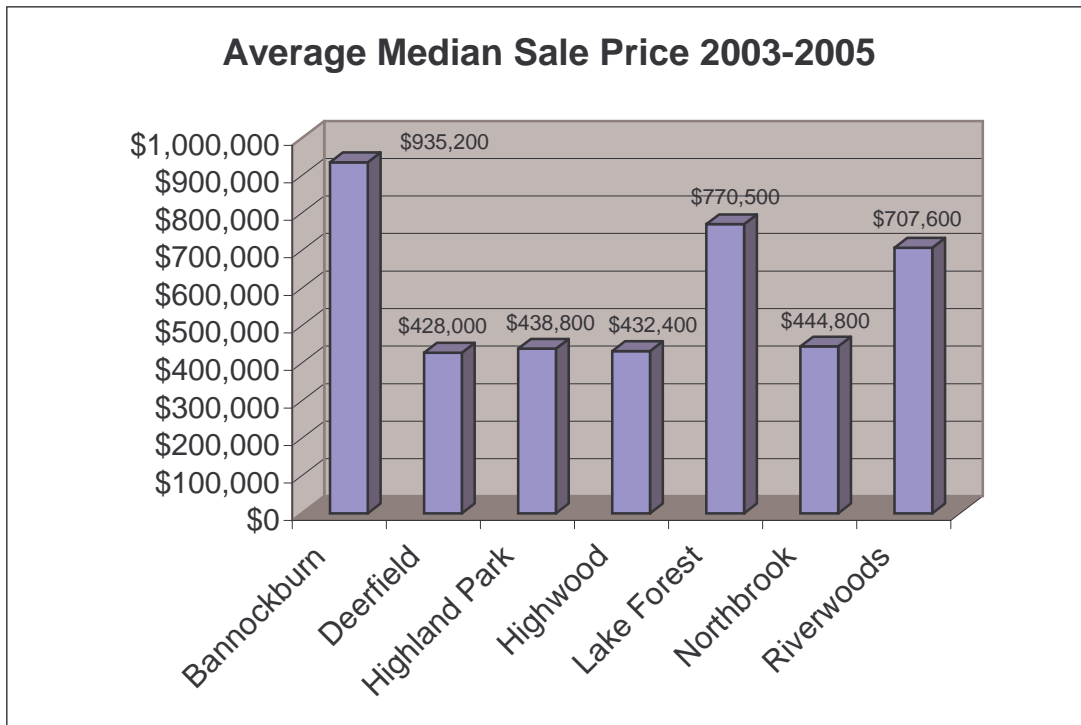
Long-term affordability: The Hispanic Housing proposal has greater potential to assure long-term affordability of rental housing since the funding requires it (Low-Income Housing Tax Credit requires up to 30 years) The Landmark Northshore LLC proposal does not have rental housing.

<sup>4</sup> See *For Rent: Housing Options in the Chicago Region*, University of Illinois at Chicago, 1999.



## FOR-SALE MARKET IMPACT

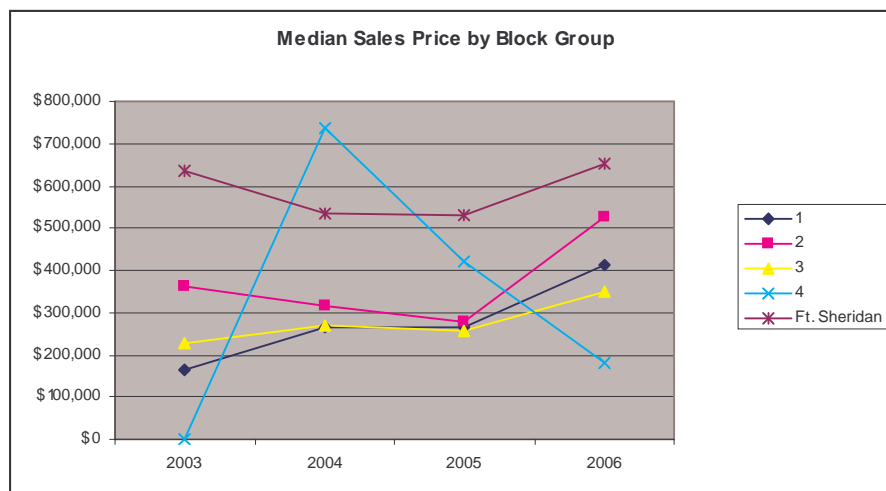
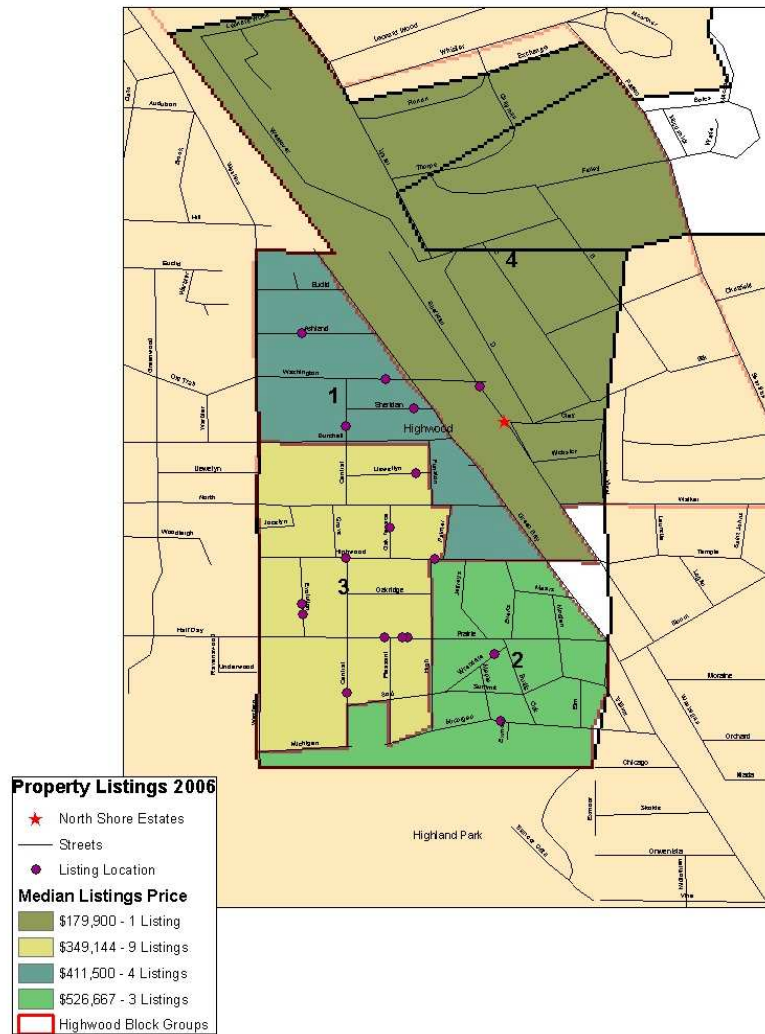
Long a mixed-income community, Highwood has been a good place to find affordable for-sale housing options in the North Shore. However, this has been changing over the past few years with the addition of new high-end homes in the Town of Fort Sheridan development and some condo conversion and tear-downs in older parts of Highwood. With an average median sales price of \$430,000 between 2003-05, Highwood has quickly caught up with several of the higher priced communities nearby including Highland Park (\$438,800), Deerfield (\$428,000) and Northbrook (\$444,800).



Looking at sales within Highwood, clearly the higher valued homes are in the Town of Fort Sheridan. Still, evidence from housing currently on the market suggests that older homes in Highwood are being priced closer to this median. The map on the following page shows single-family home properties on the market in January 2006 by block group. With exception of Block Group 4, these are all showing strong asking prices given the general size of units and lots in each respective area (note: map does not show Ft Sheridan sales).

Furthermore, looking at the trends for median sales prices, these tracts appear to mirror the Fort Sheridan trend line. Looking back, we see a decrease in values between 2003-04 followed by a strong increase in 2005-06. While Fort Sheridan continues to have the highest median sales prices, the increase was much sharper in Highwood's other wards. These trends need to be looked at with some caution and by taking into consideration the number of transactions. The "flatter" trend line in Fort. Sheridan, which had the largest number of transactions during this period, is likely reflecting more variation in the product and not necessarily a softening market, especially since median sales values have gone

up 22% in the past year. Conversely, the steeper trend lines in the other wards are derived from relatively fewer transactions. In either case, these trends should be monitored to see if and how they continue to climb.



Supply and Demand: Until recently, there generally was a good fit between the supply and demand of for-sale housing in terms of affordability. Still, Highwood had 131 homeowners (28%) in 2000 that were “housing cost” burdened (paying more than 30% of income for housing). We assume this proportion is even higher in 2006 as Highwood home values quickly catch up with surrounding communities including Deerfield and Northbrook. While new higher income homebuyers are entering the area, most long-time owners are likely to be feeling the effect of a rising market overall (via taxes) and relatively little change in income. For example, compare the change in income and change in housing value in Lake County between 2000-2005: Income increased less than 4% while housing values increased nearly 23%.

Both proposals will add for-sale housing units that are priced below the current median sales price (median sales price of both is close to \$200,000). Assuming that renters in Highwood might want to buy, about 65% could be qualified based on income (above 50% of AMI) and savings; however, most (39%) would be in the “affordable” range between 50-80% of AMI. The rest would be able to afford the market rate for each proposal and even higher (e.g., renters earning \$84,000 could potentially buy a \$300,000 unit).

**Renters by Income level, 2005**

Percent Area	Median Income	Income range	#	%	
0-50%		Less than \$35,000	383	35%	
50-60%		\$35,000-\$42,000	297	27%	← Affordable rental / condo
		North Shore Estates	220	20%	
		Others	77	7%	
60-80%		\$42,000-56,000	134	12%	← Affordable condo
80-100%		\$56,000-70,000	74	7%	} ← Market condo
100-120%		\$70,000-84,000	81	7%	
120% and up		More than \$84,000	122	11%	

Source: 2000 US Census, adjusted for inflation

Market impact: With either proposal, there are potential benefits to renters in Highwood, assuming they want to buy especially given the small number of “affordable” for-sale units in Highwood and surrounding communities. However, the Hispanic Housing proposal does have more potential to help lower income renters with the affordable condos as well as the affordable rental units for those who do not wish to buy.

In either case, Highwood’s median sales price will likely go down for the sales quarters when the bulk of units are transferred from the developer to new owners. These sales should in no way bring down or impact sales of single-family homes in Highwood since they are not similar products. And since there are few “comparable” condominiums in Highwood, these are likely to not affect sales prices of existing units, though it may encourage some owners to price similar units higher than they might have otherwise.

### Total For-Sale Housing, Available and Affordable in and around Highwood

	Total For-Sale Units, 2000	Total "Affordable" For-Sale Units	% Affordable	Vacant Units (2% rate)	Vacant Affordable units
Deerfield	5,260	92	2%	105	2
Glencoe	2,603	60	2%	52	1
Highland Park	8,275	223	3%	166	4
<b>Highwood</b>	<b>663</b>	<b>32</b>	<b>5%</b>	<b>9</b>	<b>1</b>
Lake Forest	5,261	60	1%	105	1
Lincolnshire	1,821	34	2%	36	1
Northbrook	9,886	439	4%	198	9
Riverwoods	1,104	7	1%	22	0
<b>TOTAL</b>	<b>34,873</b>	<b>947</b>	<b>3%</b>	<b>694</b>	<b>19</b>

Long-term affordability: The Hispanic Housing proposal has greater potential to assure long-term affordability of for-sale housing assuming the affordable condos have re-sale requirements that limit appreciation and/or that require first right of refusal to an entity, a strategy used in community land trusts such as Highland Park Community Land Trust. The Landmark Northshore LLC proposal does not presume the use of funding that requires this so that once a unit is sold its future sales price will be subject to market forces.

# IMPACT ON FUTURE HOUSING MIX

## Tenure

The US Census was conducted prior to the occupancy of the Town of Fort Sheridan. Construction did not begin until late 2000, so we assume that no properties were included in the 2000 census. The first 80 homes were completed in 2001 and total build out was completed in 2003. The development includes 550 units total (per articles in the Tribune): 275 historic and 275 newly built. Of this total, 208 units are in the City of Highwood. This does not include a 284-unit development that is to be completed in the near future, since it is unknown yet how many units will be in Highwood.

In order to determine impact of either proposal on the future mix of housing in Highwood, we have first adjusted the for-sale units for 2010 to reflect the addition of 208 new homes from these developments. Assuming that all rental units “lost” (see scenarios on p. 13) are converted to owner occupied and there are no new for-sale units added, then using the scenarios discussed in the section on rental housing and the 2000 Census data we would expect:

### Projected Tenure Mix in Highwood, 2010

SCENARIO		Rental 2010	Owner 2010 (1)	WITH Ft Sheridan	TOTAL	RENTAL	OWNER
1: 14% RENTAL LOSS	LNLLC	784	1,092	1,300	2,084	38%	62%
	HISP HSG	857	1,019	1,227	2,084	41%	59%
2: 6% RENTAL LOSS	LNLLC	857	1,019	1,227	2,084	41%	59%
	HISP HSG	936	940	1,148	2,084	45%	55%

(1) Total reflects units likely to be converted from renter to owner plus the 208 Ft Sheridan units. This number could be lower if some or all the small rental buildings (2-4 units) are replaced by single-family for-sale homes.

In all cases, regardless of scenario or proposal, the tenure mix in Highwood is going to look strikingly different in 2010 than in 2000, which had 62 percent rental in 2000. Even with a minimal loss of rental units in the city (assume 6% in city), the proportion of rental housing would shift from being 65 percent in 2000 to 45 percent in 2010. For the most part, this is a direct result of the addition of the Fort Sheridan units.

## Affordable Housing mix

Using 2000 Census data, the Illinois Housing Development Authority determined that Highwood was exempt as defined by the Affordable Housing Planning and Appeal Act with 28% of all its units meeting the affordability requirement. This total excluded North Shore Estates because unadjusted Census data was used; however, we assumed that only one-bedroom units in the development would meet the rental threshold of \$775 at the time in 2000 (72 units added in table above). This will have the effect of increasing the total units of affordable housing overall, and slightly increasing the proportion of affordable rental

units. When the total units and the proportion of affordable units are adjusted further to include 208 new housing units in the Town of Fort Sheridan added after the 2000 Census, plus the loss of units in North Shore Estates, the affordable housing mix will change. The following illustrates this using the different rental housing scenarios and the two proposals.

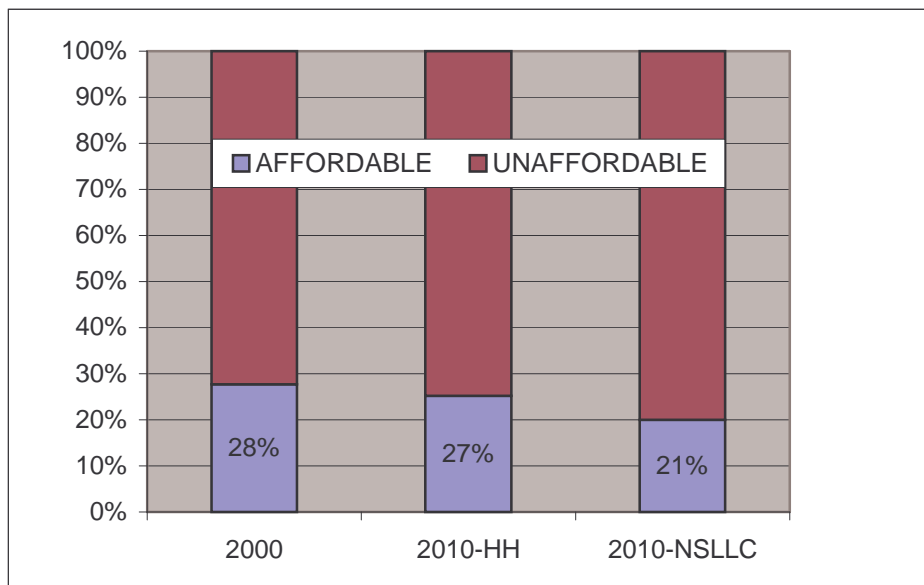
**Different Scenarios: Affordable Rental and Owner Housing Mix, 2010**

2010 - Scenario 1 (14% loss of rental housing)									
	2000			Landmark Northshore LLC			Hispanic Housing		
	TOTAL UNITS	AFFORDABLE #	%	TOTAL UNITS	AFFORDABLE #	%	TOTAL UNITS	AFFORDABLE #	%
For-sale	663	32	5%	1,300	32	2%	1,227	74	6%
Rental	1,164	469	40%	784	397	51%	857	481	56%
<b>TOTAL</b>	<b>1,827</b>	<b>501</b>	<b>28%</b>	<b>2,084</b>	<b>429</b>	<b>21%</b>	<b>2,084</b>	<b>555</b>	<b>27%</b>

2010 - Scenario 2 (6% loss of rental housing)									
	2000			Landmark Northshore LLC			Hispanic Housing		
	TOTAL UNITS	AFFORDABLE #	%	TOTAL UNITS	AFFORDABLE #	%	TOTAL UNITS	AFFORDABLE #	%
For-sale	663	32	5%	1,227	32	3%	1,148	74	6%
Rental	1,164	469	40%	857	397	46%	936	481	51%
<b>TOTAL</b>	<b>1,827</b>	<b>501</b>	<b>28%</b>	<b>2,084</b>	<b>429</b>	<b>21%</b>	<b>2,084</b>	<b>555</b>	<b>27%</b>

Under either scenario (6% or 14% loss) the proportion of units that are affordable—rental and for-sale— could drop from 28 percent in 2000 to 21 percent in 2010 with the Landmark Northshore LLC proposal but only to 27 percent with the Hispanic Housing proposal. These percentages will go down if a higher rental unit loss occurs and/or if more for-sale units are added. Also, the Hispanic Housing proposal would actually add affordable rental and for-sale units to Highwood’s current count of affordable housing units.

**Affordable Housing Mix, 2000 and 2010 (two proposals)**



## PROPERTY TAX IMPACT

In general, we would expect the property tax revenues for North Shore Estates to increase with either proposal since each represents a significant investment that is well above the current market value of \$11,536,352 (from Lake County Tax Assessor). Using the price points for each proposal (and the estimated value of the rental property in the Hispanic Housing proposal) we estimate the potential tax revenues each can generate for the City of Highwood. Included here is the current tax generated as 100% rental property. Tax rates were derived from Lake County Tax Assessor (see appendix).

<b>Potential annual tax revenue for each proposal</b>				
<b>Proposal</b>	<b>Total Annual taxes</b>	<b>Highwood</b>	<b>Per unit for Highwood</b>	<b>Difference per unit</b>
LNLLC	\$1,016,440	\$116,393	\$465.57	--
Hispanic Hsg	808,286	92,557	379.23	\$95.34
Status quo	230,012	26,339	105.35	\$360.22 (\$273.88)

Based on the annual taxes generated, there is clearly a significant difference between the status quo and either of the two proposals. While a 100% condo development has potential to generate more than a mix of rental and owner occupied units, the per unit difference is relatively small. In part, this is because Hispanic Housing's market rate condo prices are slightly higher than the Landmark Northshore LLC proposal and the affordable units are just slightly below.

Looking at the impact on Highwood tax revenues over time, we provide two scenarios:

- 1) 4% annual inflation affecting all values
- 2) 7% annual appreciation for condos and 10% appreciation every 4 years for rental

Based on these two scenarios, we would expect to find that the Landmark Northshore LLC proposal generates more taxes over time and it does as the table below illustrates.

Proposal:	<b>Scenario 1</b>		<b>Scenario 2</b>	
	Total taxes generated 2005-2014	Difference	Total taxes generated 2005-2014	Difference
LNLLC	\$1,397,423	--	\$1,608,134	--
Hispanic Housing	\$1,111,250	\$286,178	\$1,057,999 + 172,922 \$1,230,921	\$377,213
Status quo	\$ 316,225	\$1,081,198 (\$795,025)	\$ 284,922	\$1,323,212 (\$945,999)

**Detailed analysis of each proposal**

<b>Property Taxes: Landmark Northshore LLC</b>		
Market Value	\$ 203,920	(average)
Assessed Value	\$ 67,967	
Tax Rate		0.05982
Tax Bill Per Unit	\$ 4,066	
Total Units		252
<b>TOTAL</b>	<b>\$ 1,016,440</b>	
<b>HIGHWOOD TOTAL</b>	<b>\$ 116,393</b>	

**ASSUMPTIONS:**  
 250 condos @ \$203,920/unit  
 Selling price by size (high-end of range):  
 1 bdrm \$170,000  
 2 bdrm \$210,000  
 3 bdrm \$250,000

<b>Property Taxes: Hispanic Housing</b>		
<i>Rental Building</i>		
Market Value (see note)	\$ 7,000,000	
Assessed Value	\$ 2,333,100	
Tax Rate		0.05982
Rental Total	\$ 139,566	
<i>Market Rate Condo Units</i>		
Market Value	\$ 207,857	(average)
Assessed Value	\$ 69,279	
Tax Rate		0.05982
Tax Bill Per Unit	\$ 4,144	
Total Units		126
Market Rate Total	\$ 522,176	
<i>Affordable Condo Units</i>		
Market Value	\$ 175,000	(average)
Assessed Value	\$ 58,328	
Tax Rate		0.05982
Tax Bill Per Unit	\$ 3,489	
Total Units		42
Affordable Total	\$ 146,544	
<b>TOTAL</b>	<b>\$ 808,286</b>	
<b>TOTAL HIGHWOOD</b>	<b>\$ 92,557</b>	

**ASSUMPTIONS:**  
 1 building rental - 84 units @ \$7,000,000 (Hispanic Housing purchase price)  
 2 buildings condo:  
 42 affordable units @ \$175,000  
 126 market-rate @ \$207,857

*NOTE: This is most likely a conservative estimate of VALUE since the assessed value of the rental portion of the property will be higher after renovation. However, depending on arrangements made with the taxing bodies, the affordable units may be taxed at a lower rate. At this time there is no fixed rate for "affordable" housing or guarantee it will be granted, so we can only note this potential for adjustment.*

<b>Property Taxes: Status quo</b>		
Market Value	\$ 11,536,352	
Assessed Value	\$ 3,845,066	
Tax Rate		0.05982
<b>TOTAL</b>	<b>\$ 230,012</b>	
	<b>\$ 26,339</b>	

**ASSUMPTIONS:**  
 100% rental @ \$11,536,352 (current value)



## IMPACT ON HIGHWOOD BUSINESSES AND EMPLOYMENT

Highwood is full of hardworking families. Some have 3 or more workers contributing to the family income (16%)—a rate much higher than surrounding communities in 2000. Despite this productivity, Highwood remained behind its neighbors in terms of income distribution. Less than 25% earn more than the region's median while Highland Park has 62% of its families with incomes above the median. This is true also for Deerfield (68%) and Northbrook (59%).

Based on the survey of North Shore Estate tenants, there are 2.7 workers per household. This is higher than the average for the City of Highwood, and much higher than most the surrounding communities. Based on the survey of North Shore Estates residents, we estimate that about 600 adults living in North Shore Estates are working. Of this total, up to 26% (157) are likely to be working in Highwood and up to 34% (206) are likely to be working in Highland Park. The rest work in nearby communities. The following analyzes various potential outcomes of each proposal on the economy and local businesses.

### Economic Impact

A model of Highwood's economy was constructed using tables, databases and software obtained from the Minnesota IMPLAN Group (MIG) Inc.<sup>5</sup> IMPLAN Professional® (Version 2.0 was used for this analysis) is one of three software programs currently used by economists and planners to perform economic impact analysis by creating a predictive model. The tables and databases are built with data on every industry in the region, which is obtained from agencies including the Bureau of Labor Statistics, the Bureau of Economic Analysis, and the Census Bureau. The economic model data, which is the most current available data, is for 2003. All results are reported in 2003 dollars.

*"A concise definition of impact analysis is: an assessment of change in overall economic activity as a result of some change in one or several economic activities."<sup>6</sup>*

Method: Input-output analysis software models use data for every industry in a particular study area's economy. This includes all of the commodities that are used and produced by each industry. Data is also collected for household consumer expenditures, government spending, the amount of goods consumed locally and the amount of goods that are exported outside of the study area. Input-output analysis software estimates the total economic impact on a given region due to theoretical changes in the local economy. This can include adding a new factory or removing an entire industry, as well as adding new housing. The analysis measures effects at three levels in order to capture parts of the economy that are linked to each other. These three levels are direct, indirect, and induced effects.

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<sup>5</sup> Minnesota IMPLAN Group, Inc. was founded in 1993 by a group of land management resource planners at the University of Minnesota. IMPLAN is currently in use by over 1,500 public and private institutions.

<http://www.implan.com>

<sup>6</sup> MIG. 2004. *IMPLAN Professional® Analysis Guide*, p.104.

Direct effects are the effects of the changes to the model that we describe in the following analysis: adding housing units, adding consumer households, subtracting workers from an industry, removing an entire industry from the economy.

Indirect effects are the effects caused in industries that sell products to or have a reciprocal relationship with those industries that are directly affected. For example, food supply companies would be negatively impacted by a decline in the restaurant industry.

Induced effects are the changes in the economy that are a result of changes in consumer spending by the workers in both the directly and indirectly affected industries. For example, if workers were laid off in a particular industry, their consumer spending would be reduced and this would negatively impact other businesses and jobs in the economy.

Input-output modeling is based on the following assumptions:<sup>7</sup>

Constant returns to scale: There are no increasing or decreasing returns to changes in industry size within the model. Production functions are considered to be linear. If additional output is required, inputs will increase proportionately.

No supply constraints: Supplies of raw materials are unlimited. All inputs that are demanded by the industries for production will be supplied regardless of the magnitude of the supposed economic change.

Fixed commodity input structure: Price changes will not cause a firm to purchase substitute goods. Changes in the economy will affect the industry's output but not the input commodities and services that it uses to manufacture its products.

Homogeneous sector output: Industries are assumed to change proportions of all of their outputs equally, both primary products and byproducts.

Industry technology assumption: An industry is assumed to use the same technology to produce all of its products, both primary products and byproducts. ("Technology" is defined as the amount of various inputs, including labor, which produces a given quantity of output commodities.)

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<sup>7</sup> MIG. 2004. *IMPLAN Professional® Analysis Guide*, p.103

## Overview of Highwood's Economy

Highwood's economic base largely consists of restaurants and construction companies, two sectors that we assume would employ North Shore Estates residents. Major employers in Highwood include the school system and local government, a residential nursing care facility, laundry/cleaners, and a tile company. As shown in the following table, in 2003 the combined employment in Highwood's restaurants was 456—the largest of any sector. Clearly, these industries are tied to the larger economy of surrounding municipalities and Lake County, and any impact to businesses in Highwood would also impact businesses in the surrounding community.

**Major Industries in Highwood, 2003**

	Output (millions \$)	Employ- ment	Emp. Compen- sation	Property Income	Other Property Income	Indirect Business Tax
Restaurants	21.92	456	7.46	0.20	1.99	1.11
Federal Military	9.24	169	9.14	0.00	1.00	0.00
Construction (New res., single family)	8.33	43	2.40	0.21	1.24	0.05
State and Local Education	7.46	138	6.61	0.00	0.85	0.00
Construction (New commercial & inst.)	6.26	60	3.33	0.29	0.04	0.05
Real Estate	6.03	36	0.27	0.66	2.46	0.75
Banks/Monetary Authorities & Dep. Credit	5.78	26	1.36	0.04	2.60	0.07
Dry Cleaning and Laundry services	5.23	106	2.49	0.24	0.46	0.33
Services to buildings and dwellings	4.49	71	1.89	0.17	0.44	0.09
State and Local Non-Education	4.40	78	3.81	3.81	0.00	0.59
Insurance Agencies & Brokers	4.05	28	1.70	0.07	2.02	0.02
Nursing & Residential Care Facilities	3.25	66	1.94	1.94	0.27	0.05
Construction (Res. Additions/Alterations)	3.03	24	1.31	0.12	0.20	0.02
Furniture & Home Furnishings Stores	2.82	35	1.17	0.09	0.44	0.42
Special Tool & Die, Jig & Fixtures Mfr.	2.67	21	1.24	0.15	0.01	0.02
Employment Services	2.21	100	1.90	0.15	0.03	0.01
Food & Beverage Stores	2.21	37	0.92	0.04	0.27	0.28
Auto Repair/Maintenance	1.93	22	0.71	0.08	0.14	0.16
Other New Construction	1.71	13	0.73	0.06	0.08	0.01
Highway, Street, Bridge and Tunnel Const.	1.67	14	0.79	0.07	0.06	0.01
Securities, Commodity Contracts, Invest.	1.62	21	0.47	0.33	0.03	0.02
Performing Arts Companies	0.46	39	0.13	0.01	0.00	0.01

Source: IMPLAN

## The Importance of Restaurants to Highwood's Economy

Input-output analysis allows us to estimate the economic contribution of a single industry or group of industries to the economy by removing that sector from the model, which then calculates the impacts of losing that industry. The point of this exercise is to illustrate how important an industry is to the local economy in terms of all three effects. The direct output of the restaurant industry is \$21.9 million, but due to multiplier effects the total effect is

\$25.9 million. In addition to 456 restaurant jobs, an additional 43 jobs are created as a result, and subsequently could be lost if the restaurant industry were lost in Highwood. This includes performing arts companies, real estate (rental properties), employment services, and laundry services.

### Economic Impact of Removing Restaurants from the Highwood Economy

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOYMENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	-21,918,288	-456.0	-7,660,068
Total indirect	-2,067,881	-24.6	-683,054
Total induced	-1,927,857	-18.8	-528,204
<b>TOTAL</b>	<b>-25,914,026</b>	<b>-499.4</b>	<b>-8,871,326</b>

Source: IMPLAN, 2003 dollars

Economic Contribution of North Shore Estates Workers to Restaurant Industry: Input-output analysis also allows us to estimate the economic contribution of the North Shore Estates residents to Highwood's economy. Assuming that all 157 North Shore Estates residents who work in Highwood worked in restaurants and were removed from that sector of the economy, the following table shows the economic impacts that would occur. The economic output of the restaurant sector would drop by \$7.5 million, from \$21.9 million to \$14.4 million. Fifteen other people would lose their jobs.

### Economic Impact of Removing North Shore Estates Residents from the Highwood Restaurant Economy

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOYMENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	-7,546,428	-157.0	-2,637,348
Total indirect	-711,968	-8.5	-235,174
Total induced	-663,758	-6.5	-181,860
<b>TOTAL</b>	<b>-8,922,153</b>	<b>-171.9</b>	<b>-3,054,382</b>

Source: IMPLAN, 2003 dollars

The other point this exercise illustrates is that the North Shore Estates residents make a significant contribution to the local economy. Economic output due to their work equals \$7.5 million, and far exceeds the total compensation (labor income) that they are paid (\$2.6 million). On average, these workers are paid \$16,798 per year (\$2.6 million/157 workers). In fact, most are probably paid minimum wage, or \$5.15 per hour (\$10,300 per year), which would mean these employees economic contribution is actually even greater.

### The Importance of Construction Companies to Highwood Economy

Using the same approach, we can also use input-output analysis to estimate the contribution of construction companies to the local economy by removing these sectors from the economic model. The direct output of the construction industry is \$24.1 million and \$29.1 million with the multiplier effects. Although the total employment in construction

jobs is significantly lower than in restaurants (178 vs. 456), the overall economic contribution of construction is slightly higher than restaurants.

### Economic Impacts of Removing Construction Sector from Economy

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOYMENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	-24,064,848	-177.8	-10,788,755
Total indirect	-2,288,368	-24.7	-1,087,619
Total induced	-2,760,139	-27.0	-756,224
<b>TOTAL</b>	<b>-29,113,355</b>	<b>-229.5</b>	<b>-12,632,598</b>

Source: IMPLAN, 2003 dollars

Economic Contribution of North Shore Estates Workers to Highwood’s Construction Industry: If we assume that all 157 NSE residents who work in Highwood worked in construction companies (all types) and were removed from the construction sectors of the economy, the economic output of the combined construction sectors would drop by \$21 million; 46 other people would lose their jobs.

### Economic Impact of Removing North Shore Estates Residents from the Highwood Construction Economy

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOYMENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	-21,123,975	-157.0	-9,539,729
Total indirect	-2,014,193	-21.8	-959,467
Total induced	-2,440,065	-23.8	-668,530
<b>TOTAL</b>	<b>-25,578,233</b>	<b>-202.8</b>	<b>-11,167,726</b>

Source: IMPLAN, 2003 dollars

As shown in the analysis for restaurants, North Shore Estates residents make a significant contribution to the local economy. In this scenario, the economic output due to 157 North Shore Estates construction workers is \$21.1 million; the labor income paid them is \$9.5 million.

### Combined effects of North Shore Estates workers in Construction and Restaurant Industry

Of course, North Shore Estates residents most likely work in a variety of jobs; assuming they all work in either construction or restaurants is an oversimplification. Without a comprehensive survey it is not possible to state with certainty where North Shore Estates residents work, if they work in Highwood. However, given the proximity of the development to Highwood’s central business district, where most restaurants are located, it seems likely that a majority of them do work in restaurants.

A final estimate of the economic contribution of North Shore Estates residents assumes that of 157 who work in Highwood, 113 work in restaurants and 44 work in construction jobs (all types of construction.) This is a proportionate distribution (72% restaurant jobs and 28% construction). Similar to the scenarios above, we remove these workers from the model and estimate the impacts that would occur. As expected, the economic impacts fall somewhere between the two: restaurant jobs are less lucrative than construction jobs. Total economic output would fall by \$13.6 million and 23 additional people would lose their jobs.

### Combined Economic Impacts of Removing North Shore Estates Workers from Restaurant and Construction Sectors

	ECON. OUTPUT (dollars)	EMPLOY- MENT (jobs)	LABOR INCOME (dollars)
Total direct	-11,382,516	-157.0	-4,568,628
Total indirect	-1,083,457	-12.3	-441,829
Total induced	-1,161,699	-11.3	-318,285
<b>TOTAL</b>	<b>-13,627,672</b>	<b>-180.6</b>	<b>-5,328,742</b>

Source: IMPLAN, 2003 dollars

### The Cost of Employee Turnover

The preceding analysis assumes that workers are removed from the economy and are not replaced. However, if other workers were available and willing to replace the North Shore Estates residents who will leave their jobs, we would assume the economic impacts described above would not occur. Still, there are significant costs to business owners associated with recruiting, training new employees, and “downtime” or extra compensation to existing employees who must work to fill the void when workers leave. In addition, high turnover may negatively impact the experience of customers and result in a loss of repeat business or a decline in an establishment’s reputation.

Employee turnover is a serious concern for restaurant owners. A 2002 national survey by *People Report* (a restaurant industry human resources consultant that conducts quarterly surveys) found that on average, the cost to replace an hourly restaurant worker was \$2,399.<sup>8</sup> The survey included 12,798 establishments representing a wide variety of types of restaurants, ranging from fast-food to fine dining. Recognizing the significant costs associated with employee turnover, a number of restaurant chains are beginning to offer health insurance and other benefits as a cost-effective strategy to retain employees. For example, the CEO of Jack in the Box estimated that its health care plan would pay for itself if crew turnover decreased by only one-tenth of a percent.<sup>9</sup> Sixty percent of 230 fast food restaurants surveyed by the National Restaurant Association offer partially paid health insurance to hourly employees.<sup>10</sup>

<sup>8</sup>Study cited in Henneman, Todd. “Jack in the Box Tackles Turnover,” *Workforce Magazine*, January 7, 2005. <http://www.peoplereport.com/newsclippings> or <http://www.workforce.com>

<sup>9</sup> Henneman, *ibid.*

<sup>10</sup> Henneman, *ibid.*

More generally, in all types of industries, the human resource consulting firm Keep Employees, Inc.<sup>11</sup> finds that the cost to replace an hourly worker is one-fourth to half the person's annual salary plus benefits. For a minimum wage (\$5.15/hr) employee with no benefits, this formula gives a turnover cost of \$2,575 to \$5,150.

Turnover cost means that even if North Shore Estates workers who are displaced from Highwood are replaced, there will still be costs experienced by their employers. If we assume that the 157 North Shore Estates residents who work in Highwood all work in restaurants and are forced to find work in other locations, the local restaurant business will experience a loss of \$376,643 in the process of replacing them. In a \$21.9 million industry, the economic multiplier effects of this cost are minimal; however, a given restaurant that employs many North Shore Estates residents may experience a significant loss in profits. Similarly, using the higher multiplier for hourly employees, other firms (in aggregate) could experience turnover costs of \$404,275 to \$808,550.

### Comparison of Economic Impacts Due to Construction/Renovation

Construction and renovation projects typically have a large, temporary impact on a local economy. The impacts are estimated using the final sales price of the housing units developed and include real estate fees. Interestingly, the impacts associated with the Hispanic Housing proposal are larger than the Landmark Northshore LLC proposal, because there is no real estate commission associated with the rental units. The result is greater impacts to the local economy and jobs created.

#### Landmark Northshore LLC Proposal: Economic Impact due to renovation

	ECON. OUTPUT (dollars)	EMPLOYMENT (jobs)	LABOR INCOME (dollars)
Total direct	48,960,000	383.5	22,164,320
Total indirect	3,335,867	39.1	1,485,981
Total induced	5,503,124	53.7	1,507,742
<b>TOTAL</b>	<b>57,798,991</b>	<b>476.3</b>	<b>25,158,044</b>

Source: IMPLAN, 2003 dollars

#### Hispanic Housing Proposal: Economic Impact due to renovation

	ECON. OUTPUT (dollars)	EMPLOYMENT (jobs)	LABOR INCOME (dollars)
Total direct	49,397,992	388.7	22,656,183
Total indirect	3,296,470	38.7	1,477,257
Total induced	5,612,744	54.8	1,537,778
<b>TOTAL</b>	<b>58,307,206</b>	<b>482.3</b>	<b>25,671,218</b>

Source: IMPLAN, 2003 dollars

<sup>11</sup> Keep Employees, Inc. <http://www.keepemployees.com>

## Comparison of Maximum Economic Benefits Due to Owner and Renter Costs

Adding housing to an area has a significant impact, as rental or mortgage payments circulate in the economy. This creates jobs in finance, property management, maintenance and repair services, legal services, and real estate. In this case, the housing units are not being added to the area of analysis; however, both proposals would increase the number of occupied units in North Shore Estates from 210 units (estimated occupancy) to 252, and both proposals would convert most or all of the units from rental to owner occupied housing.

We compare here the two final outcomes that would be achieved if both proposals added 100% of their units to the economy. In reality, the economic benefits from either proposal would be significantly less since the 252 housing units involved already exist in the Highwood economy and most are currently occupied. However, the economic impacts of owner occupied housing are slightly greater than rental housing and both proposals would involve conversion of most or all of the units from rental to owner.

### Landmark Northshore LLC Proposal: 252 owner-occupied units

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOY- MENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	48,960,000	0.0	0
Total indirect	3,269,992	26.8	1,150,964
Total induced	269,659	2.6	73,880
<b>TOTAL</b>	<b>52,499,651</b>	<b>29.4</b>	<b>1,224,843</b>

Source: IMPLAN, 2003 dollars

### Hispanic Housing Proposal: 84 rental and 168 owner-occupied units

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOY- MENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	39,539,840	5.1	131,154
Total indirect	2,701,126	22.5	954,100
Total induced	256,375	2.5	70,239
<b>TOTAL</b>	<b>42,497,342</b>	<b>30.0</b>	<b>1,155,492</b>

Source: IMPLAN, 2003 dollars



## Maximum Economic Benefits due to Change in Consumer Spending

Input-output analysis views the consumer spending of residents in a new building as an addition to the economy *only* if they have moved in from outside the study area. We know that both the Hispanic Housing and Landmark Northshore LLC proposals would convert many rental units to condominiums to be purchased by higher income people than most who currently live at North Shore Estates. While each proposal has a different configuration of units by price points and tenure, both are relatively comparable in terms of the household income needed to afford the units. Also, both would increase the number of currently occupied housing units in North Shore Estates (we estimate from 210 to 252 or 20%)—a potential benefit to the area.

While we can make assumptions about the number of new occupants that will move in from outside of Highwood or if they currently live in Highwood, we do not attempt to model the number of in-mover households versus out-mover households. Instead, we focus on comparing the final outcome of each proposal—that is, the economic outputs due to consumer spending of residents in the two different proposals, assuming for the purpose of the economic model that *all* residents in *both* proposals would be coming from outside the area of study. This would give us the maximum possible economic impact; the actual impacts would likely be less since we know that some of the occupants in both proposals will be existing Highwood residents.

Using the developers' price points for the various units, we estimated the total disposable income (using factors available in IMPLAN) of the residents in the new development and then modeled the economic outputs due to this consumer spending: economic output (direct, indirect, induced), jobs and labor income generated. The results of this analysis indicate that there is little difference in economic output and jobs generated by the consumer spending due to residents in the two developers' scenarios. An important caveat here is that this analysis assumes 100% occupancy with either proposal. Also, if units are bought only for "weekend use," then the benefits due to consumer spending of residents in the Landmark Northshore LLC proposal could be considerably less.

### Landmark Northshore LLC Proposal: Economic Outputs from Consumer Spending

	<b>ECONOMIC OUTPUT (dollars)</b>	<b>EMPLOY-MENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	8,887,536	26.0	702,916
Total indirect	257,624	2.6	97,964
Total induced	186,762	1.8	51,169
<b>TOTAL</b>	<b>9,331,923</b>	<b>30.5</b>	<b>852,049</b>

Source: IMPLAN, 2003 dollars

### Hispanic Housing Proposal: Economic Outputs from Consumer Spending

	<b>ECONOMIC OUTPUT (dollars)</b>	<b>EMPLOY-MENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	8,136,139	23.8	650,603
Total indirect	235,480	2.4	89,798
Total induced	172,721	1.8	47,322
<b>TOTAL</b>	<b>8,544,341</b>	<b>27.9</b>	<b>787,722</b>

Source: IMPLAN, 2003 dollars

## Economic Costs Due to Displacement of Current North Shore Estates Residents

Another way to compare the economic impacts of the two proposals is to analyze the economic costs of displacing households, assuming that any household that can afford to stay in North Shore Estates will do so. We assumed here the extreme in each situation; that no residents would buy into either development and that only renters would return to the Hispanic Housing development.

### Landmark Northshore LLC Proposal: 210 Household Displaced

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOY- MENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	-4,879,728	-14.3	-406,113
Total indirect	-140,302	-1.5	-54,022
Total induced	-107,458	-1.0	-29,441
<b>TOTAL</b>	<b>-5,127,488</b>	<b>-16.8</b>	<b>-489,576</b>

Source: IMPLAN, 2003 dollars

### Hispanic Housing: 168 Households Displaced

	<b>ECON. OUTPUT (dollars)</b>	<b>EMPLOY- MENT (jobs)</b>	<b>LABOR INCOME (dollars)</b>
Total direct	-3,903,872	-11.4	-324,891
Total indirect	-112,241	-1.2	-43,217
Total induced	-85,966	-0.8	-23,553
<b>TOTAL</b>	<b>-4,101,990</b>	<b>-13.4</b>	<b>-391,661</b>

Source: IMPLAN, 2003 dollars

While there is little economic difference between the two proposals, this analysis demonstrates that the economic costs due to displacement are much less with the Hispanic Housing development than with Landmark Northshore LLC's development.

## IMPACT ON HIGHWOOD SCHOOLS AND NORTH SHORE ESTATES CHILDREN

Two impacts to consider are: 1) relocation effects on children and 2) effects of losing children on funding, programs and diversity in schools. On the first point, a growing body of research finds that changing schools unexpectedly or in the middle of the school year can negatively affect a child's progress in school.<sup>12</sup> To understand both potential impacts, we attained data from Districts 112 and 113 where North Shore Estates kids attend school. As the survey indicated most North Shore Estates children attend schools in District 112. This was affirmed by the data received from both districts, so we focus here on District 112.<sup>13</sup>

There are currently 4,344 students in District 112. The district is comprised of eight elementary buildings (kindergarten through grade 5); three middle schools (grades 6, 7, and 8) and one pre-kindergarten building, which also houses administrative offices. There are currently 480 students at Oak Terrace. Of this total, 106 live in North Shore Estates. Assuming all students had to relocate, this would result in a 22 percent loss of students in the short-term, and a large number of students for other school districts to absorb.

A concern for some is that losing North Shore Estates residents will mean significantly fewer Latinos in various language programs, particularly those that are dual and bi-lingual. Currently, 34 percent of the students involved in any sort of English language program in district 112 live in North Shore Estates and 58 percent of those students attend Oak Terrace. District-wide, the breakdown of students involved in Dual Language or Bilingual programs is as follows: Pre-K (32), Kindergarten (24), 1<sup>st</sup> (20), 2<sup>nd</sup> (16), 3<sup>rd</sup> (12), 4<sup>th</sup> (21), 5<sup>th</sup> (17), 6<sup>th</sup> (15), 7<sup>th</sup> (11), and 8<sup>th</sup> (14). Interviewees stated that the reduction in Latino students will possibly force the district to dilute its language programs and more generally result in a less diverse, more culturally homogenous environment as compared to one that is diverse and therefore reflects more accurately the world in which they live and interact.

The potential loss of students will most dramatically affect the dual language program. The district is very proud of and committed to this program because of the unique opportunity it provides both Spanish and English speakers to learn a new language. The benefit of the dual language program is that it is an "additive" program, which means that it *adds* the ability for the student to speak another language while not diminishing their ability to speak their native language. This differs from traditional bilingual programs, which add the ability to speak another language at the expense of a child's primary language.

Furthermore, a concern among those interviewed is the type and quality of schools that the students will attend if they are forced to move. Interviewees stated that North Shore Estates residents most likely will move to Mundelein, Round Lake, North Chicago, and Waukegan where the school districts do not have the same level of programming to accommodate Latino students.

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<sup>12</sup> For a short summary of research findings including a careful review of the issue of how to control for factors other than moving, see Russell Rumberger, "Student Mobility and Academic Achievement." ERIC Digest, 2002, <http://ceep.crc.uiuc.edu/eearchive/digests/2002/rumberger02.pdf>.

<sup>13</sup> District 113 data indicates 39 students are from North Shore Estates; this does not include adult education.

# IMPACT ON HIGHWOOD'S DIVERSITY

Clearly, both Highwood and Highland Park are home to most Latinos living in the North Shore communities. As noted at the start of this report, the US Census included North Shore Estates in Highland Park rather than in Highwood.

**Population Profile: Race and Ethnicity, 2000**

	NUMBER					PERCENTAGE			
	Total Populat.	White non-Lat. 2000	Black non-Lat. 2000	Asian Pac. Isl. 2000	Latino All Races 2000	White non-Lat. 2000	Black non-Lat. 2000	Asian Pac. Isl. 2000	Latino All Races 2000
Chicago CMSA	9,157,540	5,435,440	1,687,715	387,840	1,498,507	59.4	18.4	4.2	16.4
Lake County	644,356	472,968	43,580	25,090	92,716	73.4	6.8	3.9	14.4
Bannockburn	1,429	1,229	47	73	50	86.0	3.3	5.1	3.5
Deerfield	18,420	17,434	58	468	312	94.6	0.3	2.5	1.7
Glencoe (Cook)	8,762	8,239	176	147	108	94.0	2.0	1.7	1.2
Highland Park	31,365	27,112	488	709	2,792	86.4	1.6	2.3	8.9
<b>Highwood</b>	<b>4,143</b>	<b>2,347</b>	<b>79</b>	<b>88</b>	<b>1,584</b>	<b>56.6</b>	<b>1.9</b>	<b>2.1</b>	<b>38.2</b>
Lake Forest	20,059	18,537	263	717	376	92.4	1.3	3.6	1.9
Lincolnshire	6,108	5,630	31	231	153	92.2	0.5	3.8	2.5
Northbrook (Cook)	33,435	29,346	190	2,955	616	87.8	0.6	8.8	1.8
Riverwoods	3,843	3,560	14	171	76	92.6	0.4	4.4	2.0

Source: 2000 us Census, Table P4, SF1 Note: Highwood's 2000 US Census data not adjusted for ERROR

Adjusting these figures to include North Shore Estates requires us to make the assumption about the ethnicity of residents living in the development. Assuming that most of the excluded population (estimate 1,300 of the 1,327 total) lived in North Shore Estates and that all are Latino, then the adjusted population would result in 1) Highland Park having approximately 1,300 fewer Latinos (adjust to 1,492 Latinos) and 2) Highwood having 1,300 more Latinos. This would mean that Highwood, in 2000, was majority Latino.

Highwood adjusted total: 5,470 total residents. Adjusted race/ethnicity breakdown:

- 2,347 White, non-Latino (42.9%)
- 2,884 Latino (52.7%)

Looking at the potential impact of each proposal on this mix, the Landmark Northshore LLC proposal might result in at least 80% of the North Shore Estates families relocating, and that the Hispanic Housing proposal could result in between 30-40% of the families having to relocate. Using these figures, the short-term impact of each in Highwood would be to reduce the Latino population. Assuming that 35 families will be able to find replacement housing in the city (based on total estimated vacant units), which could be about 150-175 people, the Latino population could be reduced by about 865 with the Landmark Northshore LLC proposal and by about 345 with the Hispanic Housing proposal. In either case, we assume that most new people will be non-Latino and White, so the proportion and number of non-Latino Whites will increase.

## COMPARISON OF POTENTIAL IMPACTS

The following table compares the likely impacts of each proposal. The position taken focuses on the effect each has on affordable housing options for current and future workers, including the current residents in North Shore Estates and other renters in the City of Highwood. The most significant impact will be on the affordable housing—both rental and for-sale—since North Shore Estates represents a large portion of the City’s current rental housing stock. Depending on the proposal, there is potential to gain more affordable for-sale housing as well as affordable rental housing for Highwood’s workforce. Assuming this is the goal, then the Hispanic Housing proposal offers a wider range of options for Highwood workers: affordable rental (currently North Shore Estates rents are not really affordable); affordable condominiums that both current North Shore Estates tenants and other renters in Highwood can afford; and market rate condos that are on average above the sales prices in the Landmark Northshore LLC proposal.

Stakeholder	Likely concerns	Landmark Northshore	Hispanic Housing
Current North Shore Estates residents	<ul style="list-style-type: none"> <li>• How many families will have to move?</li> <li>• Where to move if they cannot afford to buy North Shore Estates condo</li> <li>• Having to change schools if they cannot stay in same district</li> <li>• Commuting to work – means and time – relative to new home</li> </ul>	<ul style="list-style-type: none"> <li>- 80-90%</li> <li>- 50% or more will likely move to Waukegan or North Chicago</li> <li>- More families at-risk of having to change schools mid-year, having longer commute time, and needing to use auto instead of transit</li> </ul>	<ul style="list-style-type: none"> <li>- 30-40%</li> <li>- 20-35% will likely move to Waukegan or North Chicago</li> <li>- Fewer families at-risk of having to change schools mid-year, having longer commute time, and needing to use auto instead of transit</li> </ul>
City of Highwood	<ul style="list-style-type: none"> <li>• Impact on property taxes</li> <li>• Change in workforce housing options</li> <li>• Impact on diversity</li> <li>• Impact on traffic</li> </ul>	<ul style="list-style-type: none"> <li>- Slightly higher per unit and overall gain</li> <li>- 22% decrease in rental housing for workers; increase in for-sale options for middle-income workers in and around Highwood</li> <li>- Could lose around 800-900 Latinos</li> <li>- No noticeable difference; slight increase in autos</li> </ul>	<ul style="list-style-type: none"> <li>- Slightly lower per unit and overall gain</li> <li>- 15% decrease in rental housing for workers; increase in for-sale options for moderate and middle-income workers in and around Highwood</li> <li>- Could lose around 300-400 Latinos</li> <li>- No noticeable difference; slight increase in autos</li> </ul>

<b>Stakeholder</b>	<b>Likely concerns</b>	<b>Landmark Northshore</b>	<b>Hispanic Housing</b>
Current renters in Highwood	<ul style="list-style-type: none"> <li>• Rent increase</li> <li>• Potential conversion/sale of their rental property</li> <li>• Ability to buy new condominium in North Shore Estates</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of all 252 units can cause short-term rent increases and speed up conversions</li> <li>- Fewer Highwood renters eligible to buy; assumes buyers from outside Highwood</li> </ul>	<ul style="list-style-type: none"> <li>- Results in a rent decrease for 84 units in NSE, which means more affordable units even if fewer rental units overall.</li> <li>- Loss of 168 rental units can cause short-term rent increases and help to speed up conversions; keeping 84 units as “affordable” rental can dampen this effect.</li> <li>- More renters from within Highwood will be able to buy because of affordable units</li> </ul>
Current owners in Highwood	<ul style="list-style-type: none"> <li>• Impact on property values and taxes</li> </ul>	<ul style="list-style-type: none"> <li>- Negligible; prices are at or below current sales prices</li> </ul>	<ul style="list-style-type: none"> <li>- Negligible; prices are at or below current sales prices</li> </ul>
Business owners	<ul style="list-style-type: none"> <li>• Change in workforce / labor</li> <li>• Change in demand for goods and services</li> </ul>	<ul style="list-style-type: none"> <li>- Greater impact on restaurants and construction due to relocation and potential turnover</li> <li>- No difference in consumer spending other than short-term spending related to home purchase</li> </ul>	<ul style="list-style-type: none"> <li>- Lesser impact on restaurants and construction due to relocation and potential turnover</li> <li>- No difference in consumer spending other than short-term spending related to home purchase</li> </ul>
Public School Districts	<ul style="list-style-type: none"> <li>• Change in number and diversity of students in classrooms, schools</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of several hundred Latino students overall and potentially 75-100 in Oak Terrace grade school</li> </ul>	<ul style="list-style-type: none"> <li>- Smaller loss of Latino students overall and in Oak Terrace</li> </ul>

<b>Stakeholder</b>	<b>Likely concerns</b>	<b>Landmark Northshore</b>	<b>Hispanic Housing</b>
Surrounding communities	<ul style="list-style-type: none"> <li>• Impact on business</li> <li>• Impact on rental housing options</li> </ul>	<ul style="list-style-type: none"> <li>- Expect short-term turnover in restaurant, retail and other service-oriented businesses due to commuting distance.</li> <li>- Greater impact on rental housing due to larger number of families that will be searching for housing in the area</li> </ul>	<ul style="list-style-type: none"> <li>- Expect short-term turnover in restaurant, retail and other service-oriented businesses due to commuting distance.</li> <li>- Lesser impact on rental housing due to smaller number of families that will be searching for housing in the area</li> </ul>

# APPENDIX



Current tax rates based on data from the Lake County Tax Assessor's office.

<b>Taxing Body</b>	<b>Tax rate:</b>
County of Lake	0.361
County of Lake Pension	0.104
City of Highwood	0.351
City of Highwood Library	0.15
City of Highwood Pension	0.184
Southlake Mosquito Abatement	0.012
School District 112	2.413
School District 112 Pension	0.044
College of Lake County	0.2
High School 113	1.703
High School 113 Pension	0.055
North Shore San District	0.139
Forest Preserve	0.211
Forest Preserve Pension	0.008
Township of Moraine	0.047
<b>TOTAL</b>	<b>5.982</b>

# Estimating long-term tax revenue gains

- Scenario 1:** 100% condos
- Scenario 2:** 33% rental; 66% condos
- Scenario 3:** 100% rental

OPTION 1:	OPTION 2:
\$ 1,397,423	\$1,608,134
\$1,111,250	\$1,230,921
\$ 316,225	\$ 284,985

## OPTION 1:

@ 4% inflation

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Scenario 1	116,393	121,048	125,890	130,926	136,163	141,610	147,274	153,165	159,291	165,663
Scenario 2	92,557	96,259	100,110	104,114	108,279	112,610	117,114	121,799	126,671	131,738
Scenario 3	26,339	27,392	28,488	29,627	30,813	32,045	33,327	34,660	36,046	37,488

## OPTION 2:

@ 7% appreciation/yr for condos

@ 10% appreciation/4yrs for rental

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Scenario 1	116,393	124,540	133,258	142,586	152,567	163,247	174,674	186,901	199,984	213,983
Scenario 2 Condo	76,575	81,936	87,671	93,808	100,375	107,401	114,919	122,963	131,571	140,781
Scenario 2 Rental	15,982	15,982	15,982	15,982	17,580	17,580	17,580	17,580	19,338	19,338
Scenario 3	26,339	26,339	26,339	26,339	28,973	28,973	28,973	28,973	31,870	31,870

