

**MINUTES
CITY OF ST. CHARLES, IL
SPECIAL
PLANNING AND DEVELOPMENT COMMITTEE
MONDAY, FEBRUARY 6, 2017 7:29 P.M.**

Members Present: Stellato (Recused), Silkaitis, Payleitner, Lemke, Turner, Bancroft, Krieger, Gaugel, Bessner, Lewis

Members Absent: None

Others Present: Mayor Raymond Rogina; Mark Koenen, City Administrator; Rita Tungare, Director of Community & Economic Development; Russell Colby, Planning Division Manager; Bob Vann, Building & Code Enforcement Division Manager; Matthew O'Rourke, Economic Development Manager; Ellen Johnson, City Planner; Police Chief Keegan; Asst. Chief Christensen; Chris Minick, Director of Finance

1. CALL TO ORDER

The meeting was convened by Chairman Bancroft at 7:29 P.M.

2. ROLL CALLED

Roll was called:

Present: Stellato (Recused), Silkaitis, Payleitner, Lemke, Bancroft, Gaugel, Krieger, Bessner, Lewis, Turner

Absent: None.

3. COMMUNITY & ECONOMIC DEVELOPMENT

- a. Recommendation to approve the Inclusionary Housing Fee In-Lieu amount for 2017

Ms. Johnson said that at last month's meeting, there was discussion about the Inclusionary Housing Fee In-Lieu amount and whether it is set too high and whether a separate fee should be established for multi-family verses single-family development. The fee-in-lieu, per the Ordinance, is to be determined annually by the City Council. The current fee was set in March of last year and it is set at \$72,819. This fee is calculated as the cap of the cost of providing a 25% down payment for two affordable owner occupied units. This is the fee per affordable unit required for any type of development, single-family or multi-family. The Ordinance does not require the fee to be based on a formula, however this formula was recommended by the Housing Commission last year as a way to explain and provide a basis for the fee.

As provided in the staff materials, there are quite a few options to consider with regards to setting the fee for 2017:

- Keep the current fee for all types of residential developments
- Keep the current fee for single-family and set a new fee for multi-family
- Set a new fee that will apply to both single-family and multi-family

- Set a new different fee for single-family and multi-family

The Ordinance does not require the fee to be based on a formula. Ms. Johnson displayed a table listing possible non-formula based fees. The possible fee-in-lieu to consider, range from \$50,000 per affordable unit required down to \$5,000. It lays out what a developer would need to pay for various size developments from one unit up to 600 units.

Ms. Johnson continued, saying if there is an interest in setting a separate fee for single-family and multi-family units, one of the fees shown could be chosen or the fee could be based off of any formula. One possible formula is to base the multi-family fee on the cost of a down payment for a specified number of affordable rental units. Basically, a renter needs to provide first month's rent plus one month's rent security deposit, so this would come to \$2,052 for a typical two-bedroom unit. This formula is in keeping with the calculation used for the current fee, which is also based on a down payment, except for an owner occupied unit.

Ms. Johnson displayed another table highlighting potential fees based on the rental unit down payment formula as well as the resulting fee for the various sized developments. As an example, a down payment for one unit would be \$2,052 and for two units, \$4,104. Ms. Johnson asked if there were any questions on the presentation or staff materials.

Chairman Bancroft stated that it is his understanding, under the City's ordinances, that the availability of a fee-in-lieu is at the discretion of the Council. Ms. Johnson confirmed that this is correct, in all instances, the Council has the authority to accept fee-in-lieu or affordable units – it is the Council's choice. Chairman Bancroft also confirmed that 10% is what the Ordinance calls for in terms of the amount of housing that needs to be affordable in a development. Chairman Bancroft also confirmed with respect to the formula verses the calculation, that Council has the discretion to go either way as well. Ms. Johnson stated that is correct, the calculation is established in the Ordinance and the Ordinance requires that the fee-in-lieu be paid per required affordable unit. Currently, our Ordinance does not differentiate between single-family and multi-family for the fee.

Alderman Turner asked if they are only talking about multi-family at this meeting. Chairman Bancroft stated that they need it in place for both single-family and multi-family even though there is nothing pending. Ms. Johnson said that they would want a determination of the 2017 fee for all type of residential development. The previous fee could be kept for single-family if they would like.

Alderman Payleitner asked for clarification from Chairman Bancroft regarding the discretion of the Council to set the fee without a change in the Ordinance, as long as it is based on per unit. Chairman Bancroft stated that the formula needs to be set for 2017 but whether they are going to accept that fee on any given deal – that is where the discretion is up to them - in some situations they could decide to accept affordable units for a particular project. Chairman Bancroft explained that different deals have different sizes and have the ability to absorb affordable components within the deal structure. With smaller deals such as 200 - 250 units, it may not be financeable - you may not be able to raise equity and you may not be in position to provide a component of your project. You may not be capable of putting a capital structure together that would support the project. Initially, the idea of a fee-in-lieu made all the sense in the world because this would encourage people to look at the St. Charles community from a development aspect. A larger deal with a more significant expanse and with more affordable components could be structured into the deal and delivered as part of the development plan. Chairman Bancroft said the deal that brought this to light for us was something that was on the smaller side and was a wakeup call as to how they look at the fee and what they are considering.

Alderman Payleitner said she wanted to know if this is going to be a one-shot deal or if they need to change the Ordinance or keep the Ordinance as it is. Ms. Johnson replied that the Ordinance would remain as it is – this would be passing a resolution to set the 2017 fee. Alderman Payleitner stated that they are probably all in agreement that the multi-family is prohibitive as it stands currently. In a smaller, high end development, it becomes prohibitive and physically impossible to provide units. Alderman Payleitner stated that she feels providing units is a priority of the Inclusionary Housing Ordinance. She added that she is looking for the permanence of what they are doing at tonight's meeting and that she would really like to get another formula.

Chairman Bancroft said that his read of the Ordinance is that they do have the discretion to not take the fee but to require affordable units. From an experienced standpoint, that is a larger deal with a larger footprint – something that can absorb a different component as part of the development. Alderman Payleitner stated that she would like, for the sake of the Housing Commission, the assurance that this group will pursue that and that will be their priority in the future – to get the units as opposed to the fee-in-lieu.

Chairman Bancroft stated that to ensure everyone is talking about the same thing, he encouraged conversation about what “per unit” actually means – does this mean per unit in a development or per affordable unit. For the smaller deals, from his standpoint, he was comfortable with the \$5,000 per affordable unit number and he favored the calculation method verses the formula because it is easier to understand and it is easier for staff to communicate. Chairman Bancroft said the problem with having a formula aspect is that when you go to a formula, you are stuck with that formula. If there is a fee that is being looked at on an annual basis, it can always be tested against a variety of different formulas.

Alderman Payleitner stated that she understands where he is coming from. She said she likes the formula just because it makes sense.

Chairman Bancroft said the way he looks at it, is that it is almost like a check figure. As an example, if there is a 25 unit requirement and the fee is \$5,000, to him that is better than a first, last and security deposit format - for an affordable unit you are looking at \$1,000 – it is almost twice that. Chairman Bancroft said he goes back to the simplicity of calculations because it is easy, clear and it is easy for the Council to talk about. Also, on an annual basis, they can look at that and as a check figure, use any variety of formula to test what their calculation is. Alderman Payleitner asked Chairman Bancroft if he was saying \$5,000 for everything or just multi-family right now. He said he was thinking \$5,000 for multi-family and Chairman Bancroft added that he did not give as much thought to single-family because very few of them have been presented.

Alderman Turner gave an example of Batavia throwing out \$1,000 and if you go back to the history of this, it is based off of something from a long time ago, along the north shore. They already had an Ordinance and administratively it works - if you look at the numbers that we are dealing with - the north shore does not have any available land. When you come out here, and you also look at the income levels on the north shore, they can afford something like that. If you come out to the Fox Valley, we may not have a lot of land in St. Charles but there is enough land to make a difference. Adding homes is going to make a difference – same with Geneva – Batavia has a lot of land with their \$1,000 proposed fee. West Chicago has a lot of development land and South Elgin has land and they also advertise being in the St. Charles School District. They have no fee at this time – that is why all of that construction is up there on Randall Road. Alderman Turner added that he understands that St. Charles is unique but any builder is going to tell you that you can get to St. Charles in 5 minutes – you can come out here and I can get you a better house at a cheaper price. Batavia is setting the bar and that bar is \$1,000 per unit. We are literally pricing ourselves out of the market. If you look at the goals of this City - we want to develop commercial

and retail and we have been told that we need more rooftops. If we have a fee that is off the wall, we are not going to make this goal. Another goal is that we want to have affordable, moderately priced housing in the City. Again, if we charge a fee that is \$60,000 to \$70,000, you are not going to get a moderately priced house. We are going to price those homes right out of the market. That whole market segment, which is the market that we want and is the core of the City, is going to go away. Alderman Turner continued, adding that if the City sticks with these very high fees, they are literally defeating two of the purposes that have been stated as two City goals. We are really going to have to look at this fee and do I think \$1,000 is cheap, I would say yes and if that is what the competition is, then we are going to have to match it.

Chairman Bancroft said that he wanted to be clear on one thing – his read on Batavia, and Staff’s material also reflects it – it’s definitional – affordable unit verses plain unit - Batavia’s unit is based upon \$1,000 per plain unit which would get applied to their affordable component. For a 250 unit development, their fee would be, at 10%, basically \$10,000 per affordable unit. Chairman Bancroft stated that when he looked at that, he thought that was still high. That is where he came up with \$5,000 per affordable unit, which is about \$500 per unit. We would be basically about half of what Batavia is proposing.

Alderman Payleitner said she wanted to continue to make it clear the intention of the Housing Commission is to make sure we keep a good supply of affordable units. Her heart is in supplying these units and sometimes that is not possible - that is why we need to revisit this.

Alderman Silkaitis said let’s look at taking \$5,000 verses what we would have charged regularly, which was \$72,000 – if we keep lowering the rate, there will be no money going into the Housing Fund and it won’t produce anything, so what is the point of it then? If the City wants to build affordable housing, we have to have money to do it. He stated that \$72,000 is too high and \$5,000 is too low. Alderman Payleitner stated that it is not up to the Housing Trust Fund to supply those units. Alderman Silkaitis agreed and he added that he would rather have the units. Alderman Payleitner asked how much money has been spent out of the Housing Fund over the past 10 years. Ms. Tungare stated that she did not have those numbers in front of her at that time but she would look into it and pass that information on to the Council. Ms. Tungare added spending had been fairly minimal and it would have been for the Single Family Rehabilitation Program, which is a piggy-back program with Kane County.

Alderman Payleitner said that their priority isn’t having that fund as much as it is getting the units. Alderman Silkaitis said that he would also like to have the units. His preference would be to spread the units out around town. If we have to have the money, Alderman Silkaitis said he would like to be sure that they get the money that they need, to do what they had already approved to do last week.

Chairman Bancroft cautioned that they could set that dollar amount that just tells people “don’t build here” and then you get nothing.

Alderman Silkaitis said that he understands that but the intent is that we would like to see people that have grown up in this town, stay in this town. His children would like to live in St. Charles but it is too expensive for them to live here. If we have affordable housing, this would give people options.

Alderman Lewis asked if they set it too low, would they run the risk of having only higher end homes being built or if it is too low, would we not get any at all. Chairman Bancroft said that whether you are building a high-end residential, multi-family building or a moderately priced or low income home, your fee structure is going to impact the economics of the deal. Other than if the fee is really high, you are not going to get anything and if it is too low - Chairman Bancroft stated that he understood Alderman Silkaitis’s comment – you may be leaving dollars on the table that would otherwise go into the fund.

Alderman Lewis said that if they only want to build high-end places, then right now the fee is too high so they can't do it and if they reduce that fee so low, they will just have a bunch of high end. When seniors are trying to move into apartments, they will not be affordable for them. Chairman Bancroft stated if someone came in with an affordable project of 100 units, if you had a high fee, they couldn't build it and if you had a low fee, they would be more likely to build it. The size of the fee does not indicate whether a project is a high or a low. The size of the fee is just up to our discretion to figure out what we would like to fund our trust with. It doesn't dictate that a low fee means you're going to have a high end deal. A low fee means you may have more activity in general. Alderman Payleitner stated that the option is ours to say that you need to give us units – we always have that. Chairman Bancroft said that this goes back to the size of the deals. If you have a significant project that has a bunch of different phases and components, a project like that could carry an affordable component within from a financing and economic standpoint.

Alderman Payleitner reiterated that it is ultimately up to the Council to say if they will take the fee or take the units. Alderman Lewis said that they have to have some rhyme or reason as to why they would do it that way. Alderman Payleitner explained that in some cases it is just not feasible and why have them exit St. Charles because it isn't feasible. This way, we understand and can look at it project by project. Alderman Lewis asked if they find that most developments want to pay something like this and Alderman Payleitner replied that none of them want to pay.

Chairman Bancroft stated that they need to go back to one of five municipalities that have this. Four of the five are either north shore or the City of Chicago, therefore making St. Charles a trendsetter. You have heard that Batavia is looking at this too and they have something that they are considering.

Alderman Lewis said that we should choose the value of what we have here and Chairman Bancroft agreed however, he does not think that the intent of the Ordinance was to shutdown development. If you are only going to require units, what you are saying is that you only want really large projects that can carry that unit count as part of the development which isn't necessarily what we have in terms of available land.

Alderman Turner said that if you go to the lower end of the fee structure, which does make a moderately priced project – even if it isn't big - it makes it more affordable and then you get a rent that is in the middle and not on the high end.

Alderman Lewis asked if this could be changed in 2018 and Ms. Tungare responded that yes it could and that a change is not required.

Chairman Bancroft asked if anyone in the audience would like to speak.

David Amundson, Chairman of the Housing Commission, said there was a lot of good discussion. There was one item that he would inject into the conversation - the true business model would have set the bar at \$10,000 per affordable unit and matching them would not be a bad idea. In addition, the fee was intended to be a nudge – Mr. Amundson stated that the whole multi-family portion was out of whack and the single-family model still works. The idea is that it is high enough that if somebody wanted to just pay it and do it, they could figure out a way to make it work. It was also high enough to make them think and figure in the affordable – it is a way to nudge them a bit. In theory, buy in from the Park District and the City waiving fees and with everyone having a little skin in the game, helped encourage the unit to get built. Those fee waivers only applied to those affordable units to get built, not the development as a whole. Mr. Amundson continued by saying if the bar is set too low, every developer will be here to chat.

The Council has the check and balance to say no, we demand that you build the units and that will be a rude awakening to the calculists when they get so far into the deal that they are thinking they can write the check. Having \$5,000 per affordable unit seems a little low - \$10,000 per unit is already a fire sale from \$72,000 – which is admittedly too high.

Alderman Payleitner said that Mr. Amundson made a great point to trust staff that when a developer comes in, that communication is clear. It is Council discretion – not here is a check.

Alderman Payleitner asked where Batavia is at – is it a done deal there? Ms. Tungare replied that it is still under discussion. Maybe we will be setting the bar, added Alderman Payleitner.

Chairman Bancroft asked if there is further discussion. There was none.

Alderman Turner made a motion to set the IHO Fee at \$5,000 for the year 2017 per affordable unit for multi-family projects. Seconded by Alderman Lemke.

Roll was called:

Ayes: Lewis, Silkaitis, Payleitner, Lemke, Turner, Gaugel, Krieger, Bessner

Absent:

Nays:

Recused: Stellato

Motion carried 8-0

Chairman Bancroft asked the Committee if they would like to discuss any changes to the single-family component and they all agreed to not change the fee.

Alderman Lemke asked if they have the opportunity to re-examine the single-family later in the year and set a 2017 rate at that time.

Ms. Tungare replied that the ordinance sets the date and it does say that the fee shall be determined annually. From the developer's perspective, if the Council decides to change the fee in mid-year, starting out with the calendar is probably more predictable but there is nothing precluding the Council from saying that they would like to review at the beginning of the fiscal year.

Alderman Payleitner stated that while the Housing Commission admittedly didn't toss around the multi-family piece too much, they really did hammer down the single-family and she would like to see it stay.

Alderman Krieger said it should be in the Ordinance that it is adjusted from the fiscal year or the calendar year so that a developer would know when it would change.

Ms. Tungare requested clarification on when they would like to set this annually.

Chairman Bancroft said calendar year with Committee in agreement.

b. Discussion on the Sanitary Sewer Connection Fee – West Side Treatment Facility

Mr. Minick said that at last month's Planning & Development Meeting, there was discussion about the sewer connection fee as it applied to the west side treatment plant (WSTP) and how that fee was calculated and arrived at. Mr. Minick went back in the records at the City and he found that the fee was

adopted in January of 2000 and was calculated sometime during the term 1997 to 1999. The records provided a pretty basic calculation. The west side treatment plan was intended to have four phases:

Phase I was the purchase of the plant from the State of Illinois which occurred in the late 1990's at the actual cost of \$716,000.

Phase II consisted of an expansion of the WSTP which was undertaken in 1999. This was financed by a low interest loan that was taken out through the State Environmental Protection Agency (IEPA) and the actual cost for the Phase II construction was approximately \$7.1 million dollars.

Phases III and IV are cost estimates from this particular timeframe. Phases III and IV have not been undertaken and completed to date. However, with some of the development proposals that are anticipated in this area, Mr. Minick's understanding is that Phase III is likely imminent with Phase IV following at some point in the future.

Based on 1999 effluent standards and costs, Phase III was anticipated to be just under \$3 million with approximately an additional \$1.1 million for Phase IV totaling just under \$12 million for all four phases of the WSTP construction.

Mr. Minick said it was also anticipated that once all four phases were completed, that the WSTP would be able to handle the population equivalent (PE) of 14,000 people or about 1.4 million gallons of flow treatment capacity on a daily basis. The fee becomes a simple calculation of taking the total cost divided by the number of population equivalent available and that totals about \$852.12. The Ordinance was rounded to \$853 per PE which translates into a cost onto a building permit or per unit of construction. There are certain assumptions that are made in the building code as to how many PE will be contained in a particular dwelling unit. A single-family home contemplates 3.5 PE – multiply that by the \$853 to come up with the connection fee amount that is called out in the code of \$2,985.50. The same is applied on the multi-family side – except that the assumption becomes 3 PE instead of 3.5. The connection fee then totals \$2,559 per unit.

Chairman Bancroft said that when he compares the spreadsheet figures stating \$3 million for Phase III and \$1.1 million on Phase IV, that this is actually low. Mr. Minick explained that effluent standards 20 years ago were a lot different than effluent standards today. Chairman Bancroft asked how this compares to a competitive set of connection fees somewhere else. Mr. Minick replied that he had an opportunity to take a look at connection fees from six communities that are in the general area, with St. Charles in the middle of the pack. All figures are per multi-family unit:

North Aurora	\$2,200
Geneva	\$2,268
Oswego	\$2,650
Plainfield	\$3,087
Batavia	\$4,200
St. Charles	\$2,559

Mr. Minick believes Batavia recently re-addressed their fee and increased it. Additional information can be gathered on more communities however this data does display that there is a range out there with St. Charles in the middle of the pack as it stands today.

Alderman Turner stated that when he looks at the total cost of this project at \$11,929,688 – if we haven't built Phase II and Phase III – has inflation and the rules eaten up that money even though we didn't build

the last two phases? Mr. Minick responded saying the City did not actually collect the \$11.9 million. To date, we have collected roughly \$3.4 million on that west site connection fee. Alderman Turner said these bonds are up in four years and Mr. Minick agreed that the EPA loan is up in about that amount of time. Alderman Turner asked are we paying the bonds and the rate through the fees. Mr. Minick replied that actually about \$3.3 million that has been collected, and we have paid roughly \$6 million dollars in debt service to date. One thing about the \$7.1 million dollars - for some reason there was no interest cost that was built into that - this is the actual construction cost – this does not include the cost of the financing. Alderman Turner said that he is satisfied with the figures and going forward, we are probably looking at a lot of money. Mr. Minick said it is pretty safe to say that we would be looking at significantly higher costs to accomplish Phase III and IV.

Alderman Lemke added that that would be compliance and inflation – correct said Mr. Minick.

Chairman Bancroft said this was a question that came up when they had a discussion about fees in general. Basically, there is nothing for us to do at this point.

Alderman Silkaitis asked if their fee is too low. If we keep it the way it is, we will be short, which would mean it would come out of the General Fund to pay for it. The people on the east side would have to pay for something - since the new people moved in they should pay their fair share of the increase. Mr. Minick suggested that when they look at Phase III that they drill down on some engineering estimates for what Phases III and IV are going to cost.

Alderman Lemke asked would it not be the sewer and water fund. Mr. Minick said it would most likely be the wastewater fund.

Chairman Bancroft agreed that they need some numbers before they can answer any of these questions.

Alderman Lewis asked if this would be a one-time fee and Chairman Bancroft replied, yes, a one-time connection fee. If a house is sold there is not another connection fee. Mr. Minick explained that you are essentially buying into the existing infrastructure. There is a sewer treatment system that exists there – a house wants to build and connect to it – they are typically charged and in this case the cost is \$2,559 per multi-family unit.

Alderman Gaugel said they need to be careful of trying to recoup all of these potential costs for the next phases in one shot. With the fee being too low, we have to be very careful if we raise it. For all the same arguments recently had in previous discussions – we want rooftops, we don't want things to be cost prohibitive for builders to come – for a 250 unit complex we are talking \$650,000 and that is a significant cost. What is the break point for a builder to agree to come in here – this could be the straw that broke the camel's back.

Alderman Silkaitis agrees but this is a cost – unlike the Housing Commission fee – we know how much we need.

Alderman Gaugel reiterated that his point was that they shouldn't look to recoup all the costs with this fee. If we creep this up even a little bit, now you are talking three quarters of a million dollars for a 250 unit building.

Chairman Bancroft said that what they really should do when the time comes and they are looking at Phase III, is in addition to the cost information that is going to come before them to consider, maybe

conduct a more significant market assessment on what fees are charged out there so we know what the competitive set is.

Alderman Lemke said that the largest part is already spent and it is spent with an assumption of population equivalence and we are getting the population equivalence; if you can't pay your fair share then other people are going to have to pay through the waste water treatment fees. At this point, he is not sure if he would like to ask other residents to subsidize what was a hard cost.

Mr. Minick stated that if that is the direction of the Committee, then we can leave it alone tonight and try to drill down on some Phase III estimates and also gather the survey data. When it comes time to look at Phase III, he will present and the Committee can make the decision.

Chairman Bancroft said we started saying the fee is too high and Mr. Minick now convinced us to look at it to make sure its high enough.

Alderman Lewis said someone has to pay for it and she is not sure she wants to pass the cost on to the taxpayers.

Chairman Bancroft said they have time and until they receive the information, they will not be able to make a decision.

4. ADDITIONAL BUSINESS-None.

5. EXECUTIVE SESSION-None.

6. ADDITIONAL ITEMS FROM MAYOR, COUNCIL, STAFF OR CITIZENS-None.

7. ADJOURNMENT- Aldr. Krieger made a motion to adjourn at 8:15 pm. Seconded by Aldr. Turner. Approved unanimously by voice vote. Motion Carried. 8-0