

**MINUTES
CITY OF ST. CHARLES**

**JOINT MEETING OF
THE CITY COUNCIL &
ST. CHARLES HOUSING COMMISSION
MONDAY MARCH 12, 2018 – 5:45 P.M.**

City Council

Members Present: Mayor Rogina, Aldr: Stellato, Silkaitis, Payleitner, Lemke, Turner, Gaugel, Vitek, Bessner, Lewis

Members Absent: Bancroft

Housing Commission

Members Present: Chair Eakins, Glenn, Hansen, Payleitner, Goettel, Waibel, Dries

Members Absent: Pietryla, Pierog

Others Present:

Mark Koenen, City Administrator; Rita Tungare, Director of Community & Economic Development; Ellen Johnson, Planner; Russell Colby, Community & Economic Development Division Manager

Martha Quetsch-Kane County Chronicle

1. Call to Order

The meeting was convened by Mayor Rogina at 5:45 P.M.

2. Roll Call

Roll was called:

City Council

Members Present: Mayor Rogina, Aldr: Stellato, Silkaitis, Payleitner, Lemke (5:54pm), Turner, Gaugel, Vitek, Bessner, Lewis

Members Absent: Bancroft

Housing Commission

Members Present: Chair Eakins, Glenn, Hansen, Payleitner, Goettel (5:48pm), Waibel, Dries

Members Absent: Pietryla, Pierog

3. Introductions

Louis Dries was introduced as a new member of the Housing Commission.

4. Kane County Affordable Housing Fund

Mayor Rogina asked Ms. Johnson for clarification as to how the City's Housing Trust Fund and the County's Affordable Housing Fund could work together to make some things happen. He noted that staff is looking for some direction as to which option (A, B or C) the City would like to take for project review/approval processes for projects that request use of City funds.

Ms. Johnson stated that a few weeks ago staff met with staff from the Kane County Office of Community Reinvestment which manages their Affordable Housing Fund. It was a productive meeting; it was discussed how the City's involvement in the County fund could work, what the process would be, as well as identified some questions that the Council will need to weigh in on, if we decide to go this route. She then went through the steps and the process:

- City makes Housing Trust Fund dollars available to Kane County Affordable Housing Fund (AHF). There is currently \$730,000 in the City's Housing Trust Fund. There are two items to consider:
 1. The city would need to determine how much to make available and how to make that money available.
 - a. Choose a lump sum amount to be utilized over multiple years.
 - b. Specify an amount to be available per year, potentially over multiple years.
 - c. Determine the amount on a yearly basis.
 2. Identify requirements for how City funds are to be used, if certain types of projects or locations are preferred.
- County would then conduct its annual application cycle, which is in line with what they currently do with their Affordable Housing Fund. Housing developers would provide proposals using County and City funds to assist in creating affordable housing.
- County staff would then evaluate the proposals and do the underwriting for the project financing, and then prepare staff recommendations based on their analysis.
- County staff recommendation would then move forward to a review committee. There are three options for the review/approval process:
 - A. (County's current process) Kane Elgin Home Commission reviews County staff's recommendations and approves the project financing. The County Board does not review or approve projects.
 - B. Kane Elgin Home Commission makes a recommendation to our Housing Commission, which would then approve the project financing. This would only be for projects requesting use of City funds, within the City of St. Charles.
 - C. Kane Elgin Home Commission and our Housing Commission would each provide a recommendation to City County, which would review and approve project financing.

Aldr. Turner asked if St. Charles gets credit for a housing project in Elgin. Ms. Tungare said our funding must be used within our corporate limits. That would be the stipulation in our contract with the County.

Mayor Rogina said if we contribute \$300,000 we will minimally have \$300,000 coming back to St. Charles; is it possible to have more? Ms. Johnson said yes, a developer could get funds from Kane County and St. Charles, for a project in St. Charles.

Mr. Glenn asked if it's a match of 1 for 1. Ms. Johnson said it's whatever the developer applies for and what County staff recommends. Ms. Tungare said it could be more than 1 for 1.

Mayor Rogina mentioned that Vice Chairman Tom Hansen of the Housing Commission is on the Kane Elgin Home Commission. He suggested someone else from the City taking over a second seat.

Aldr. Lewis said we have \$750,000 now. Are we up to date or is there money out there yet? Ms. Johnson said there are some smaller projects out there; we expect to get some funds for Crystal Lofts. Mr. Colby said funds have not been collected for future residential projects that have been conceptually discussed but not approved, or haven't started construction, but there are not any large approved projects that we're waiting for money on. Aldr. Lewis asked if we're expecting a big influx with some projects that are out there. Ms. Tungare said Shodeen has been required through the PUD Ordinance to apply for tax credits to be able to build units on site. After three cycles of applying for tax credits, if they wish they would have to come back to Council and ask to pay the fee in-lieu if they are not successful in getting those tax credits; it's at the Council's discretion.

Mr. Glenn asked if we would be competing with other parts of the county for the money, and if they agree to give us funds is it a 1 for 1 match of our funds and theirs. Ms. Johnson said the County would consider proposals submitted by developers; the developers would have to be doing a project in Kane County, but if the project is in St. Charles they could request City and County funds. Mr. Glenn said they basically consider those once a year. Ms. Tungare said her understanding is they have met more than once a year. Mr. Hansen said we typically meet twice a year, once at the beginning to review the budget of a lump sum of money spread over say, five projects, then again in fall to review the status of those projects. In addition to that if there's a County approved significant project (ex. Campana) the group reconvenes if necessary to act on that because approvals expire, which is good because the underwriting could change.

Mr. Glenn said if we participated in this fashion, would it help our case to kick in some money in other parts of the county? Mr. Hansen said it definitely makes St. Charles more attractive for developers.

Aldr. Bessner asked about smaller projects or home improvement type projects. Mr. Hansen said same thing, the projects the County looks at range from large projects to small builders that build maybe 2-3 houses per year, that have continually worked with the County and know how to work through the system to get the funding.

Aldr. Silkaitis asked if there are other towns doing this, besides Elgin. Mr. Hansen said Elgin is the only other municipality and by combining with Elgin the County could receive a lot more, which is why it's called Kane-Elgin Home Commission. Elgin is a significant part of it from a funding perspective.

Aldr. Silkaitis asked if that would increase our HUD reimbursement. Aldr. Payleitner said not ours, but the developer building in St. Charles. Mr. Hansen said a developer could receive more funds if they build in St. Charles versus, for example, South Elgin.

Mr. Glenn asked if \$100,000 is significant. Mr. Hansen said he thinks the County gave out \$2.1 million last year. Ms. Tungare said it's a really good way for us to leverage our Housing Trust Fund dollars to really make a bigger impact. \$700,000 sounds like a lot, but it's really not a lot when you're

thinking about development projects. Mayor Rogina said we would receive that \$700,000+ back on developments in St. Charles through funds that the County has received from HUD. Aldr. Turner said it's a way of increasing our overall money that is available.

Mayor Rogina asked if it were imperative tonight to discuss how much money would go in. Ms. Tungare suggested getting some direction on the process. We're all learning as we go and this will give staff a chance to go back to the County to start discussing the terms of the contract. Staff will then bring the contract back to Housing Commission and Planning & Development Committee, where we can then talk about the dollars.

Mayor Rogina asked for views on the review process options. He'd like to have things streamlined as much as possible. City Council will decide how much money goes in the pot and once that's done he has complete and total faith in the Housing Commission to allot that money accordingly; he promotes option B.

Aldr. Stellato said he agrees 100% on the funding. Council will be involved with the development regardless, but as far as whether a developer complies with the funding he feels that's up to the Housing Commission.

Aldr. Silkaitis agreed; he doesn't want to micromanage.

Aldr. Lewis agreed but said it's a great deal of our money and she wonders what we do with the 708 Board, because they have to come to the Council if they're getting more than \$25,000. She's having a little pause with just putting \$100,000 out there. Aldr. Silkaitis said this is not tax payer money, it's developer money. Aldr. Payleitner said that is a good distinction.

Group consensus was for option B.

5. 2018 Inclusionary Housing Fee In-lieu

Chair Eakins said it was obvious that the former fee in-lieu was not palatable to allow St. Charles to be competitive as far as interest in development. It's been clear from Council that it is important to maintain a certain level of affordable housing within the city limits. We wanted to make a recommendation that Council might support and to make it as uncomplicated as possible and to have a rationale behind it.

Mr. Hansen said originally the \$72,819.50 fee represented a 25% down-payment on two affordable units. The State defines affordable as a home price of \$145,639. The thought was that as we collect money we would then use that money to help developers or buyers of affordable housing within the city. This year we thought if we scale it back to one affordable unit and down-payment, which is half the amount, \$36,409.75, which ties into the value of an affordable unit and how the City may use this money to help builders or buyers with the down-payment portion. Chair Eakins added that the home price is established by IHDA every five years, so we expect the home price to change this year. We felt this calculation had some strong rationale and we recommend that there is no difference in fee in-lieu for multiple family units and single-family units, in order for fee contributions to have meaningful impact and maintain the level of affordable housing in the city. The potential for combination with the

Elgin Kane housing money as well as other sources developers can go to can lay right on top of these dollars to be invested in our city. We hope Council will agree.

Mr. Glenn said we first had one fee and then the first large project came up with a lot of units and the math came out to a big number which shocked Council, which lowered the number down to \$5,000 for multi-family which doesn't get us a lot of money or units. In looking at the different types of units it was too complicated and in just saying a unit is a units and finding a good number, it's easier to do.

Chair Eakins said for example, The Quad concept plan proposal of 155 townhomes and 256 apartments units would be a development that would cost a developer over \$100 million. Looking at that frame of reference may offer some addition to the discussion.

Aldr. Payleitner said she believes it's a common thought from both groups that when we do get that multi-family project for The Quad, we do want the units, so the fee will not be quite that high. Aldr. Lewis asked if there could be a combination of units and fee. Ms. Tungare said it's at the Council's discretion.

Mayor Rogina said the concept plan for The Quad calls for townhouses (the \$72,000 fee would apply) and apartments (the \$5,000 would apply), coming in at \$1.2 million total fee in-lieu. If we went with the \$36,000 fee for all units we're at almost \$1.5 million; a difference of about \$250,000.

Aldr. Turner said if we work with the Kane Elgin Commission, can a developer use that money to build affordable? Chairman Eakins said yes, as well as other sources of funding, but the City has to allocate that first. Mr. Glenn said it's like a 401K; we're giving the developer money but so are they, it's a match.

Ms. Waibel said there's a majority right now, without a change in the housing structure, of multi-family housing development going on so for us to increase that price would behave us, because we don't have much space left for single-family development as it stands today.

Chair Eakins said that IHDA would be coming out this year to look at the number of affordable units in town, and we feel that will drop significantly because their formula differs from ours and housing prices are going up. We will need the affordable stock and these multi-family developments will add significantly to the numbers in St. Charles.

Mayor Rogina stated that if the Council needs more time to digest this, staff could shape a resolution for discussion at the P&D meeting on April 9, to be approved at the following Council meeting on April 16. If we kept the current fees of \$72,000 and \$5,000, no action would be necessary.

Ms. Tungare suggested a vote either way to become a matter of record that the Council has set the fee for 2018. If the Council reaches a consensus tonight of what the fee in-lieu needs to be for 2018 staff can be directed to prepare a resolution to bring to a subsequent Council meeting to set the fee in-lieu.

Aldr. Stellato feels the single fee is cleaner, easier and he really likes the suggestion, and the number is fair. We as the City need to look at other uses for property where we know retail will not go as there are elements of the market not growing, to look at other areas and think outside the box to create areas where single-family would flourish.

Aldr. Turner said single-family starter homes are almost impossible to build due to all the fees and maybe we could not have fees for those to get those in here because the Comprehensive Plan calls for that. He mentioned Anthem Heights where “starter homes” are \$362,000. Mr. Glenn said this is a problem nationwide; builders cannot build cheap and he’s not sure how to address that. Aldr. Stellato agreed; labor and material are what they are. Maybe we can help by giving the land cheaper.

*Ms. Waibel left the meeting at 6:30pm.

Aldr. Lewis asked about teardowns and if builders could get funds toward that. Mr. Glenn said those are more expensive because you buy the land and the old building, raise it, and then put up another house. Aldr. Lewis asked if they could use the Trust Fund for that. She is concerned that in only worrying about the big developments, people trying to sell homes in the neighborhoods will be stuck. Aldr. Payleitner mentioned the small ranch homes in town that could be fixed up.

Aldr. Lemke said the single rate for 2018 makes sense.

Aldr. Silkaitis said in regards to the Shodeen property, we need to state fee in-lieu or building the units. We’re getting more money but we’re not necessarily getting the units, and that bothers him. Ms. Tungare said that option has not been committed on the part of the City. At this point Shodeen is obligated to provide the units on site; that is the contractual agreement they have with the City through a Housing Agreement. If they wish to make a change down the road they will have to come back before Council to do so. Aldr. Gaugel said if they do decide not to build the units and want to pay the fee in-lieu, it will be the new fee, not what the fee was at the time of application. Ms. Tungare said correct, it will be the current fee in place at the time. Mayor Rogina added that they are building units based upon tax credits they’ve applied for. Should that fall through they are still obligated under contract to build units, unless they change their minds which then requires them to come before Council. Aldr. Payleitner added that if the senior portion fails they don’t have to spread the units all out because they will already have buildings being built. If it doesn’t go through they have the option to still provide affordable units throughout. Mr. Colby said there is a three-year period where they have to apply for the tax credits. At the end of that period they can approach Council to modify, but by default they’d have to construct the units in compliance with the ordinance and spread them out. Mayor Rogina noted that they struck out during the first year, and if it happens again is it possible they could use the Housing Trust Fund as a basis for subsidizing? Ms. Tungare said yes, if we participate in the Kane Elgin fund a developer could apply for tax credits as well as the Affordable Housing Fund through the Kane Elgin Home Commission; they could get both. Aldr. Gaugel said in the event Shodeen doesn’t get the tax credits he feels the Shodeen scenario could use more conversation; he doesn’t want them coming back and stating they can’t build them through no fault of their own. Aldr. Lewis said she understands that there’s another company building the units. Mr. Koenen said they have a contract with GC. Staff visited a property they operate in Glendale Hts. Aldr. Lemke said he thought that wasn’t for the entire parcel, only two buildings. Mr. Koenen said two connected buildings, 67 units.

A motion was made by Aldr. Stellato to direct staff to prepare a Resolution setting the 2018 fee in-lieu as a single fee at the rate suggested by the Housing Commission of \$36,409.75. Seconded by Aldr. Payleitner.

Roll Call:

Ayes: Stellato, Silkaitis, Payleitner, Lemke, Turner, Gaugel, Vitek, Bessner, Lewis

Nays:

Absent: Bancroft

Motion passed 9-0

Mayor Rogina said 2019 will roll around and the group will gather again to evaluate the fee in-lieu based upon market conditions and what's happening in St. Charles. Aldr. Payleitner added that once we address the Affordable Housing Fund distribution, we will have to gather as well.

6. Additional Business

7. Public Comment

8. Adjournment at 6:36pm