

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, MARCH 8, 2018
COUNCIL CHAMBER**

Members Present: Rita Payleitner, Liz Eakins, Karrsten Goettel, Louis Dries, Carolyn Waibel, Corinne Pierog, Tom Hansen

Members Absent: John Glenn, David Pietryla

Others Present: Ellen Johnson, Planner
Rita Tungare – Director, Community & Economic Development

1. Call to Order

Chair Eakins called the meeting to order at 7:00 p.m.

2. Roll Call

Ms. Johnson called roll with seven members present. There was a quorum.

3. Approval of Agenda

A motion was made by Mr. Hansen and seconded by Ms. Payleitner with a unanimous voice vote to approve the Agenda.

4. Approval of Minutes from the February 8, 2018 Meeting

A motion was made by Ms. Payleitner and seconded by Mr. Goettel with a unanimous voice vote to approve the February 8, 2018 meeting minutes.

5. 2018 Inclusionary Housing Fee In-Lieu

Ms. Eakins recapped from the last meeting that everyone had an opportunity to share their opinions regarding what should be done about their recommendation to the Council regarding the fee in-lieu. At that meeting, information was requested from staff.

Ms. Johnson stated that there was general agreement to recommend to Council to go back to a single fee instead of the dual fee structure. The group did not come to a consensus as to what that fee amount should be. Information on the cost of construction was requested with the thought that that could potentially be used to come up with the basis for the fee. Ms. Johnson said data was gathered from residential permit applications that were submitted in 2017; applicants are required to estimate the cost of construction of the building on their application.

Ms. Johnson said there were permits for 346 multi-family units within two developments – Prairie Winds and Prairie Center. The per unit average cost was \$117,000, however for Prairie Winds the cost was \$120,000 per unit and for Prairie Center it was \$83,000 per unit. The types of buildings reflect the difference in cost per unit. Prairie Center units are in more conventional apartment buildings whereas Prairie Winds buildings are lower density, 10 units per building, with attached garages.

For single-family homes, there were 22 permits with an average per unit cost of \$339,000. Many of these were in-fill custom homes which reflect the higher price tag. The new Anthem Heights subdivision located behind Aldi, those homes averaged \$183,000, reflecting the mid-range cost of construction for single-family homes in new subdivisions. Ms. Johnson said after factoring in all of these costs, the per unit construction cost average for all units is \$217,000. This information can be used in a variety of ways to come up with a fee. One idea that was brought up at the last meeting is to calculate the fee based on a percentage of the per unit cost. Ms. Johnson referenced a table in the meeting materials displaying various potential fees, calculated as 1% - 25% of the average per unit construction cost, along with the resulting fee contributions.

Ms. Johnson said information was also requested about what other Illinois communities are charging for the fee in-lieu. Of the five other communities that have Inclusionary Housing Ordinances, Evanston is the lowest at \$40,000 per required affordable unit. Lake Forest is the highest at \$130,000 per unit. Arlington Heights' is set at \$75,000 but it is negotiable for each project; their last project was negotiated down to \$25,000. Mr. Dries said there is a dramatic impact as a result of the percentage of units that are required to be affordable, which is higher than 10% in some of the communities.

Ms. Pierog asked what the affordable housing stock ratio is. Ms. Johnson said the last update provided in September of 2017 found St. Charles is at 22%, based on staff's calculation. They expect to receive an updated number from the state at the end of the year and it is projected that the number will go down. In 2013, that figure was 11.2%. Mr. Hanson asked if the value of the affordable unit has been updated. Ms. Johnson stated that also will come out at the end of the year.

Ms. Pierog stated that she would like to have a single fee structure. The fee needs to be reasonable and it is also important to have multi-family affordable units included. There is not a lot of room in St. Charles for new development; most often there are tear downs and rebuilds. The smaller developments are not going to be able to afford to transfer some of their developed units into affordable housing stock. Whatever the commission decides to set the rate at, it needs to be a rate that developers could live with and that we can get the money for and do something with.

Ms. Payleitner said when considering the projects that are coming up in St. Charles, she remains optimistic that they can still attain affordable units out of some projects that are on the horizon.

Mr. Hansen asked if City Council is looking for a new number. Ms. Payleitner said Council does not want to discourage development and recognizes there is \$700,000 already available in the housing trust fund.

Mr. Hansen said it is his understanding that the ordinance is written so that City Council can reduce the number from \$72,000. Can they also increase the amount annually? Ms. Tungare said that they can change it annually either way. Mr. Dries said if the desire is to go back to a single number you would want a figure that is between \$72,000 and \$5,000.

Mr. Hansen said the \$72,000 fee came about because it represents 25% of two affordable units. 25% of one affordable unit is \$36,409, about half way between the current single-family and multi-family fee. If we went back with that recommendation, multi-family would still be at \$5,000; we would still be at two numbers and we would be lower than we used to be.

Ms. Pierog said the thought for the \$72,000 figure was that it was going to be so difficult for a developer to pay that amount of money. Mr. Hansen said it would be an incentive for them to build the units, which we preferred over giving us money. Ms. Pierog said we have seen the fee can be decreased by City Council in response to a proposed development. Mr. Hansen said that is an argument for leaving the fees as they are.

Mr. Goettel said that part of what City Council wants is a formula they can use that enables them to deliver a consistent message. They would like a number that they can work with; they would prefer to tell a developer to write a fee in-lieu rather than trying to incentivize the units within the project. Ms. Payleitner replied that that is not true of multi-family, the tone has changed. Mr. Goettel agreed and he added that he feels Council would prefer to go back to one figure and have a number that would not be so high that it creates an incentive for the developer to have to put the units in there to meet that demand rather than writing a check for it. Mr. Goettel stated that \$36,409 is close to what he feels they are looking for, tying it in closer to what Evanston has – around \$40,000 - \$45,000 per unit.

Ms. Eakins stated that if City Council really wants 10% of the units for multi-family to be affordable, and if in a multi-family project the cost per unit is \$117,000, and that is what we are asking a developer to commit to affordable housing, the \$72,000 sounds like a bargain. Mr. Dries said if the same formula is used on the \$117,000 versus the \$146,000 it would bring the fee down and be consistent with the formula developed years ago. In a home that is \$100,000 or a little above, 25% for two would bring it down to something like \$50,000 from \$72,000. You would have logic behind it. Or you can change it to one for both and then you end up with \$25,000 and \$37,000. You would not have one number but you would have one formula. Is it the number or the formula that is important?

Ms. Johnson said the single-family fee was likely kept where it is when the multi-family fee was lowered to \$5,000 because there was no developer that contested it. If a single-family development had come in, the \$72,000 fee may have been lowered. If we propose to Council a fee that they see as more reasonable, then negation in response to projects might not happen.

Ms. Waibel asked if there is a percentage of what parcels are left in the City that would be single-family verses multi-family. Ms. Tungare said currently, there is a market trend for more multi-family – townhomes and rental apartments. This trend could change in five years and it could become more single-family. We are not seeing a significant amount of infill development

or teardowns; this could also change. It is hard to tell in terms of percentage. At this time, there is not a lot of land entitled for single-family. Opportunities for Hunt Club-style developments with 250 to 300 homes are not there anymore. If the trend for single-family returned, there would be requests to rezone.

Ms. Johnson stated that what is being proposed at the former Charlestowne Mall, apartments and townhomes, they will have to pay the \$72,000 fee for townhomes and the \$5,000 fee for multi-family. Ms. Waibel asked what the per unit proposals are. Ms. Tungare said the Concept Plan presented in May of 2017 consisted of approximately 155 townhomes and 275 apartments. Ms. Waibel said it would behoove them to raise the fee on the multi-family dramatically because single-family development is declining.

Chair Eakins suggested opening Monday night's meeting with what they have learned from Kane County with regards to their Affordable Housing Fund to demonstrate how the fee in-lieu money could be leveraged.

Chair Eakins said the building cost for Prairie Winds was approximately \$30 million and out of that we received \$125,000. Ms. Payleinter said if we had charged them they could have gone across the street to Geneva. The difference with Prairie Winds is that this developer had the project and needed to know where to build it, and in other situations, developers have the land and they need to know what can be built on it. This is one way where Prairie Winds was unique.

Mr. Hansen said the 25% downpayment for two affordable units has been based on value, not on costs which is much of what has been discussed at this meeting tonight. The definition of affordable housing is based on values, not costs. We said if you are not going to build a unit, we want money so that we could help people get two units. A downpayment on one unit, \$36,000, is half of what is in place now at \$72,000.

Mr. Goettel suggests the Commission be in agreement with that – he anticipates push back regarding the \$72,000. This would be a downpayment on one unit and they are presenting a number that is significantly higher than the \$5,000 but not enough to deter the Council from being too far away from the \$72,000.

Mr. Goettel said he favors Mr. Hansen's \$36,000 figure because it reflects the value and the number that is generally set by the state. With the construction cost formula, each year staff would have to perform an analysis. With this proposal, they are going off of the value that is allocated by the state. Ms. Payleitner and Chair Eakins agreed that this is a good start. Ms. Payleitner asked if they could say "of the state determined number" as their basis for establishing the formula. Ms. Johnson said the state determined number is provided every time they release an updated list of each community's affordable housing share. At that time, they also calculate the affordable housing price for each community.

Mr. Goettel said with the proposed formula, if a developer does not want to build a unit, he is paying a per unit cost of providing a 25% downpayment.

Ms. Payleitner confirmed the new number to be \$36,409.75 per unit based on Mr. Hansen's formula. There was consensus among the Commissioners that they are in favor of this formula and number.

Ms. Pierog asked what the population need is in St. Charles for affordable housing. Ms. Johnson replied that there is extensive data on number of households within certain income ranges, but it does not necessarily reflect the number of people who need affordable housing. Chair Eakins said it would be great if there is something that can be pulled from the CMAP study to indicate the population need or potential population need.

Ms. Payleitner said through the Shodeen project, the Council became convinced that there is a growing need for senior affordable housing. Ms. Tungare said she does not think the Council is oblivious to the need for a balanced housing stock. The challenge before the Council is how to balance getting development here while keeping us competitive and also ensuring we get affordable housing in St. Charles. Chair Eakins said with her work at Lazarus House, she is also aware of the number of people that need assistance and cannot afford to live in St. Charles. It is a broad spectrum; it is not singular to seniors.

Mr. Dries said townhomes by definition include a lot of stairs. With an aging population and a lot of projects to include townhomes being constructed, there is a conflict between population aging and stairways.

Mr. Hansen said even though Geneva is so close to St. Charles, the development potential of the two communities is very different. St. Charles still has development opportunities here while Geneva is very limited to what can be built. The question becomes for communities like Geneva, when you no longer have new opportunities to develop, if your ratio falls, how do you correct it?

6. Kane County Affordable Housing Fund

Ms. Johnson provided a memo summarizing the productive meeting that staff had with Josh Beck and Scott Berger from Kane County. They manage the Kane County Affordable Housing Fund including the application cycle that involves soliciting proposals from developers to create affordable housing in the County. We would simply add a step in the beginning making City funds available in unison with the County fund. Developers would be able to apply for City and County funds if the project was located in St. Charles. This is a way to respond to the question of what we are doing with the Housing Trust Fund. This money would be available on an annual basis in an amount that Council will be able to establish. Ms. Johnson walked through the steps that would be involved with potential City involvement with the Affordable Housing Fund. The City would need to determine how much to contribute and if we want to include any stipulations on use of the funds.

Mr. Hansen said that at the beginning of the year, the County has an allotment of funds. This Commission, once each year, would make a recommendation to City Council to budget for, say \$250,000. This allows Josh and Scott, who meet with the developers, to provide them with the amount of funding available. As the requests for the projects come in, the City would provide the County with a predetermined percent that will be available per project. There are certain builders

that the County works with on a regular basis. If we do this and set it up with the County, these builders will be attracted to St. Charles. They will be more incented to work on a home that is located in the corporate limits of St. Charles than they would be in Elgin. If the project is not in the corporate limits, they are not able to utilize the funds we are providing.

Chair Eakins said, regarding a single-family home that is rehabbed, would it be priced at an affordable level within the City of St. Charles? Are there any basic homes available for purchase to rehab that are not already above what affordable is? Ms. Johnson said the County is working on a project right now in St. Charles, and they are prepared to lose money on it to sell it at an affordable price.

Mr. Hansen stated that one of the questions that may be asked is how the City gets their money back. Ms. Johnson said Josh and Scott talked about that during their meeting. It is different for each project. They recognize that with single-family home rehabs they will not get all of their money back and there is going to be a loss. The projects that are financed with long term loans, eventually we would get all of our money back. They do not do grants, only loans. Mr. Hansen said it is a junior mortgage recorded on the property. In some cases, the repayment does not begin for a long time.

Mr. Hansen said at the beginning of the year, the Commission would make a recommendation to City Council for an approved budget amount for the year as well as the percentage that can be used per project. Ms. Johnson said they may only get one proposal for St. Charles. They may not want to define that only 10% of the budget amount is to be allocated per project; then the rest of the money would not be used. The Commission agreed that if one project is large enough they would not have a problem with spending the entire, say \$250,000, on one project. Mr. Hansen suggested telling the County at the beginning of the year, that we can spend up to \$250,000 and then we provide them some guideline based on cost of the project that we are willing to go up to.

Ms. Johnson stated that the City will need to determine what the approval process should look like. Should projects come to the Housing Commission for approval, or to Council as well?

Mr. Hansen said there is a lot of detail included in this process; there is an underwriting packet for every project. Ms. Tungare said that would be best handled by the County. We do not have the resources and expertise in-house. Mr. Hansen stated that the approval process could be handled in one Housing Commission meeting. Ms. Payleitner said she felt it could be reviewed with only the Commission members. Mr. Hansen said recommendations for each project are provided by County staff prior to our receipt of the package. Commissioners agreed that they would like to see the packets and review them.

Ms. Johnson said the County suggested the possibility of having a seat on the Kane-Elgin Home Commission for a St. Charles representative. The County presented an option that the Home Commission could be the only reviewer like it is now and they could try to make a seat at the table for someone from St. Charles, in addition to Mr. Hansen. Ms. Tungare added that if the Council and Housing Commission felt a higher comfort level with more representation in the group, the County said they would be open to that conversation.

Ms. Waibel asked what other communities feed into the Kane County Affordable Housing Fund. Mr. Hansen said it is a County commission but Elgin has a larger say in it because combined, they can get more money because of Elgin's low to moderate income census tracks. The name of the commission is Kane-Elgin Home Commission as it represents the entire county. Chair Eakins confirmed that the City's money would not get pooled and used in other communities. Ms. Johnson said currently the County's money can be used in all of Kane County except Aurora.

Ms. Johnson said one concern with the Housing Commission reviewing the packets is there could be a timing issue with the Commission meeting monthly at best. Mr. Hansen said if the Commission returned the packet back to the County by the time their meeting came up and they had our approval, it would be a non-issue. Chair Eakins stated that the one concern she has is with them giving it their review prior to it going to the County meeting, is that we might start dissecting a project to a point where we are asking way too many questions that may not be applicable. Ms. Johnson said the County would want it to go to the Home Commission first, then our Housing Commission.

Ms. Tungare stated the allocation of funds could work one of two ways. The Housing Commission could seek approval from Council to allocate the funds for each project that comes up or the Council may decide to just go with the funds that have been designated at the beginning of the year, trusting the Home Commission and Housing Commission to allocate them.

Mr. Hansen said after participating with the County on a few projects, if we fall below the state's 10% requirement, this will be one key element that will keep the state out of St. Charles.

Ms. Waibel asked if the City has ever spent money on this Commission. Ms. Johnson said there have been seven or eight single-family rehab projects; the City has spent approximately \$10,000 on each of them, paid for by the Housing Trust Fund. Currently we contract with Community Contacts to administer the rehab program. The County could also administer that program for us under the same intergovernmental agreement that would be in place for the Affordable Housing Fund. Mr. Dries added that may be an important detail to share that the Kane County Housing Fund deal is not exclusive. It would be a good idea to remind City Council what we have used our funding for in the past.

Ms. Tungare said as the City moves forward with the County with regards to preparing the terms of a contract, updates regarding that process will be relayed back to the Commission. Ms. Johnson added that the goal of Monday night's meeting is to get Council's feedback on this so we can move forward.

7. Additional Business

8. Future Meeting Dates

- a. Thursday, March 12, 2018 – Joint City Council-Housing Commission - (Dens A & B)**
- b. Thursday, April 12, 2018 – (Council Chambers)**
- c. Thursday, May 10, 2018 (Council Chambers)**

d. Thursday, June 14, 2018 (Council Chambers)

9. Public Comment

10. Adjournment at 8:38p.m.