

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, JUNE 16, 2016
COUNCIL COMMITTEE ROOM**

Members Present: David Amundson, Rita Payleitner, Corinne Pierog, Tom Hansen, Karrsten Goettel, Liz Eakins

Members Absent: John Hall Jr., John Glenn

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

1. Call to Order

Chairman Amundson called the meeting to order at 7:00 p.m.

2. Roll Call

Ms. Johnson called roll with five members present. There was a quorum. Ms. Pierog arrived at 7:06 p.m.

3. Approval of Agenda

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

4. Approval of Minutes from the March 17, 2016 Meeting

Chairman Amundson amended the minutes to fix a typo and to strike a comment he made on page 5, paragraph 5 regarding the Fox River Valley Initiative being controlled by an international organization, which he later found to be factually wrong.

A motion was made by Ms. Payleitner and seconded by Mr. Hansen with a unanimous voice vote to approve the March 17, 2016 meeting minutes as amended.

The Commission decided to address Item #5 Election of Officers later in the meeting after more members arrived.

6. Community Land Trust Discussion

Ms. Johnson provided an update on the Community Land Trust discussion. She said Planning & Development Committee seemed generally supportive of the concept after hearing the presentation by Betsy Lassar, the CLT Consultant, in March. Before they took formal action on whether or not to pursue the CLT feasibility study, they wanted to find out if the other three communities were interested in participating. Staff has since learned that none of those communities are interested in moving forward with the study.

Ms. Johnson said a couple of the alderman spoke with Ms. Tungare and gave direction to reexamine the scope of work for the CLT study that was proposed by the consultant, since the scope of work was based on multiple communities participating. She said the message received from Council over the last year is that Council is interested in rehabbing homes to resell them to income-eligible families, which is the goal of the CLT. In the past, the Commission has briefly discussed the possibility of doing a purchase/rehab/resale program. A CLT would not need to be created for a purchase/rehab/resale

program. She said one of the main purposes of the CLT is perpetual affordability, which is enabled by a ground lease. Similar resale restrictions could be imposed by a deed restriction on homes sold through a purchase/rehab/resale program. She said the question now is, do we want to move forward with the CLT or do we want to simplify our approach and look into doing a city program. Ms. Johnson distributed a pros and cons list of both options.

Ms. Tungare said the idea would be to start off with a program that is more manageable, acknowledging that we have a limited amount of money in the Housing Trust Fund. She said in brainstorming internally they felt it was most prudent to start with something we could get our arms around, such as a purchase/rehab/resale program. We could partner with a service provider like Community Contacts for administration of the program. This program could be put in place without too much complexity.

Ms. Johnson went over the pros and cons for both the CLT and a city purchase/rehab/resale program:

Community Land Trust

Pros:

- Provide perpetually affordable housing for low and moderate income families
 - o Through a ground lease
- Promote homeownership & wealth creation
- Preserve existing housing stock/improve neighborhoods
- Removes cost of land from price of unit
- Governance structure that is representative of the CLT residents and community
- Removed from local government political tides
- Access to grant funding sources as a non-profit organization
- Potential to expand activities/service area if other communities/organizations want to participate

Cons:

- Time/expense/complexity of establishing and running a stand-alone non-profit organization
 - o Legal matters
 - o Staffing
 - o Governing board
 - o Funding – administrative, operations & project costs
- Consultant services to help create CLT is not eligible use of Housing Trust Fund
- What happens to the units if the CLT goes under?
- Not accountable to local government; may have differing goals
- Activity limited by availability of funds in the Housing Trust Fund /other grant funding

City Purchase/Rehab/Resale Program

Pros:

- Provide perpetually affordable housing for low and moderate income families
 - o Through a deed restriction
- Promote homeownership & wealth creation
- Preserve existing housing stock/improve neighborhoods
- Program will align with City's goals
- Simpler to establish; process would be similar to SF Rehab Program
- Simpler to administer; would engage third party organization

Cons:

- Activity limited by availability of funds in the Housing Trust Fund

Chairman Amundson asked if a CLT has to be its own non-profit. Ms. Johnson said she couldn't find any examples of a city-run CLT. She put in a research request to the American Planning Association for information on this topic. The APA provided a few examples of cities being the impetus behind the

creation of CLTs, but in all of those examples the CLT spun off into a separate non-profit organization. The director at Grounded Solutions (previously the National Community Land Trust Network) who is familiar with CLTs around the country suggested that a purchase/rehab/resale program with a deed restriction instead of a CLT could be a way to accomplish a similar goal, but is more feasible for a single local government of our size.

Ms. Eakins asked if there was any feedback as to why the other communities did not want to participate in the CLT study. Ms. Tungare said the political support was not there; the affordable housing concept is such a new concept for them, and although they adopted the *Homes for a Changing Region* study, those communities are just not ready at this point to pursue the CLT idea.

Chairman Amundson asked if they would face any difficulty in giving the CLT a portion of the money in the Housing Trust Fund (HTF), or if an RFP would need to be issued. Ms. Tungare said it seems that the administration of the HTF would become more complicated because we would be setting up another entity and transferring the funds.

Ms. Pierog said a benefit of the CLT is that private donations could be made to the organization, even donation of property. She was not sure if donations to the City would be the same tax write-off. She said it could take maybe 6-8 months to formally set up the CLT.

Ms. Tungare said the CLT would likely take about 12-18 months to set up.

Ms. Johnson added that staff would need a consultant to help with the process of establishing the CLT, including legal matters. They would also need to find people who are interested in joining the CLT governing board, which would include one or more representatives from the Housing Commission.

Ms. Pierog said she likes the CLT idea but perhaps neighboring communities would be interested in partnering down the line, once we are able to test out a program.

Ms. Tungare said if we get the political support to do a purchase/rehab/resale program and get some experience and show some success, maybe some of the other communities will have a change of heart and want to partner to create a CLT, in maybe 3-5 years down the road. At that point more funds could be added to the HTF through development opportunities; then we will have more money and more experience.

Chairman Amundson asked if Kane County funds could be tapped for affordable housing rehabs, or if that would have to be initiated by a homeowner. Ms. Johnson said the County has a rehab program for homeowners, but they also do purchase/rehab/resale; they did a house in St. Charles last year. Chairman Amundson said it would be beneficial to tap into federal funds from the County to piggyback on the HTF. Ms. Johnson said she would look into that possibility.

Ms. Pierog asked how the Elgin Housing Authority is different from the St. Charles Housing Commission. Ms. Eakins said she thinks it is HUD-funded. Chairman Amundson said they get their own block grant funding directly. Mr. Hansen said that Elgin doesn't have a housing commission; the Kane County Home Commission is actually called the Kane-Elgin Home Commission and it covers the city of Elgin as well as Kane County. Ms. Pierog asked if Aurora had a program like that. Mr. Hansen said that Aurora is separate. The Kane-Elgin Home Commission gets HUD money every year (\$1 million budget) and they have various programs, such as a foreclosure renovation program.

Ms. Tungare said today staff is trying to get some consensus and direction as to whether the Housing Commission is comfortable with staff pursuing some due diligence with the purchase/rehab/resale

program. Then staff could bring back the framework of a program, with the idea of checking in with City Council at a Planning and Development Committee meeting perhaps in September.

Chairman Amundson said one of the attractions of the CLT is that the CLT owns the land, meaning that the family only pays taxes on the structure. He said he would want something in writing from Kane County or the township assessor stating that they would follow the City's formula price to determine the tax bill of a structure done through the purchase/rehab/resale program.

Ms. Pierog said that would be a conversation of interest for the School Board; many members will be supportive but with a new superintendent coming on board, it will be a conversation that needs to happen.

Ms. Tungare said only a couple of houses would be involved. Ms. Payleitner said we are also not talking tax-free. Ms. Johnson said it may be that the taxes would stay at the level they are now, before the house is rehabbed.

Ms. Pierog asked how that would work; if the tax assessment be frozen for a period and then reassessed.

Chairman Amundson said the City's resale formula would determine the street price of the house because it has to be sold to an income-eligible family for the formula price, and the formula price then becomes what the value is. He said over time that would only rise minimally because the formula is tied to median income; if that keeps trending down the way it has, the house price will not change much. Also, we are only talking about 1-3 structures out of 10,000.

Ms. Pierog said it would set a precedent and she worries that in the long term someone may wonder why those taxes are not going up. Ms. Tungare said that under the deed restriction the value would be kept at a certain level. Ms. Pierog asked if that would be done every 5 years. Chairman Amundson said it would be whatever the formula dictates. Mr. Hansen said this is not new; other communities have done this. Ms. Johnson said for the Highland Park CLT, the CLT consultant said an agreement was worked out between the CLT and the assessor.

Chairman Amundson said the School Board would lose some tax revenue compared to a house on the free market, but he feels part of the program is that everyone will have a little bit of buy-in. Mr. Pierog said she is supportive of it.

Ms. Eakins asked if the purchase/rehab/resale program would be for single-family homes only. Ms. Johnson said we would probably start with single-family to see how it goes and then adjustments could potentially be made to the program to include multi-family.

Ms. Pierog asked if there is housing stock available for the purchase/rehab/resale program. Ms. Tungare said staff has not done that due diligence yet in terms of actual feasibility. Ms. Johnson added that there are fewer foreclosures than there once were. There is also the question of how much we want to spend on a unit at the outset and how much work we want to put into it.

Ms. Pierog said multi-family housing may be more easily found. Ms. Eakins said she doesn't know of any available. Mr. Hansen said multi-family is in high demand right now as far as investment; there's more demand for that than single-family. Chairman Amundson added that multi-family structures are a much bigger scale than we have money for.

Ms. Tungare said there is no motion needed today; staff is just looking for direction to be sure everyone is on the same page and that at the next meeting they will have information from the County and the tax assessor to try to understand what is out there in terms of our housing inventory and whether there are opportunities and feasibility to actually do this. She also hopes to speak to service providers. Staff will

then bring back the information to the Commission. At that point, staff will be looking for a motion to establish a program, which would then go before City Council.

Ms. Pierog asked if staff could include the demographics of the type of family that would be eligible. Ms. Johnson said the target income level would be a decision that would have to be made by the Commission, but it could be 80% AMI which is used for the Inclusionary Housing Ordinance.

Mr. Hansen said maybe we go back to the CMAP recommendations and also include seniors, not just families. Ms. Pierog said because of her campaign she has been knocking on many doors. She gets 100% positive responses when talking about affordable housing for seniors. She also gets positive responses regarding affordable housing for young people just getting started.

Mr. Hansen shared that the old St. Charles Catholic Hospital on the east side of Aurora had sat vacant for a long time and developers have come in to convert it to affordable housing for seniors. He said in South Elgin there's a project that was finished last year called Waters Edge, which is an affordable multi-unit building. The units were immediately filled and there is a waiting list of seniors. He said there is also a new 70-unit building a block from that for seniors, so the demand seems to be there.

Chairman Amundson said without the CLT, we would miss out on the opportunity to scale up to something big for seniors or special needs. He suggested trying out the purchase/rehab/resale program as a demonstration to do 1 or 2 single-family homes to build some confidence and catch some interest from the community, and then maybe it would be the time to scale up. He said he would love if the Housing Commission were responsible for something like a Carroll Tower 2. He said doing 1 or 2 homes is a place to start, and he wants to look at it from a position of abundance, not from scarcity, and to believe the HTF will be there when we need it.

Ms. Payleitner asked if there are any groups out there that would give municipalities money for affordable housing programs like this. Chairman Amundson suggested organizations like the Ford Foundation. Ms. Johnson said she wasn't sure but would look into it.

Mr. Goettel suggested setting up a separate foundation with our own 501(c)(3). Chairman Amundson said that would bring us back to the CLT option. Ms. Tungare said the CLT is a great concept but with only one municipality doing it, it is not plausible from a practical standpoint because we do not have the resources to administer it. If we really want to do something, from a practical standpoint we have to start small.

Chairman Amundson said he is a little bit pained at laying the CLT to the side for now, but his hope is that we finally get something rolling to get a track record and then maybe look to the CLT in the future.

Ms. Pierog suggested looking into private/public funding resources like churches or Lazarus House to raise funds designated for furniture, appliances or cabinets for the purchase/rehab/resale program houses. She said once the program base gets established that leveraging could happen.

Chairman Amundson said he wouldn't rule out Habitat for Humanity as the 3rd party developer; they already know how to screen families and they can do it affordably. Ms. Johnson said she talked about this idea with Habitat and the house would have to be sold using Habitat's pricing model, which is appraised value. She said Habitat is planning a project in St. Charles now, and wonders how the pricing will work. Chairman Amundson said they may be selling at market value and the differential is buried in a 2nd or 3rd mortgage that Habitat forgives.

Ms. Eakins suggested initiating an RFP process to other entities to just provide funds and let them do what they do, instead of setting up our own strict guidelines like the deed restriction.

Mr. Hansen said he would be more drawn to a program where we lend money to somebody under a program where the funds gradually come back to us. This could be in the form of a 5-10% down payment assistance program that the homeowner pays back. There could be some kind of deed restriction attached to it. He said these programs already exist and he thinks it would be better if we lend the money, even if it's at 0% interest, but that it comes back to be recycled to use for the next project. Ms. Pierog said she likes that idea.

Chairman Amundson suggested getting in contact with someone who runs one of these programs. Mr. Goettel said that some of the residential mortgage brokers like IHDA do something like a \$10,000 down payment assistance loan with 0% interest, and if you leave within 5 years you have to pay it back.

Ms. Tungare said that would be a smaller scale program but it could be done; it is up to the Commission.

Chairman Amundson said we are not going to find a house for \$160,000 in town that we would feel decent about turning to a family without rehab. He said he would want to know more. Ms. Pierog said it should not be restricted to first-time home buyers.

Chairman Amundson said for the purchase/rehab/resale program, to him the fight will be finding the unit, getting it rehabbed, and what the subsidy will be. He said the lower we can get the subsidy the better. If Kane County could write down portions of it with federal money we can then get the amount we pay for the subsidy down so we can do more houses.

Mr. Hansen said that based on the fee in-lieu, we should make our investment \$36,000 per house, since that was the original idea for the fee in-lieu amount; that a developer pays about \$72,000 per unit which is the cost of a down payment for two affordable units.

Ms. Tungare said this was a very helpful discussion. The plan is for staff to gather information over the next couple of months and bring it back to the Commission on August 18th.

7. Additional Business

a. Change of meeting day

Ms. Johnson said Mr. Glenn suggested changing the day of the week meetings are held, since it sometimes conflicts with his HOA meetings and other members' meetings. Chairman Amundson suggested maybe the 2nd Thursday of the month. Ms. Johnson said that is a possibility, but any change would have to wait until January 1st because the meetings are already scheduled. She said this can be discussed at a future meeting.

5. Election of Officers

a. Chair

A motion was made by Ms. Pierog to elect David Amundson as Chair. Motion carried by a unanimous voice vote.

b. Vice-Chair

A motion was made by Ms. Pierog and seconded by Mr. Hansen to elect Liz Eakins as Vice-Chair. Motion carried by a unanimous voice vote.

8. Future Meeting Dates

a. Thursday, July 21, 2016- Cancelled

b. Thursday, August 18, 2016

9. Public Comment

10. Adjournment

A motion was made by Ms. Payleitner and seconded by Mr. Hansen with a unanimous voice vote to adjourn at 8:06 p.m.