

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, AUGUST 18, 2016
COUNCIL COMMITTEE ROOM**

Members Present: David Amundson, Rita Payleitner, Corinne Pierog, Tom Hansen, Liz Eakins, John Hall, Jr.

Members Absent: Karrsten Goettel, John Glenn

Others Present: Ellen Johnson, Planner
Rita Tungare, Director of Community & Economic Development
Karla McCleary, Recording Secretary

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. Mr. Hall arrived at 7:30 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 June 16, 2016 Meeting

A motion was made by Ms. Payleitner and seconded by Ms. Pierog with a unanimous voice vote to approve the June 16, 2016 meeting minutes.

5. Discussion of Housing Program Options

Ms. Johnson provided an update from the last meeting regarding a potential purchase/rehab/resale program through which foreclosures would be rehabbed and sold to families at an affordable price, as an alternative to the Community Land Trust. She said staff contacted Kane County about the possibility of partnering with the County on rehab projects in St. Charles. Josh Beck from the Kane County Office of Community Reinvestment told Ms. Johnson that the County's Foreclosure Redevelopment Program will soon be coming to a close due to funding availability and changes in the housing market. There are now fewer foreclosures in St. Charles and the few that are available are not very low cost and are picked up quickly by investors. Kane County is now looking into setting up an Affordable Housing Fund. The Affordable Housing Fund will combine funding sources to provide loans to developers of affordable housing for gap financing.

Ms. Tungare explained that Scott Berger from Kane County will be meeting with his staff this week to put the final touches on this new program. He will then contact Ms. Tungare to further discuss the program. The program should be ready to go by September.

Ms. Johnson said that Mr. Beck suggested looking into a down payment assistance program as an alternative to a purchase/rehab/resale program, which was also suggested by Mr. Hansen at the last meeting. The County has a program which offers up to \$10,000 at 0% interest to first-time homebuyers. Homes must pass inspections to be eligible for purchase. She said the City could start a similar program but not limit recipients to first-time buyers; it could be available to families or to seniors. With down payment assistance, families could get into a house that would otherwise be unaffordable to them.

Ms. Tungare stated that at the last meeting, they thought there were some opportunities to create more affordable housing with a purchase/rehab/resale program. Having completed the due diligence with regards to this possible program, staff has learned that those kinds of opportunities may not be supported by the market. She said Mr. Berger also advised that there is a limited supply of foreclosed or affordable housing units in St. Charles. Ms. Johnson provided a list of current foreclosures available for purchase in St. Charles; only a couple are low cost, one of which the County inspected and was unwilling to take on.

Ms. Tungare added that Mr. Berger indicated there is more interest with age restricted rental housing. If the City receives a proposal from a developer regarding an age restricted housing development, that kind of project could offer an opportunity for funding through the County's Affordable Housing Fund. This is the kind of effort that the County sees themselves supporting going forward.

Mr. Hansen suggested helping a developer who creates affordable units through the Inclusionary Housing Ordinance by offering their buyers down payment assistance. This would help the developer with the sale of these units, along with partnering with the County for gap financing. Mr. Hansen asked if there were any developments currently in the works that include affordable housing units.

Ms. Tungare said Prairie Center just filed their applications for the old St. Charles Mall site. A development of that size would take eight to ten years to build out and it would be built in phases.

Ms. Johnson said we are seeing smaller developments like the one that was just approved at the corner of Geneva Rd. and Mosedale St., which will consist of seven single family homes. The developer chose to pay the fee in-lieu instead of creating affordable units, which will amount to about \$25,000 for the Housing Trust Fund.

Chair Amundson said he is fine with utilizing the Housing Trust Fund for a down payment assistance program. It is a way to get a family into something they otherwise could not afford. If a family does not make enough money to purchase a decent home in town, the price would be artificially lowered and the money carries at zero percent interest. When the unit is sold, the money comes back to the City. Something would be needed that carries on the note that says the City has claim to that portion of the equity. Then that money comes back and is reinvested in the same way for another family. Chair Amundson stated that he likes the idea of revolving funds as well as assisting the buyer with the purchase. In addition, he is in favor of having the developer build the units rather than pay fee-in-lieu. If a developer can make the affordable units happen, a contribution of about \$30,000 per unit in subsidy could be offered in down payment assistance to buyers.

Ms. Pierog said to make it affordable, it would have to be under \$200,000. Ms. Johnson said 80% of the Area Median Income (AMI) is about \$60,000 for a family of four, making the affordable unit price around \$170,000.

Chair Amundson said he would like to work with a smart developer who incorporates good design and in turn, the City will offer a subsidy to that developer who will build the units instead of paying fee in-lieu. Ms. Tungare suggested perhaps offering the subsidy to the home buyer. Chair Amundson said that would not solve the problem of creating actual affordable units in the eyes of the State. However, we could get someone into a home who meets the affordability guidelines. The State's ordinance is weak and we will be able to show good faith and demonstrate that this is the reasonable thing to do.

Ms. Tungare said whatever this group chooses to do, they will demonstrate good faith and good intentions toward the creation of making a percentage of the housing stock affordable and they will be light years ahead of where other communities are. The good faith effort is critical in the eyes of the State, as well as being able to put the money that they have to use in some way.

Ms. Pierog asked when these units will be happening and what demographic they will target or be marketed to. Mr. Hansen said the potential purchasers will be eligible based on income level, not being of a particular demographic. Ms. Tungare agreed and added that all types of individuals/families would be covered and they will not preclude anyone.

Ms. Johnson said we could create a down payment assistance program that could go into effect soon, so that it is available for families in the short term as well as when new developments come up that include affordable units. Ms. Tungare suggested having a two pronged approach. The first group would consist of homebuyers purchasing existing homes, and the second group would be buyers of affordable units in new developments. Ms. Johnson said for the new developments, if there are units created through the IHO, the units have to be affordable to a family at 80% AMI; theoretically, those buyers would not need any down payment assistance in order to make the unit affordable.

Ms. Eakins asked if HUD and other State programs still offer first-time home buyer down payment assistance. Mr. Hansen stated that they still are. Ms. Eakins questioned why the Commission is considering implementing a new program that would be a duplication of something that is already in place. Ms. Tungare said Kane County only offers assistance to first time home buyers.

Ms. Eakins asked if they could offer a subsidy, after the down payment assistance is applied, to help pay down the principal that remains to lower the buyer's monthly payment. Mr. Hansen said FHA requires less than a 20% down payment. The buyer would purchase this affordable unit that the developer just built, apply for an FHA mortgage, and the Commission would offer down payment assistance at zero percent to effectively lower the amount they need to borrow from FHA, which will keep their monthly payment low. Chair Amundson further explained that a developer would create a home they would have listed for \$200,000 and a family of four with an AMI at 80% equals an affordable home at \$170,000. We would offer \$30,000 in down payment assistance and now we have made it affordable to our target family at \$140,000.

[Mr. Hall arrived to the meeting at 7:30 p.m.]

Ms. Pierog suggested assisting low or middle income seniors who are on a restricted income and cannot afford to rehab their homes. This would be a more cost effective housing option for seniors,

instead of having the state tax payer cover the cost to put them into a nursing home, where the cost would be subsidized by Medicaid. This would also allow them to stay in their homes longer.

Ms. Tungare said the only caveat to that would be the price point of the home. Ms. Johnson said the Housing Trust Fund is to be used for income eligible households. Ms. Tungare stated that it could be income or price point of the home that would have to be considered. For example, if a senior couple lived in a mega-mansion, the focus would need to be on the income. Ms. Johnson said for the Single Family Rehab Program, the maximum home value is \$271,000 to be eligible for the program, along with the income restriction.

Ms. Tungare said they could model the program on the Single Family Rehab Program, and expand it to fund accessibility improvements for seniors living in single-family homes, or townhomes/condos.

Ms. Tungare asked if the Commission would like to handle the funding for this potential senior housing program as a loan. They all agreed that they would, similar to the Single Family Rehab Program. Chair Amundson said the City would get their money back at time of the sale of the home, or transfer of the home should they pass away.

Ms. Pierog stated that a universal bathroom design adds value to a home. Ms. Johnson agreed, stating that it could also help another family down the road who would purchase the home. Mr. Hall stated that universal bathroom designs are a standard in all of the homes they build. They have a full bathroom on the first floor with enough room providing full turning radius. Ms. Pierog asked how much a full bathroom on the first floor costs and Mr. Hall said at time of new construction the cost is about \$7,500.

Ms. Tungare summarized their discussion up to this point. She said her preference would be for staff to perform due diligence and return to the next meeting with their findings regarding the two programs that were discussed tonight:

1. A down payment assistance loan program to help income-eligible home buyers.
2. A loan program to help income-eligible seniors make accessibility improvements to their homes.

Chair Amundson said that he would like to offer at least \$30,000 - \$35,000 per applicant in down payment assistance. He would like to put enough down to make a difference.

Mr. Hansen said if they set up both of these programs and get started with them, changes can be applied if needed. If we have given a few loans and discover it is going to take longer to get the money back than originally thought, we can discontinue the program for a while and do something else. He said he would rather have the money out there in the properties instead of sitting in the bank.

Ms. Payleitner asked Ms. Tungare what this group could do about getting affordable rental units in the program. Ms. Tungare said that Prairie Center is still in the very early stages and the approval process will take several months once that process is initiated. They have not yet had a conversation about whether the developer will pay fee in-lieu or provide affordable units.

Mr. Hansen suggested that this Commission develop a stance on that issue – to encourage units instead of fee in-lieu for Prairie Center. He said that would be good information for City Council to

hear. They will be hearing from all sorts of individual residents who will be saying no to any affordable units.

Ms. Tungare stated that when the time comes, the Housing Commission should forward their recommendation to the City Council. Ms. Payleitner said some Council members and citizens have already implied they are okay with age-restricted affordable units.

Ms. Tungare said good direction has been received during the meeting tonight. At the next meeting in September, staff will come back with due diligence completed and an outline of a down payment assistance program as well as a program for helping seniors. The sooner we get something off the ground, the sooner the money will be put to use. After 12 to 18 months into the programs, we can re-evaluate and make changes if needed.

Ms. Pierog asked what the organization is in St. Charles on aging. Mr. Hansen suggested Senior Services. Ms. Payleitner said they are out of Elgin. Mr. Hansen said they are a regional organization and are active with the Salvation Army in St. Charles.

Mr. Hansen asked the group how old you have to be to be considered a senior. Ms. Pierog said 67 to collect full social security. Ms. Johnson said some age restricted communities are 55 and over. Ms. Eakins said it varies by program and Senior Services has an age level that may be different than what a housing program has. Mr. Hansen suggested referring to the State of Illinois to provide the definition of a senior.

Ms. Eakins stated there will be many older people and families with kids who will never be able to afford to buy a home here. We need to somehow fit affordable rentals into the equation. Chairman Amundson and Ms. Pierog agreed with Ms. Eakins. Ms. Pierog stated that she would prefer family subsidized rental rather than purchase to buy.

6. Additional Business
a. Change of meeting day

The Commission discussed changing the meeting day so that more members can attend on a regular basis. Commissioners agreed that the second Thursday of the month would work well. Ms. Tungare said staff will look into the City's meeting calendars to make sure a meeting room is available. She said the change will not be made until after the first of the year.

7. Future Meeting Dates
a. Thursday, September 15, 2016
b. Thursday, October 20, 2016

8. Public Comment

9. Adjournment

A motion was made by Ms. Eakins and seconded by Ms. Payleitner with a unanimous voice vote to adjourn at 7:50 p.m.