

**MINUTES
CITY OF ST. CHARLES**

**JOINT MEETING OF
THE CITY COUNCIL &
ST. CHARLES HOUSING COMMISSION
MONDAY JUNE 12, 2017 – 5:45 P.M.**

City Council

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

Members Absent: None

Housing Commission

Members Present: Chair Eakins, Glenn, Hansen, Payleitner, Pierog

Members Absent: Goettel, Hall

Others Present:

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

1. Call to Order

The meeting was convened by Mayor Rogina at 5:50 P.M.

2. Roll Call

Roll was called:

City Council

Members Present: Mayor Rogina, Aldr: Stellato (5:51pm), Silkaitis, Payleitner, Lemke, Turner (5:56pm), Bancroft (6:01pm), Gaugel, Vitek, Bessner, Lewis

Members Absent:

Housing Commission

Members Present: Chair Eakins, Glenn, Hansen, Payleitner, Pierog

Members Absent: Goettel, Hall

3. Introductions

Introductions were made. Mayor Rogina noted that three Alderman (Stellato, Gaugel, Bessner) have served on the Plan Commission which an important vital link to the Housing Commission.

4. Background Information

a) History of Housing Commission

Ms. Johnson said the Housing Commission began in 2005. The St. Charles Housing Action Plan was completed that year and found that housing prices were outpacing incomes in St. Charles, identifying an affordable housing gap here in the city. That document recommended that a Housing Commission be created, as well as adoption of an Inclusionary Housing Ordinance and a Housing Trust Fund. As a result of that study the Housing Commission was established to explore policy options for increasing affordable housing in town. The Commission's first focus was to create the Inclusionary Housing Ordinance which was adopted in 2008 and has been amended overtime.

The city code includes a section on the Housing Commission which lays out the Commission's purpose:

- Preserve the existing affordable housing stock.
- Promote public awareness of the need for affordable housing.
- Encourage and guide market forces to build new homes that meet the St. Charles Housing Endorsement criteria which was adopted in 2002.
- Maintain/increase the availability of attainable/affordable housing for all members of the community by working with the private sector and major employers in the community.

There's also a section of the code which lays out the powers and duties of the Housing Commission:

- Provide policy advice to the Council regarding the Inclusionary Housing Ordinance as well as increasing, retaining and rehabilitating affordable housing.
- Coordinate with other communities, agencies and groups on affordable housing needs and issues.
- Work with developers on implementing housing programs.
- Developing new programs.
- Identifying revenue streams to create affordable housing.
- Expanding the city employer assisted housing program-which is no longer offered.
- Increase public awareness for affordable housing.

Mayor Rogina said he is focused on the recent work of the Housing Commission, as well as the function and uses of the Housing Trust Fund. Tonight he is looking for some dialogue as to how the Housing Commission, working with Council, can begin a constructive way of using those funds. Ms. Tungare said the balance of the Housing Trust Fund is closing in on \$600,000.

b) Housing Commission's recent work

Mayor Rogina said he is intrigued by the First-Time Homebuyer Downpayment Assistance Program and the amendment to the existing Home Rehab Loan Program. He asked if the City has to work hand in hand with the County, because it also states that the County does not have the First-Time Homebuyer program at the top of their priority list. Ms. Johnson said there is no requirement that we work with the County on these programs, but the County already has a Home Rehab Program in place. It makes sense for us to piggy-back on their program because homeowners would only have to apply for one program and would then be identified as being eligible for more City funding if needed. The thought for the First-Time Homebuyer program was that if the funding is already available from the County why make a family apply two separate times, to two separate organizations since our program is in-line with the

County's in terms of the target income group. Ms. Tungare said it allows us to leverage our funds more, given that we have a finite amount of money in our Housing Trust Fund. There is also an extensive amount of administrative work involved to administer these programs and this way there wouldn't be any duplication of that. Mayor Rogina asked if that would allow a first-time homebuyer to receive a grant of \$20,000; \$10,000 from the City and \$10,000 from the County, as part of their downpayment. Ms. Johnson said correct, and it would be in the form of a 0% interest loan that they would have to pay it back when the home is sold.

Mr. Hansen noted that he is on the County's Home Commission and there is a lot of time and expertise involved with handling the applications, underwriting the loans, documenting the loans, disbursements and administering any repayments that come back.

Aldr. Lewis asked how we know the County will do it for free without any administrative costs. Ms. Tungare said conversations have been had at the staff level with the County and their interest is to see this program in use; the conversations haven't had any mention of a fee. Aldr. Lewis said she is skeptical of handing over our money to another government body, because at any given time they can change their rules. Ms. Tungare said there would be an agreement in place with Kane County for this program. Attorney McGuirk said we wouldn't fund it until it was paid by the recipient. Ms. Johnson said the City would be able to review the recipients identified to be sure they are in-line with our requirements. Aldr. Lewis said according to their website it's going to be administered through a program in Elgin; how does Elgin come into play. Mr. Hansen said the Home Commission is called the Kane-Elgin Home Commission because Elgin was needed to draw the amount of funds they get from sources like HUD. They disperse a lot of money over the course of the year, this calendar year was a little over \$2.9 million in all of their programs; not just this program. By including Elgin with the County program it allowed them to qualify for more money, but they do lend all over the County. Aldr. Lewis asked if they would make the final decision as to which projects would qualify. Mr. Hansen said it's very similar to the city's Housing Commission; the Home Commission meets twice a year and the Kane County staff works up a recommendation to disperse the funds which is then discussed by the Home Commission and then goes to the County Board for final approval. Ms. Tungare said there are two separate programs, the Kane County Affordable Housing Fund exists for gap financing for development of affordable housing. If a developer comes to the table in St. Charles with an affordable housing project there's yet another opportunity outside of the downpayment assistance program which benefits first-time homebuyers.

c) Kane County Affordable Housing Fund

Ms. Johnson said the Affordable Housing Fund was started by the County about a year ago. They combined various HUD funding sources to create a combined fund where developers, both for profit and non-profit, can apply for funds to create affordable housing within the county. The County approached staff a few months ago to tell us about this fund as an opportunity for the City to partner with our Housing Trust Fund. The City could contribute Housing Trust Fund money into the County's fund and earmark that funding for projects in St. Charles. It's a way to leverage the two funds together to incentivize affordable housing in St. Charles.

Mayor Rogina said in response to Aldr. Lewis's concern about turning our money over to the County; if someone did apply from St. Charles our Trust Fund money would go to that person who is going to be living in St. Charles. Ms. Johnson said for the Home Rehab Program and Downpayment Assistance Program, those are just reviewed at the staff level at the County against the City and County requirements and then the City approves the funding to be dispersed to them. For the Affordable Housing Fund, the City would earmark a certain amount of funding, whatever the Council chooses, to provide to the Affordable Housing Fund and specify requirements that the City wants to place on use of the funds. Mr. Glenn asked if there were any financial designation at this point. Ms. Johnson said no, it's completely open ended; it's a new opportunity to get a big project done in St. Charles.

Aldr. Lewis said she was still confused; if we had two projects submitted and we really want project one versus project two, could they choose project two? Ms. Johnson said the City would still have to approve use of our money. Aldr. Lewis said the wording states that Kane-Elgin Home Commission awards financing to the projects. Ms. Johnson said that section taken from the County website doesn't take into account the City contributing any funds because we haven't done that yet. Ms. Tungare said this is hot off the press for the County; this is a concept that's been originated recently so we need to iron out the details with the County, if the two groups agree that it's something worth exploring. Aldr. Lewis said we're all leery giving to the State of Illinois because we're not sure we will get it back because things change and the County Board can make different decisions. Mayor Rogina said if we do pursue this, like Attorney McGuirk suggested, a memorandum would be put in place to be sure our residents get the money we've allocated; we haven't gotten that far yet.

Aldr. Lemke said from his experience at work Intergovernmental Agreements are hard to keep our arms around, and although he would have anxiety like Aldr. Lewis, the important thing is that we're made whole and the money to fund the program stays here.

Aldr. Payleitner said it's project specific; we're not just writing a check to the County for them to spend as they will; it's the same case for the Downpayment Assistance Program. Aldr. Lewis asked why the County would do all the work then. Aldr. Payleitner said they're doing it anyway. Mr. Hansen said for example, if Shodeen applied for the Affordable Housing Fund for the building they have earmarked for senior housing, County staff would receive the application from the developer and then give the developer a list of information needed (drawings, budget, economics, etc.) County staff does all the underwriting for the project and makes up a packet which then goes to the Home Commission for vote based on staff's recommendation. Perhaps that packet would also go to City staff for review where it would also be approved or not. Ms. Tungare said that the City has experience working with the County due to the Home Rehab Program, which began about five years, so we do have a track record. With the Downpayment Assistance Program we are starting small at \$10,000. The new Affordable Housing Fund definitely needs some more work and conversations with the County, but if the concept is acceptable to both groups it's something we can invest our time in.

5. Purpose of Housing Commission

Mayor Rogina asked if these programs in any other community or state use grants as opposed to loans. Ms. Johnson said grant programs do exist elsewhere, but the thought for us has been to recycle the money through loans instead of grants. Mayor Rogina said in speaking with members of the Housing

Commission the issue is that it's really important to the Commission to get the Housing Trust Fund going and it's been there for a while but nothing has transpired. From his perspective he'd like the end result from this meeting to be for the Housing Commission to come up with a proposal of how they would like the money spent. Aldr. Payleitner said this is it and we've tried various things. Mayor Rogina asked if it's a matter of publicity. Chair Eakins said it's a matter of economics, everything formed and started to grow in 2005. Then during the recession, there was no construction and no one was buying, so there was no need to assist someone. Now we have the reverse problem. In speaking with the County it was determined there were only about 10 properties in the city that would even qualify for downpayment assistance because our housing prices are so high. There's a limit on the value of the property we can assist with and there's a limit on the incomes for those seeking to purchase these homes and now all of the sudden we are on this huge jump start and all the properties that could have been affordable have been snatched up and now prices are extraordinarily high again. Mayor Rogina asked if these requirements are by state statute or could the numbers be fiddled with. Ms. Johnson said the numbers are by state statute; the formulas are already there.

Ms. Pierog said she read Kane County's average home price is \$275,000, but in St. Charles it's hovering around \$400,000. Mr. Glenn said it's probably \$300,000-\$350,000. Ms. Pierog said if a senior has just about paid for their home and the value has escalated beyond the value of what the home value limitation is for the Home Rehab Program, then the program will not be available to them. They may be fitting the income requirement with social security and pension, but their house may be more valuable. They can stay in the house because they pay property taxes, but cannot qualify for the program, and that's a real conundrum that we have the money to give to people but they're not eligible because their house is worth more. Mr. Glenn said that's true; based on these numbers he's not sure how you could find a place for rent for \$1,400 for a family of 7-8, or buy a home for \$209,000; not in this town. He thinks the qualifications are really tough and we should try to figure out how to build the money up and used it effectively.

Aldr. Payleitner said we are jumping ahead to the use of the Housing Trust Fund. When we talk about the purpose of the Housing Commission it's just as important to do what we can to increase the stock of affordable housing, which is not always home ownership but also rentals, and our group would like direction from Council. Mr. Glenn said we shifted focus from grants to loans because we have the money and have to give it away somehow, but we weren't successful in getting builders to build homes. Chair Eakins said plus, how the fee in lieu evolved it's going to be tough for most developers to include affordable units because it's not going to fit with the current design. Mr. Glenn said the developers and the public don't like it. Aldr. Payleitner said for a developer, it's not so much that they would, it's whether they can because legally, affordable housing has to be supplied from only the front door in and she feels it's possible for a lot of developers.

Aldr. Turner said he thinks it's going to be really hard for someone to buy a single-family home, but he's intrigued by the money to lure investors in by giving a developer money to incorporate the affordable units. Mr. Hansen said that's exactly what the County does now, but his understanding is if the City got involved also the County would provide less like \$600,000 in gap financing and the City provides maybe \$100,000. Mr. Turner said the building would look no different than anything else on the street, so then our money could be used to make the building look like everybody else's but the inside would be affordable. Mr. Hansen mentioned a senior affordable housing project happening in

Elgin and last week they made seven units “market rate units” which are not affordable; they’re just earmarked, not necessarily any different. Ms. Tungare said we could establish any criteria we want, but what it really does is for gap financing; it really subsidizes the cost between market rate unit and affordable units to not look any different from the outside.

Aldr. Bancroft said the issue we have here is the size of the development which make it very difficult to provide the housing stock from a financing standpoint and expertise standpoint. He said other large developments he’s worked on have all had their own money to make it happen. They didn’t care what the marketing side will be; they had to have the involvement of CHA and the infrastructure. So to think we could have a developer come here and give us 10% units as affordable and be able to do the deal is a big naïve on all of us. The math doesn’t work. Even if they can get it financed they may not be able to get the equity for it. Look at the reaction we received for two high-end rental properties. The minute we would talk about affordable, those people will go nuts and people are swayed by public pressure. The reality is we have a nice Inclusionary Housing Ordinance, a nice pool of money to start with, and a mechanism to increase that over time. The solution is to continue down that road, not to think we are going to get units from someone. Senior counteracts the word affordable; everybody sees their mom and Dad, and that’s a potential interesting concept and the way to get to our affordable housing done; nobody complains about it, deals get done and the math works. Aldr. Stellato said he agrees; let’s identify our market, we know millennials are renting rather than buying, so we are going after a market that’s shrinking, while the senior market is growing and is an easier sell. He said allow time for the Trust Fund to get up to that point to identify a piece of property in the community to buy, or put an incentive plan together for senior involvement to get money from the City to build senior affordable housing. Aldr. Bancroft said it will attract expertise; really good senior housing developers will look at big dollars being offered by municipalities. Aldr. Payleitner said she agrees, however why does the math not work unless it’s senior housing? Aldr. Bancroft said, because unlike other markets where you might be paying by the chunk, everything is based off of a cap rate, so if 10-20% of my income stream is depressed the whole value of the project is diminished. He said they work in Chicago due to the scale, support for the CHA and other organizations; and it’s a commitment of very wealthy individual developers who decide to give back to a community that’s been good to them.

Mr. Glenn said when you reach a certain age all you need is a small space, one level, with the necessary amenities and we don’t have anything like that here; everything is too big.

Aldr. Silkaitis said in his opinion we’re looking at this short-sighted. We build all this senior housing instead of affordable housing, and once these seniors move on there won’t be anyone to move up into this senior housing because we haven’t helped people to be able to live in St. Charles. Senior housing for the short term is great, but long term we need to help younger people stay in St. Charles because we may end up with more senior housing available than we are able to fill. Ms. Pierog said millennials will eventually want to settle down and buy. Aldr. Bancroft said millennial does not mean poor, they’re all making money. It’s a choice to not buy right now, but it’s a choice that will change more than likely once they start having kids. But until we start showing appreciation in housing, no one is going to buy, everything is frozen right now because we are stuck in our houses because they haven’t appreciated, and nothing is going to change until that happens. Aldr. Stellato said he read that the recession we experienced was so bad it scared an entire generation, so they are waiting.

6. Use of Housing Trust Fund

Mayor Rogina mentioned the following programs: First-Time Homeowner Downpayment Assistance Program, Rehab Program, and gap financing to developers (Kane County Affordable Housing Fund) and suggested that the charge of the Housing Commission over the next meeting or two, before another joint meeting, be to decide what programs we want to do. Let's develop a plan, make some recommendations and go from there. Aldr. Payleitner said the ball is already rolling on two of those. Mayor Rogina said they are and it's a matter of the City publicizing those, but we also only have a certain number of places that qualify. Aldr. Payleitner said we double the value by working with the County. Mr. Glenn suggested getting someone from Arlington Heights in to talk to the Commission to see how it's done, because they have a good track record with their senior housing.

Ms. Pierog said there are approximately 700 seniors in the township living here right now in poverty and cannot afford this program. Maybe there's a grant we can give a certain amount of seniors to stay in place, rather than replenishment; they need assistance. Aldr. Lewis said there are a lot of seniors in homes who wouldn't qualify for this, but also do not have the income to stay there, pay the taxes, or make the repairs to their homes, but they are self-sufficient and she's not sure how to solve that problem, but they need help. Ms. Pierog said it's a financial investment the City is making. It's not a subsidy or a handout, but a helping hand. Mr. Hansen said those are low income individuals, whether senior or not, they could be living in a \$400,000 home but cannot afford to live in that house any longer, even if they don't have any debt against them. Where we can help is to provide low income/affordable housing to those individuals, but he doesn't see helping them stay in their house, that's not the solution. Ms. Pierog said that's making economic assumptions, we don't know their income, but if the appraised value was on their last sale and they have a senior exemption, they may be able to squeak by, but can't afford putting on a new roof or new furnace. Mr. Glenn said the last thing seniors want to do is move out of their house and the aging-in-place industry is going to be a big trend.

Mayor Rogina suggested the Housing Commission work with staff to bring outside assistance in to develop some models over the next couple meetings and we can reconvene again later in the summer or early fall for another discussion.

Chair Eakins shared a final thought: when encouraging developers to come in, \$575,000 is not insignificant, but when we talk about the cost of putting together a building of significance it's a drop in the bucket, so for this fund to have impact the impact we desire, it needs to grow. Aldr. Lewis asked if developers would still be charged a fee in lieu for affordable housing. Aldr. Payleitner said we have to be careful otherwise they'll go to a town where they don't have that. Mayor Rogina said that's competition in the market place, and we haven't even scratched that surface. Mr. Glenn said we're the only town around having this discussion. Mayor Rogina said we're proud of that but it also works against us sometimes as well.

Ms. Tungare said the July and August Housing Commission meetings would be used to come up with some information and once we have something to share we can schedule another joint meeting. Mayor Rogina suggested September at the latest.

7. Additional Business

8. Public Comment- None.

9. Adjournment at 6:55 pm