

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, SEPTEMBER 15, 2011**

Members Present: Holler arrived at 7:25PM, Amundson, Payleitner, Eakins, Hall, Henningson, and Goettel

Members Absent: None

Others Present: Matthew O'Rourke, Rita Tungare, Russell Colby, Corinne Pierog-Dist. 303 Board Member, Henry S. Stillwell III - Rathje & Woodward, LLC, Moises Cukierman – Lexington Homes, and Vanessa Bell-Lasota

1. Opening of Meeting

The meeting was convened by Vice Chair Amundson at 7:00 p.m.

2. Roll Call

3. Approval of Agenda

A Motion was made by member Hall and Seconded by Goettel to approve the Agenda. Motion carried. – Voice Vote.

4. Approval of Minutes from July 21, 2011

Payleitner asked for a change to paragraph 3 of page 3. There was a typo listed in this section.

Motioned by Payleitner, to approve the minutes with the requested change to paragraph 3 of page 3, and seconded by Eakins to the July 21, 2011 minutes. Motion carried – Voice Vote.

5. Discussion Items

A. Lexington PUD Proposal

Vice. Chair Amundson asked Staff to explain the Staff Memo that was sent to the Housing Commission regarding the Lexington Club PUD proposed Development.

O'Rourke explained that Staff distributed a brief summary of the current development and previous iterations. O'Rourke went on to explain that the applicant has reduced the total number of proposed units and that the applicant has requested as a deviation through the PUD to not construct any of the required affordable housing units. Tungare stated that Staff offered the applicant the opportunity to discuss this proposal with the Commission, but that this request does not require a formal recommendation from the Housing Commission, and that the ultimate authority to grant the deviation rests with the City Council. Tungare stated that any suggested recommendations from the Housing Commission would be forwarded to the Plan Commission and be entered as part of the Public Hearing Process.

Hank Stillwell briefly described the history of the proposed project and how the project has evolved over the last three years. He also stated that from the beginning the plan was to comply with the Inclusionary Housing Ordinance. However, since that time the financial constraints due to the environmental clean-up, blighted conditions, and restrictions of eligible TIF expenditures as requested by School District 303, have made it not possible to provide the required affordable units.

Stillwell stated that this situation is a singular non-precedent setting, extraordinary circumstance due to environmental remediation and site clean-up that would justify the deviation from the affordable housing mandate. He further stated that the project does focus on meeting City goals and policy objectives as expressed in the Comprehensive Plan Amendment for this site, and that there is a legitimate public interest on the part of the City by having the environmental issues addressed.

At that point Stillwell concluded his summary and asked for any questions or comments from the Housing Commission.

Vice Chair Amundson asked for a basic summary/clarification of how a Tax Increment Financing District (TIF) works especially a pay as you go TIF. Stillwell explained the basic mechanics of a TIF and that there are two types of financing. The City can sell bonds that are backed by the expected TIF increment, or do a "pay as you go" TIF. They are utilizing a "pay as you go" TIF which means, the City does not sell any bonds. With a "pay as you go" TIF the developer typically pays most of the upfront costs through private bank financing that is tied to the increment revenue that accumulates over the term of the TIF.

Cukierman added that with a "pay as you go" TIF all the risk is assumed by the developer and that the City does not bear any of the financial risk.

Chair Holler Joined the meeting.

Chair Holler asked about the projected price range of the housing units. Cukierman explained that they are using projected prices assuming market conditions two years from now. He further explained that there are a range of home types and sizes and that the townhomes would be priced from \$240,000 to \$270,000 and the single-family homes would be priced at \$390,000 to \$420,000.

Chair Holler asked how long the predicted build-out of the project is. Cukierman stated that it is projected at 52 months.

Chair Holler asked if the applicant has spoken to any local entities, and mentioned the Kane County Down Payment Assistance Program as an example, to help off-set some of the construction cost. Cukierman asked if this was a direct subsidy to the buyer. Chair Holler stated that it was. Cukierman explained that does not help him offset the cost of constructing the unit. Chair Holler stated that these funds might be able to be used as an offset at the front end to offset construction costs and have the mortgage amount lowered as a result.

Stillwell asked if the first home purchaser would then get the benefit at a later date of the full market value of the unit at the time of sale. O'Rourke explained that through the provisions of the Inclusionary Housing Ordinance, that the original purchaser would be required to sell the home at the published affordable level for a period of seven years. After that the home could be sold at market rate. However, the difference between the original purchase price and the sale price would actually be placed in the City's Housing Trust Fund.

Chair Holler also stated that there is a joint Kane County-City of Elgin program that is available to help assist with the financing of affordable units, and that the applicant would have to sit down with Kane County and see if they can finance the affordable units this way. O'Rourke stated that his understanding was that this program was only for rental units. Chair Holler stated that they have a for-sale program as well.

Stillwell pointed out that their purpose tonight was to present the project as it relates to the waiver and get input based on the uniqueness of the site, and if based on the discussion that they could also incorporate seeking alternative funding sources as part of the recommendation. Chair Holler stated that they could state best efforts. Tungare iterated that this could be a good resource and that they could work on alternative finance mechanisms for the affordable units during the entire build-out of the project. Cukierman stated that he would not feel comfortable with the approval of the project being tied to securing any affordable unit alternative funding.

Vice Chair Amundson asked if they had looked into the possibility of partnering with a non-profit such as habitat for humanity. A lot could be sold to that entity at a market rate and the applicant could write-off the differential. Stillwell stated that the applicant had discussed this with one non-profit party and that the prices just did not work out. Cukierman iterated that the value they could afford to pay for the land just did not amount to enough to offset the loss of a market rate unit.

Chair Holler mentioned the idea of using Kane County rental money and asked if some units could be turned into rentals? Stillwell stated that they have been working on the unit count and density for some time and did not see the ability to begin changing those totals. Cukierman restated that they could not delay the approval process any longer, but is more than willing to use their best efforts.

Pierog stated that she felt the political dynamics in Kane County are changing. Pierog asked about the length of the TIF. Cukierman stated that is a total of 23 years.

Eakins stated that she can appreciate the difficulties of the site, but also stated that the Housing Commission has always worked to maintain the affordable housing stock. She also feels that a development not providing any affordable units or fee-in-lieu would set a precedent and is not in the spirit of the Housing Commission goals.

Henningson asked if the fee-in-lieu amount would be better than providing the units at subsidized price. Cukierman stated that the fee-in-lieu was actually worse in terms of financial impact.

Hall stated that he also understands that the site is a challenge and that as a housing builder himself, he can appreciate the difficult situation that the current economy has created, but that he believes in the goals of the Inclusionary Housing Ordinance and also worries about setting a precedent. He is particularly worried about setting the precedent that the Planned Unit Development (PUD) is a means so get around the ordinance. Hall stated that he supports Chair Holler's idea of having the applicant talk to Kane County and other financing methods to build affordable units or creating an affordable housing recapture so that, should the market go up, then a fee-in-lieu would kick in at some point. Cukierman stated that he would be unsure as to what price-point would be appropriate. Hall did state that there would be a lot of logistics and it would be hard to work out. Stillwell stated that this could affect the financing at the front end since there would be more assumed risk and that would make it harder to get the initial financing. Cukierman reiterated that he is basing the sale prices on expected increases in the market, and there really is no wiggle room in the financing.

Hall asked what the total TIF amount is. Stillwell stated it is \$4.96 Million. Hall asked what the price of the property was. Cukierman stated it was \$3.85 Million. Hall asked what the total costs of improvements are. Stillwell stated that the bottom line is that the TIF has three line items that the School District was in favor of, and that cost was \$6.5 Million. The max amount of the TIF to be approved is \$4.96 Million.

Goettel stated that he also understands the applicant's position, but agrees that since this is really the first project to come in under the Inclusionary Ordinance requirements that this request is a hard pill to swallow. He further stated that he understands that there are different City policy goals and that successful development of the site does fulfill those goals and can see the rationale of the applicant. Goettel would suggest that they be in favor of their request but it would include strong language regarding the applicant setting forth their best efforts to obtain affordable housing funding in the years to come.

Payleitner stated that she agreed with Goettel. She further stated that this property being developed is in the best interest of the City. She would like to see a strong recommendation that the applicant pursue alternative funding, but feels that this property is unique enough to not set a precedent.

Vice Chair Amundson stated that he is a little surprised that he does feel that there are some compelling reasons to establish a waiver. He also stated that he feels that seeing the first major project to come through ask for this waiver is saddening. He also stated as a neighbor of this property he feels that his neighbors are not interested in seeing the property developed in this fashion.

Vice Chair Amundson also stated that he is a little wary of the stated gap of \$30,000 to \$40,000 per unit if building permit fees are waived, he feels that the total gap should be between \$500,000 and \$700,000 not \$1.25 Million. Cukierman stated that he is talking about moving averages for the homes, and that the impact is \$1.25 to \$1.5 Million based on all the market factors, but feels those figures accurately reflect the gap created by providing the affordable housing.

Stillwell stated that their goal was not to discuss the amounts, but to state that there is no financing coverage for the affordable housing through the TIF.

Chair Holler asked if this project was just being rezoned to straight residential, where would they be with the zoning. Colby stated that the overall density is 6.0 units per acre and the Comprehensive Plan amendment stated a range of 2.5 to 6.5 units per acre. Chair Holler stated that one of the provisions of the Inclusionary Housing Ordinance was to increase the density. Stillwell stated the units were set based on feedback during the concept plan phase and was not taking advantage of the affordable housing density bonus.

Chair Holler public private partnerships are meant to be on an ongoing basis and that she is not comfortable just saying there should be no affordable units on the site without at least an effort. Chair Holler stated that she is proposing that the applicant and the Commission work together over the next 5 years to try and secure some affordable housing on the site. She is not suggesting that the applicant craft something today and sign it, what she is suggesting is that they put some cornerstone guidelines in place to guide that relationship. Cukierman agreed that they would be willing to look at funding sources.

Chair Holler asked where the project was at in terms of the process. Colby stated that the public hearings in front of the Plan Commission are scheduled to begin next week, and it is anticipated to go before the Planning & Development Committee within a few months. He stated that there would be input and negotiation in front of the City Council early next year. Tungare stated that the project is at the beginning of a six month process. Chair Holler stated that she is not stating that they should not move on, but felt that the Commission's opinion would be considered by Council.

Chair Holler summarized that based on the feedback of the Commission, that there is agreement that there are unique circumstances with regards to the site. The Commission would like to put on paper some guidelines with the applicant that summarize how the applicant can work with the Commission during the next five years to find funding to provide affordable housing on the site; essentially, to establish a basic framework to move forward with. Tungare added that the applicant could take the next 30 days for so to do some legwork. Chair Holler stated she would want to see that the applicant keep asking for funding during the entire construction phase of the project. There is a list of tangible things that the applicant can do, even if they get told no repeatedly, but that at least the chance to create affordable units exists.

Stillwell stated that that sounded like a reasonable request. Cukierman agreed so long as the program is not a direct subsidy to the buyer. Chair Holler reiterated that there are many funding opportunities that come out over time, but that the applicant should be devoting significant staff time to finding, researching, and applying for these resources.

Stillwell suggested that the applicant work with Staff to identify a list of opportunities, so long as it is a zero sum gain. Chair Holler stated that it would not be zero-sum, since there would be a significant amount of the applicant's staff time devoted to this effort.

Vice Chair Amundson asked if the amount of the TIF could be adjusted could they provide

affordable housing units. Stillwell replied that rolling the affordable housing was not an option based on the feedback from the School District.

Payleitner asked if the only way to increase the Housing Trust Funds is through the fee-in-lieu or are there other ways. Chair Holler stated that there are other ways to create affordable housing but as far as the Housing Trust Funds is concerned there is money and some of that is obligated. O'Rourke stated there is no amount obligated to the Single-Family Rehab Program, but there is a bottom number limit of \$50,000. Tungare stated that the HTF has not been added to in years and there are no projected increases.

Chair Holler stated that they could look at a match if County funding is procured. O'Rourke stated that those are great suggestions and a conversation that they should have, but that purpose of tonight's meeting is to review the applicant's proposal.

Chair Holler summarized the recommendation of the Housing Commission as follows:

- The Commission believes that given the uniqueness of the site, a compelling argument can be made for such a request.
- The Commission sees development of the property as a community benefit.
- The Commission is concerned that granting the request could set precedent for other projects and still believes the development team could do more to try to achieve the required affordable units at the site.
- Given the unique site characteristics, the Commission recommends a one-time solution which allows this project to move forward while recognizing a mutual commitment to affordable housing goals. The Commission will recommend to the City Council that a document and an accountability mechanism be put in place which insures the applicant will work in good faith and make best efforts to find other revenue sources during the course of the projected 52-month construction period that will allow units within the development to be offered at an affordable price. A document will be put together which lists these best faith efforts, which will include applications for government funding and other creative solutions. The developer will need to meet with the Housing Commission to review these best efforts periodically or risk accountability provisions yet to be drafted in the form of a Memorandum of Understanding.

Stillwell stated he felt this was a good resolution and would be happy to work to find other revenue sources and work in good faith with the Commission and Staff. Hall iterated that he felt this was a good starting point and could serve as a model.

Chair Holler asked for a motion, Liz Eakins suggested should there be a set timeline for the group to check back in. Chair Holler stated that there should definitely be a once a year timeline to check in.

Peirog asked who would be in charge of finding those resources. Tungare stated that it should be the developer's obligation. Cukierman stated that he would need direction as he is not familiar with these funding sources and would need to follow someone else's lead. Stillwell stated that there would need to be an initial list generated, and the developer can do that, and they can meet with the Housing Commission and can add to that list as the project moves forward.

Chair Holler stated that the Commission is available to support the applicant and point them in the right direction.

Stillwell stated they are willing to do this, but would like to wait until they ensure there is a viable project before they spend a lot of resources generating the list. His thought would be to ensure that the entitlements are in place.

Chair Holler asked if there should be a motion. Tungare stated that a formal recommendation is not required but Staff will summarize this feedback and include it in the Staff materials. Chair Holler asked if the summary would be sent around to check. Tungare stated that the packets had to go out by 10:00 AM the next day. Henningson suggested that Chair Holler review the summary before it is finalized in the packet. Chair Holler agreed that she would be available to do that.

Stillwell stated he appreciated the Commission's openness and creativeness in working with them on the project.

6. Election Of Officers

O'Rourke stated that this had been postponed in the past. O'Rourke confirmed that Steve Waeghe has changed positions with his employer and will no longer be able to serve on the Commission.

Chair Holler stated that due to her time constraints with work she was worried about still serving as the Chair and feels it is good to rotate the Chairperson. O'Rourke suggested that since the current term is about halfway done that the officers be kept the same for the remainder of the year while the new members get up to speed and then have the regular scheduled elections in May of 2012.

Chair Holler asked how the Commission felt about that suggestion. The Commission generally agreed with Staff's suggestion. Chair Holler suggested making sure they spend some time succession planning. Chair Holler suggested for the next meeting they do some succession planning as an agenda item.

O'Rourke asked if there was a nomination for the Chairperson.

A motion was made by Amundson and seconded by Goettel that Cindy Holler be nominated for Chairperson for the 2011 – 2012 Fiscal Year.

Voice Vote – Motion Carried

A motion was made by Holler and seconded by Hall that David Amundson be nominated for Vice Chairperson for the 2011 – 2012 Fiscal Year.

Voice Vote – Motion Carried

7. Additional Business

Eakins asked if there was now an opening on the Commission. O'Rourke stated that there was. Pierog asked what kind of person they would be interested in having on the Commission. O'Rourke stated that Steve's role on the Commission was as a representative of the business community; in particular, the financial community and that someone with similar experience would be beneficial.

Chair Holler suggested the name Juliana Heckle and asked if she worked in the area. O'Rourke stated as long as she worked in the area it would be similar to Steve's role.

O'Rourke also stated that if someone in the Community had a unique skill set or perspective regarding affordable housing that that would also be beneficial. Hall agreed that that would be very beneficial.

Amundson asked if they could get a student such as a college student. O'Rourke stated that that could be tricky.

Pierog stated that having a homeowner who is a beneficiary of affordable housing could be beneficial. Vice Chair Amundson agreed that that would be a beneficial perspective. Eakins stated that she could put some thought into that and see if she knows anyone.

Hall suggested following up on the previous discussion with regards to the PUD waiver request from Lexington Homes, and was surprised that the first waiver request came so quick.

O'Rourke stated there are some unique aspects with regards to the public process and the fact that the density was more formalized.

Chair Holler suggested that the commission spend a few moments articulating the rationale for the recommendation that was formulated regarding the Lexington proposal. O'Rourke stated that it would not be the best idea to have that discussion without the applicant present.

Chair Holler asked why it was not seen as appropriate to discuss the project internally as long as the minutes were made available. O'Rourke explained that since it is a public meeting that anyone has the right to attend, and since the applicant had already left they are not aware of any further discussions.

Chair Holler asked about executive sessions of the City Council. O'Rourke stated that those sessions are limited in terms of the type of items that can be discussed such as personnel issues and pending litigation. Those meetings are not a catch-all for anything the Council would like to discuss in private; in fact they are restricted from doing so.

Vanessa Bell-Lasota stated that she was there to see the proposal and to inform the Commission about the Neighborhood Assistance Community Action, it was pioneered by Bruce Marks to

create home save and home dream tours. It is a program dedicated to creating affordable housing opportunities by negotiating new loans on the spot. This is an idea that could be put on the resource list.

Chair Holler stated that a future agenda items should be the idea of creating a funding and other resource list.

Pierog suggests looking at the artist housing in Elgin. O'Rourke stated that that project did utilize the Rental Subsidy Program that was referenced earlier in the meeting.

O'Rourke stated that he is working on getting the township assessor data to for the update and that he plans on presenting some of the information at the November meeting.

Hall suggested some concentration on marketing.

8. Next Meeting (October 20, 2011)

Motion made by Hall and seconded by Goettel to adjourn.
Voice Vote – Motion Carried

9. Meeting adjourned at 9:15 p.m.