

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, MAY 17, 2012**

Members Present: Holler, Amundson, Payleitner, Hanson, Hall, Henningson, and Eakins

Members Absent: Goettel and Pierog

Others Present: Matthew O'Rourke and Jack Hazel

1. Opening of Meeting

The meeting was convened by Chair Holler at 7:05 p.m.

2. Roll Call

Member Hall arrived at 7:24p.m.

3. Approval of Agenda

A motion was made by member Amundson and Seconded by Eakins to approve the Agenda. Motion carried. – Voice Vote.

4. Approval of Minutes from April 26, 2012

Vice Chair Amundson asked for a few minor changes to the minutes.

Motioned by Amundson and seconded by Payleitner to approve with the minutes with the corrections of the April 26, 2012 minutes. Motion carried – Voice Vote.

5. Discussion Items

A. Inclusionary Housing – Proposed Amendment Provisions

Chair Holler recapped the discussion regarding the April 26, 2012 meeting and the options were discussed, with the City's legal counsel present, to amend the Inclusionary Housing Ordinance to incorporate an alternative avenue to provide affordable units when there is a financial or physical hardship on the development site.

O'Rourke began the discussion by briefly describing the Staff Memo. He explained that the Memo details the proposed amendments and includes the items/revisions that were discussed at the April 26, 2012 meeting. He further explained that the revisions add more specific criteria to the originally crafted more general version of the standards. In particular, O'Rourke highlighted the new requirement for the developer to submit an inspection report to Staff before any rehabilitation work on a foreclosed home is commenced. O'Rourke also stated that Staff's intention is to present these potential amendments to the Planning and Development Committee at the June meeting.

Henningson asked if this is the version that will be presented to the Committee. O'Rourke stated that this is the version he intends to present except for any modifications that result from the current meeting's discussions.

Eakins stated that she feels the proposed amendments are very reflective of the Commission's discussions and thanked Chairman Holler for her leadership and Staff for their hard work. Chair Holler reiterated her appreciation for Staff's hard work.

Hansen asked how Staff came up with the 15% financial threshold for considering the waiver. O'Rourke stated that this was Staff's best guess based on past experience. The idea was to capture at what point the developer would not expect a reasonable return on the development. Chair Holler stated that she would think 15% is about where a developer would be losing their contingency. Vice Chair Amundson agreed that he felt this number was not too onerous.

Vice Chair Amundson asked are there any defining characteristics that would be considered a hardship? O'Rourke stated from Staff's perspective, items would consist of environmental impacts, not items like knocking down and existing house or what would be considered part of the normal and orderly development of a property. O'Rourke further stated that it will have to be handled on a case by case basis and that it is hard to identify all potential hardship in an ordinance like this one. O'Rourke also stated that this amendment is crafted to have the developer prove they have a hardship by submitting a financial pro-forma, which places the burden squarely on the developer to prove that they are in need of this alternative process.

Vice Chair Amundson wanted to ensure that the proposed ordinance does not permit developers to add a bunch or regular development expenses such as remove trees and topsoil to be considered a hardship. Chair Holler added that in these cases where a hard to develop piece of land is being developed and some affordable housing units get constructed is a win-win. Hansen stated that these developers will be constructing the affordable units, and this gives them a way to accomplish this goal and be provided some relief for taking on a hard to develop property. Chair Holler also stated that she would not want the ordinance to get to a point in which it is starting to micro-manage the project and at some point this should be left to the judgment at Staff. Vice Chair Amundson wanted to make sure there are adequate provisions to ensure that all developers can't claim a hardship.

Hazel asked who would be performing the home inspection. O'Rourke stated that the idea would be a 3rd party inspection company. O'Rourke stated that he could clarify that better in the final version.

Vice Chair Amundson asked Hall if 15% of the development costs not including purchase price was adequate. Hall stated that 15% of the total project cost for a large development is a lot of money and developers might not ever get to that number. He stated in the current economy the margins for the financing are very tight. Chair Holler asked Hall if he thought the proposed hardship is too high. Hall stated that not considering the purchase price of the property is hard for him to support since this is such a large part of the project cost. Vice Chair Amundson agreed that purchase price could be included as part of the hardship estimate. Chair Holler stated that this would make it easy for developers to just change the purchase price

of the property. Hall would recommend that the percentage be reduced to 10% and include the purchase price as part of figuring out the hardship. Chair Holler agreed that the proposal should be 10% of the total cost and purchase price of the development. Chair Holler polled the Commission to see if they were in favor of the change. The Commission agreed. O'Rourke reiterated that normal and orderly development will still be included and that Staff and the development community know what those items are.

Vice Chair Amundson stated the amount of time a home is required to be affordable does not make a difference to the developer. He felt that in exchange for the reduction in required affordable units that the affordability time period is extended automatically. Chair Holler disagreed that this period has no effect on the developer; she stated that it does affect marketability of the unit and could potentially affect the future property owners negatively. Vice Chair Amundson asked what if we looked at a shared equity model in which the homeowner earns a greater proportion of the home's equity the longer they reside in the home. Chair Holler asked for clarification if that the idea was discussed or incorporated into the Inclusionary Housing Ordinance. O'Rourke stated that it was discussed, but was ultimately left out of the ordinance. His recollection was that the Council did not want the affordability period to be too long and the thought at the time was why the property owner should be allowed to take the windfall of increased profits. Chair Holler also stated that the grant programs require longer affordability periods and lower incomes, so the Commission should let the other layers of government handle that.

Vice Chair Amundson asked about the external funding source provisions and that it should state that they have to apply for the funding source once every calendar year and not funding cycle. O'Rourke stated that some grants have application periods more frequently than on a yearly basis. O'Rourke stated that the onus is still on the developer to tell Staff what their plan is to apply for the grants. Chair Holler stated that these funding cycles are well known to the government entities.

Hall asked what would happen if a developer begins a project and then goes bankrupt. O'Rourke stated that there still would be an agreement that is part of the project approvals that would have to be met by the new property owner/developer.

Vice Chair Amundson asked that the words "lower than" be added to the sections of the amendment that states what the purchase price of the units should be.

Vice Chair Amundson asked about the language that asks the developer to identify their hardship that it be required for the pro-forma to be created by a 3rd party. Chair Holler was not sure that having a 3rd part put together a pro-forma would mitigate the concerns raised of how developers calculate their hardship. O'Rourke stated that developers do overestimate certain expenses to help cover contingencies or unknown/unforeseen issues. Hall stated in his experience engineer's estimates are not usually exactly right, but often need to be readjusted.

Chair Holler reiterated that there is going to be a Staff management component to this process, she would hesitate from trying to make the ordinance amendment so specific it limits Staff's ability to use their best judgment.

Vice Chair Amundson stated that the standards for required repairs for rehabs should be strengthened. He would like windows, doors, roofs, and gutters to automatically be included in this inspection/report. If there are any missing appliances those should be noted. His concern is that a person will purchase the home and not have the funds to make any large repairs. He stated that the major systems would need to have a reasonable service life. Chair Holler asked what is considered reasonable. Vice Chair Amundson stated his opinion would be 10 years. O'Rourke stated maybe 7 since that is the affordability time frame. Hansen asked how anybody would be able to estimate what the remaining useful expected life is for these items. O'Rourke stated that he was not able to find any standards to rely on. Hall asked about Habitat for Humanity's standards. O'Rourke stated the he looked at those and the standards used by HUD. He said they only identify standards for items that are in need of repair, they don't have anything for items that might need to be repaired.

O'Rourke stated that he is uncomfortable with any standards that rely on Staff having to make a judgment as to how long any major systems could or could not last; these types of standards are not enforceable. Payleitner stated that when her family bought their first home they had to go through this process and figure out how long the system could last. Chair Holler stated that at some point we want the potential homeowners to share some of the burden themselves and that the City can't do all their due diligence for them. She stated that we could require that the potential purchaser to submit their home inspection to the City so everyone knows there is no chance for hiding any issues. Hall stated why not just require that the developer has to have a home inspection performed and furnish the City with a copy. O'Rourke stated that this is how the ordinance amendment is currently written. Hall stated that there is a fine line between how much we can require and expect from Staff. O'Rourke summarized that the developer will have to get an inspection and provide a copy to the City and to the potential homeowner.

O'Rourke asked that the Commission make a formal motion to forward these potential amendments to the Planning & Development committee for discussion.

A motion was made by Amundson and seconded by Eakins to forward the proposed amendments to the Planning & Development Committee for discussion only.

Motion carried – Voice Vote.

B. Draft of 2011-12 Affordable Housing Update

O'Rourke briefly described the results of the 2012 St. Charles Housing Market Affordability snap shot. In general he stated that the total number of affordable units increased from 16.3% to 18.1%.

Vice Chair Amundson asked what the interest rate was used to calculate the affordable

housing price. O'Rourke stated that the formula he used has it at 5.5%. He used the methodology from the original 2004 study and this was the assumption made by the University of Illinois Chicago. O'Rourke stated the he kept this number consistent which helps to provide consistent data on a yearly basis.

Chair Holler stated that there has been an approximate 30% drop in median home sales price since 2006 and only a 1.8% increase in the number of affordable units.

C. Opportunity to Participate in an Inter Jurisdictional – Housing Study (Discussion Only)

O'Rourke stated that Dick Untch, the Community Development Director from Geneva, was organizing an application for a Local Technical Assistance Grant from the Chicago Metropolitan Agency for Planning to conduct a housing needs study. O'Rourke wanted to briefly mention that Untch has asked if St. Charles would be interested in participating. O'Rourke further stated he his mentioning this to see if the Housing Commission would like to advocate if they feel St. Charles should participate.

The Housing Commission generally agreed that they would like to explore participation in this study.

6. Election of Officers

This item was tabled until the next meeting.

7. Additional Business

There was none.

8. Next Meeting Dates (July 19, 2012)

It was decided that they next meeting should be held on July 19, 2012

9. Meeting adjourned at 8:36 p.m.

Motion made by Hall and seconded by Amundson to adjourn.

Voice Vote – Motion Carried