

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, AUGUST 16, 2012**

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

Members Absent: None

Others Present: Matthew O'Rourke and Russell Colby

1. Opening of Meeting

The meeting was convened by Chair Holler at 7:12 p.m.

2. Roll Call

3. Approval of Agenda

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

4. Approval of Minutes from May 17, 2012

Motioned by Hall and seconded by Amundson to approve with the minutes of the May 17, 2012 minutes. Motion carried – Voice Vote.

5. Discussion Items

A. Inclusionary Housing Ordinance Proposed Amendments – Planning & Development Committee Comments

O'Rourke described the conversation that took place at the August 13, 2012 Planning & Development Committee meeting regarding the proposed Inclusionary Housing Ordinance Amendments. O'Rourke stated that he presented the amendment the Commission had been working on since last October. He stated that the proposed amendments were generally well received.

O'Rourke described the Corporate Reserve Multi-Family Development and that the Committee is in the process of reviewing that proposal. O'Rourke stated that the developer has asked for a waiver from the affordable housing requirements, and originally proposed a contribution of \$50,000 to the Housing Trust Fund. O'Rourke stated that after the applicant received comments from the Planning & Development Committee in July they changed their proposed contribution to \$1,300,000.

O'Rourke stated that considering the Corporate Reserve and Lexington Club proposals as a backdrop, that the Committee also indicated the need to discuss other possible amendments to the Inclusionary Housing Ordinance. Their preference would be to not negotiate each project on a case by case basis. The members of the Planning & Development Committee stated that their desire would be to have an ordinance that can adjust to the economy and to the percentage of affordable housing existing in St. Charles. The particular items discussed were as follows:

- Have a Joint Meeting between the Housing Commission and Planning and Development Committee.
- Examine the possibility of a sliding scale in the Inclusionary Housing Ordinance to adjust to the percentage of affordable housing existing in the City at any given time.

Payleitner stated the Committee's desire to hear what the Housing Commission has to say as the experts on the subject. She also mentioned that there was some confusion on how the Housing Trust Fund works and how those funds can be distributed. Henningson stated that there was a direct question about how much money was in the trust fund. He stated that in his opinion, he feels that the Council has an expectation that the funds be put to use. O'Rourke stated that he thought the question regarding the funds was directed more towards the Corporate Reserve proposal and not the existing Housing Trust Fund. Henningson also mentioned that Chairman Carrigan expressed his desire to see units built as opposed to fee-in-lieu contributions.

Chair Holler summarized that there are 3 following issues to be discussed:

1. Setting up a joint meeting with the alderman.
2. Possible Amendments to the Inclusionary Housing Ordinance to incorporate more flexibility.
3. Possible ideas to utilize the Housing Trust Fund.

Meeting with the Planning & Development Committee:

Chair Holler stated that in her opinion it would be hard to brainstorm ideas during a more formal Council Committee meeting as opposed to a less formal meeting such as a retreat. She stated that it would be her intention to have this type of discussion not at a Committee meeting in order to encourage true brainstorming. O'Rourke did state that any meeting would have to be posted as a public meeting. The Housing Commission generally agreed that a less formal setting would be preferable.

Possible Amendment to the Inclusionary Housing Ordinance:

Chair Holler began the discussion by stating that she understands the desire of the Council and Commission to not want to negotiate with every developer. She further stated that Staff would need clear direction through the ordinance. Chair Holler said one way to help mitigate this would be to have a Housing Expert/Consultant on retainer that can evaluate the economics and feasibility of creating affordable housing units for each development. This consultant could create a recommendation for each project and determine just how many units could be built onsite based on the developer's financials and standards determined by the

Commission and City Council. She also stated that there are employees of the Metropolitan Planning Council that specialized in these types of review. Pierog asked if this expert could be used to create the data that City Council would use to examine proposed residential developments. O'Rourke stated that his understanding would be to use the data that Staff researches as the benchmark.

Hansen asked if Staff produced the affordable housing stock percentage number. Staff stated that that is correct.

Hansen suggested the idea of having a number based on what the developer is proposing. The idea would be to adjust the percentage of units being required of the developer would be based on the development's impact to the overall percentage of affordable housing units in St. Charles. Then this project impact could be used to determine the fee-in-lieu amount or number of affordable units required. O'Rourke clarified that the percentage of affordable housing would be adjusted based on the impact for each proposal. Hansen also stated that this was his idea and it would be helpful for the Council to see exactly what impact any new proposal would have on the City's percentage of affordable housing.

Payleitner stated that this idea is similar to what Chairman Carrignan suggested except he looked at it from the other side. Carrignan is suggesting that the percentage of affordable units being required should be adjusted based on the City's current percentage of affordable units. So if 25% is the point at which the ordinance stops requiring units and 10% is the state mandate the number of required units would decrease the closer the City gets to the 25% number.

Vice Chair Amundson stated that he quickly laid out some percentages on a piece of paper that divided the current requirements into 4 subcategories as follows:

- 10% to 13.75% - 100% of units are required.
- 13.76% to 17.5% - 75% of units are required.
- 17.51% - 21.25% - 50% of units are required.
- 21.26% to 25% - 25% of units are required.

Hansen clarified that if there is a scaled model that more developers would be attracted to the fee-in-lieu option. O'Rourke stated that the fee-in-lieu could be adjusted differently than the amount of units required. O'Rourke stated the Chairman Carrignan suggested that the fee-in-lieu on a separate scale. Chair Holler reiterated that the proposal that the Commission already drafted would be used for true hardship properties and that these suggestions would be a different area where fee-in-lieu is calculated.

Chair Holler stated that she is aware that other companies are betting on the single-family market coming back, and right now companies are buying these properties.

Potential Housing Trust Fund Programs:

Hall asked what about using the Housing Trust Fund to buy properties. Chair Holler stated that there are three issues out there. The third is how to utilize the Housing Trust Fund.

She also stated that it has been the opinion of the commission in the past to try support units and not subsidize rents directly. O'Rourke stated that his recollection is that the Council voiced their support to assist units as well.

Chair Holler suggested that the Commission could begin looking at using this capital to support either units to be created or financing to encourage the creation of units. Hall stated that he is seeing that exact process in the private market and that using the funds would increase this activity. Chair Holler agreed that there are examples of communities using funding to help create financing where something like the Housing Trust Fund is used to write-down the project financing. O'Rourke asked how much funding would this type of program need, and stated that a portion of the Housing Trust Fund is devoted to the Single-Family Rehabilitation Program.

Pierog asked if this amount of funding would be better used to help someone buy a home. Chair Holler said that if you were looking to build a number of units the best way to do that is through scale. The Housing Trust Fund would be used to help offset some of those costs but not to fund a whole development. One example would be to offset the cost of the loan for the land with a deferred payment 0% interest loan.

Hall stated it could be as simple as Kane County's NSP program where the money is used to fix up foreclosed homes. Chair Holler stated that her employer worked with Carpentersville on this NSP program. Hall stated that there are opportunities to use the funds.

Hansen suggested setting aside a portion of the Housing Trust Fund and partnering with a bank to work with the financing. The City would take a second mortgage on a property to pay the down payment. O'Rourke asked if the second loan would come back to the City. Hansen stated that it could at the time of sale. Chair Holler said we could even establish parameters for the partner institution to use when considering the loans. O'Rourke stated that one of the themes of the Commission has always been to ensure that any funds that are lent out eventually come back to the Housing Trust Fund and that there is no guarantee funds will be replenished in the future.

Pierog stated that the Commission should consider the fact that taxes are subject to rise when considering whether to pursue home purchase units or rentals. Henningson suggested the City ask professionals that work on these types of programs to come in and speak with the Commission to help determine the best type of program to pursue.

Chair Holler stated that there is staff at the Metropolitan Planning Council, NHC.org, and other organizations that are actively engaged in these activities and that there are lots of examples out there to examine. She further stated that it can be more difficult to establish a program in which you lend money to home buyers. There are a lot of details to be determined such as who will review applications. Chair Holler then stated that when you work with a developer it is a little easier; you just look at their Pro Forma and determine if they should get the funding.

Chair Holler asked when the meeting could take place with the Housing Commission and Council. O'Rourke stated that Staff can begin to determine that date. He further suggested that

maybe meeting right before a Council or Council Committee meeting would work best such as 6:00 p.m.

Hall asked if Staff could put some examples together or have hypothetical developments to examine the proposed new fee-in-lieu amounts. O'Rourke stated that he could put that together.

Pierog stated that if the commission considers building units that the impact to the schools would need to be taken into consideration.

Eakins asked would the creation of sliding scale eliminate developers from wanting to negotiate or ask for deviations to the ordinance. Hansen stated that his opinion is that this will help the Council determine what is reasonable. Payleitner stated that the Council does need to know if what is being proposed makes sense.

Henningson stated that he has attended all the meetings concerning Corporate Reserve. In his opinion there needs to be a realization of what the reality to building these development is and how the ordinance affects a developer's ability to build in St. Charles. He also stated that it is hard for St. Charles to compete with surrounding communities that do not have this inclusionary housing requirement and that these items should be considered in any proposed amendments. He also stated that while it may not meet the provisions of the Inclusionary Housing Ordinance that there is a developer proposing to contribute \$1,300,000 to the Housing Trust Fund and that that is lot of funds that could do some good and should not be simply disregarded.

Hansen agreed that maybe the fee-in-lieu amount should be adjusted. Hall stated that this was a large fee.

Chair Holler suggested that the ordinance should move with the market and that maybe should be the role of a 3rd party consultant to judge how the requirements should adjust to the market. O'Rourke stated that there would need to be some sort of requirements set up in the ordinance. Chair Holler agreed that there would need to be parameters established.

Vice Chair Amundson asked why there was such a resistance to developments geared towards different income levels. Chair Holler stated that it hard for a for-profit developer to spend the kind of time and effort to develop the grass roots approach needed to gain a comfort level with the surrounding property owners. O'Rourke stated that there have only been two projects that have been proposed since the Inclusionary Housing Ordinance was approved and that there this is really everyone's first crack at applying the ordinance. Pierog stated that some people feel that it could affect their property values. Residents generally like to see home that are similar in character to protect their property values.

Payleitner asked if the affordable units could be restricted to residents that are age 55 and older. O'Rourke stated that that is possible through the affordable housing agreement, but cautioned that it would severally limit the eligible pool of residents.

O'Rourke asked the Commission if they wanted to examine how the fee-in-lieu is calculated. Chair Holler stated that we should have a fee-in-lieu schedule that works if you are using the density bonus and one if you cannot use the density bonus. She also stated that this could be adjusted by product type.

Eakins stated that the point from the beginning was to blend neighborhoods and as a lifelong resident she feels that this sentiment has been lost. She stated that based on the affordable housing snapshot, 18% of the housing is considered affordable and that almost 40% of the residents would be considered affordable. Eakins reminded the Commission that the perception of St. Charles is not necessarily in line with reality and that the Commission should remember that the point of the Commission was to ensure that St. Charles keeps its original character.

Vice Chair Amundson stated that in regards to the \$1,300,000 offered from the Corporate Reserve development if it does not meet the ordinance, then the ordinance should be adjusted to be more in line with economic reality. He further stated that the ordinance should be written so that the Commission or Council does not have to worry about "making a deal". O'Rourke stated that this was in line with the Comments, as he understood them, from the Planning & Development Committee. Henningson echoed that if the Commission wants this to work it has to be realistic. Chair Holler did caution that, having done development for a long time, you can't compose an ordinance that will encapsulate every scenario, so there will have to be a mixture of the ordinance and judgment by a housing expert or consultant.

Chair Holler summarized the discussion by stating that she is hearing a general consensus that the Commission should sit down with Council, that the ordinance should be tweaked, and that there should be a vehicle to spend the Housing Trust Fund. O'Rourke summarized that Staff will compose a bullet point summary of the discussion and create hypothetical examples for discussion purposes. O'Rourke asked Holler if she would like to review the summary bullet points. Chair Holler said that was agreeable.

6. Election of Officers

This item was tabled until a future meeting.

7. Additional Business

1. Discussion of the Corporate Reserve Multi-Family Development

Tom Hansen recused himself as his employer is involved with the applicant.

Vice Chair Amundson did say that he does have a little bit of discomfort just saying we'll take a fee-in-lieu with no units, or at least ask the developer to try and create some units.

Hall asked if there was a total estimated value for the project. O'Rourke stated that the City does not have that information.

Chair Holler asked if Corporate Reserve representatives looked at the difference between their project rents and the affordable rent limits. O'Rourke stated that he was informed by the applicant that the reason they could not provide the units was due to their financing. He was informed that if there is not enough income from all the units that they would not be given the necessary loans to finance the project.

Chair Holler asked where the development was located. O'Rourke briefly described the location of the project.

Chair Holler mentioned that one of the options was the donation tax credit. She stated that the donation made to us might be eligible for a tax write-off up to 50% of the value of money they donate. This credit would be to their state income tax. They could also sell their credits to someone else. Chair Holler also suggested that they hire a housing consultant to examine all these possibilities for them.

Henningson stated that his understanding is that the surrounding neighbors do not want to hear anything about affordable housing and that the applicant has shied away from that due to the neighbors resistance.

Henningson stated in regards to the proposed \$1,300,000 dollar donation, which in his opinion is a lot of funds, could be used to provide a lot of opportunities. Vice Chair Amundson stated that the Commission always wanted to get units first and would like that to be considered.

O'Rourke summarized the conversation by stating he is hearing two options:

1. That the proposed \$1,300,000 is a substantial amount of money and that if nothing else should be accepted.
2. That, based on a summarizing a few different comments, maybe the applicant try to first use this money to create some affordable units, whether it be by hiring a consultant, looking at tax credits, lowering the rents to affordable, etc.

Amundson stated that if they could use this money to create the units instead, in his opinion, this would be preferable. Henningson stated that the public perception through this process is the affordable is undesirable.

Chair Holler stated that, in her opinion, the Commission has been working for seven years and there have not been a lot of units created. She further stated that if this donation would be seen as the funding necessary to start a larger program then she would be in favor of that. An example given was given by Chair Holler such as creating a program to fix up single-family homes. Hall stated that he would like to see some physical units get built. Chair Holler also suggested she would like to see the developer's budget just to ensure that the \$1,300,000 will not kill their project.

Chair Holler suggested that the Council instruct them to look at their rents and see what the difference in rents would be and consider how long the \$1,300,000 could be used to keep the units affordable over a period of time. O'Rourke summarized the conversation by stating we should just have them explain why they can't create the units onsite and based on that discussion

the Council should decide whether to ask for units or the fee-in-lieu. That being considered the stated donation of \$1,300,000 is a large sum of money that should be considered sufficient if that is the only option available to the developer. Chair Holler reiterated that after seven years it's best to try and get something done and this is one way to be flexible and make it work. Vice Chair said he would like the Commission to at least suggest one more time that the developer try to create some units onsite.

8. Next Meeting Dates (September 20, 2012)

9. Meeting adjourned at 9:08 p.m.

Motion made by Amundson and seconded by Hall to adjourn.

Voice Vote – Motion Carried