

**MINUTES
CITY OF ST. CHARLES**

**JOINT MEETING OF
THE PLANNING & DEVELOPMENT COMMITTEE &
ST. CHARLES HOUSING COMMISSION
MONDAY SEPTEMBER 17, 2012 - 6:00 P.M.**

Planning & Development

Members Present: Chairman Carrignan, Aldr. Payleitner, Turner, Rogina, Martin, Bessner, Lewis (6:08 PM)

Planning & Development

Members Absent: Aldr. Stellato, Monken, Krieger

Housing Commission

Members Present: Chair Holler Larson, Amundson, Payleitner, Henningson, Hansen, Eakins, Hall, Pierog (6:11 PM)

Housing Commission

Members Absent: Goettel

Others Present:

Mayor Donald P. DeWitte; Brian Townsend, City Administrator; Rita Tungare, Director of Community Development; Matthew O'Rourke, Planner; Russell Colby, Planning Division Manager; Tom Good, City Attorney

1. Call to Order

The meeting was convened by Chairman Carrignan at 6:05 P.M.

Chairman Carrignan said on behalf of the Mayor and the Council that he thanks the Housing Commission for volunteering both their time and their efforts and that he feels that having this joint meeting was a great idea.

2. Roll Call

Roll was called:

Planning & Development Committee

Members Present: Stellato, Monken, Payleitner, Turner, Carrignan, Rogina, Martin, Krieger, Bessner

Absent: Aldr. Stellato, Monken, Krieger, Lewis

Housing Commission

Members Present: Holler Larson, Amundson, Payleitner, Henningson, Hansen, Eakins, Hall
Absent: Goettel, Pierog

Aldr. Lewis joined the meeting at 6:08 P.M. Pierog joined the meeting at 6:11 P.M.

3. Approval of Agenda

4. Discussion Items

A. Introductions

Chairman Carrigan introduced himself and then asked the rest of the members to introduce themselves.

B. Background on the St. Charles Inclusionary Housing Initiative

Chairman Carrigan recapped where he feels the current status of the City of St. Charles affordable housing initiative is at.

C. Inclusionary Housing Ordinance

Chairman Carrigan asked Staff to describe the current requirements of the Inclusionary Housing Ordinance (IHO). Ms. Tungare summarized the requirements as follows:

- The Inclusionary Housing Ordinance (IHO) was approved in 2008. All residential developments must comply with this ordinance.
- Developments of 10 units or less: 5% of units must be affordable.
- Developments of 11 to 49 units: 10% of units must be affordable.
- Development of 50 units or more: 15% of units must be affordable.
- Exterior appearances of affordable units are required to match the appearance of the market rate units.
- Units must be dispersed throughout development (not concentrated in one area).
- Affordable Units must have the same mix of home types as the development (Example: if the development is 50% single-family and 50% townhome, then the Affordable Units must also be 50% single-family and 50% townhome).
- Density Bonus - The IHO permits a density bonus to offset the costs of creating Affordable Units, for each Affordable Unit constructed the developer is permitted to construct 1 additional market rate unit up to 20% of the maximum permitted density of the underlying Zoning District.
- 25% Affordable Housing Stock – There is a provision in the current ordinance that permits the Director of Community Development to suspend the provisions of the

ordinance if the percentage of St. Charles' affordable housing stock reaches 25%. If the percentage of affordable housing stock should then fall below 15%, the Director of Community Development can reinstitute the inclusionary requirements.

- Fee-In-Lieu:
 - Developments 10 units or less: 100% of requirement can be paid as fee-in-lieu.
 - Developments 11 to 49 units: no more than 50% of requirement can be paid as fee-in-lieu. The other 50% of required affordable units must be constructed onsite.
 - Development 50 units or more: no more than 50% of requirement can be paid as fee-in-lieu. The other 50% of required affordable units must be constructed onsite, but the onus is on the developer to prove that they cannot construct the affordable units onsite and must receive a recommendation from the Housing Commission and approval from the City Council to pay this fee-in-lieu.

Ms. Tungare stated that the fee-in-lieu amount per unit is determined annually by the City Council and is based on a formula. She further stated that the current fee-in-lieu amount is \$104,500 and that the original fee-in-lieu amount was established at \$140,000. This amount was reduced to \$104,500 in 2010 and has not been revisited since.

Ms. Tungare went on to explain that there are certain deviations permitted from the standards of the IHO. These deviations required a review and recommendation from the Housing Commission and approval from the City Council. She further stated that these deviations are limited to location, exterior appearance, and unit mix.

Ms. Tungare stated that the deviations requested by the Lexington Club and Corporate Reserve development were not contemplated in the Inclusionary Housing Ordinance. She further stated that since those two developments are in a Planned Unit Development that the deviations were requested as part of the process.

Ms. Tungare went on to explain that a Housing Trust Fund (HTF) was created along with IHO and that the intention of the HTF was to receive fee-in-lieu payments contributed through the IHO. Ms. Tungare then stated that there is one program currently utilizing these funds, the Single-Family Rehabilitation Program.

Chairman Carrignan asked Chairperson Holler to briefly explain the work and background of the Housing Commission.

Chair Holler said the Commission was established by City Council 8 years ago. She stated that at that time the City had seen an increase in the average sale price of homes in the City and wanted to ensure that some affordable housing opportunities continued to exist in St. Charles.

She further stated that around the same time the State of Illinois passed a law that established an affordability requirement. These requirements stated that all Illinois Municipalities should maintain a minimum of 10% of their housing stock as affordable and that there was a concern that if St. Charles fell below 10% the State could overrule the City's zoning standards and dictate where and when affordable housing could be constructed. It was determined at that time that this process should be managed by the City rather than the State.

Chair Holler stated that both the market and the community have changed a lot and that the commission is working closely to create an economically diverse yet balanced community.

Chairman Carrignan said 5 years ago the City's housing stock was somewhere between 11-12% affordable and that in 2008 having all residential development conform to the IHO made sense. He said considering the changes in the market and the increase in affordable housing units that some changes or modifications need to happen. He further stated, in his opinion, that the primary goal should be to get more units and not fee-in-lieu.

Chairman Carrignan stated that there have been 3 different developments submitted with various deviation requests from the IHO. Chairman Carrignan asked Staff to briefly describe those developments.

Ms. Tungare summarized the Delnor Woods proposal. She stated that the Delnor Woods project included a mix of single-family, townhomes, and apartment units. She stated that the developers of Delnor Woods were willing to provide the 4 required affordable units. They did ask for a deviation to place all of these units in the office/apartment building instead of spreading them throughout the proposed residential units.

Ms. Tungare then stated that the Lexington Club project asked for a complete waiver from the IHO requirements as a deviation permitted through the Planned Unit Development. She further stated that after discussions between the developer and Housing Commission it was agreed that the developer would make a "good faith" effort to apply for tax credits and grants and if they received any funding that would construct these units onsite.

Ms. Tungare stated that Corporate Reserve requested a waiver from the IHO, but proposed 1.3 million dollars for fee-in-lieu. She further stated that the IHO would only permit 50% of the required units to be paid as fee-in-lieu. Per the requirements of the IHO this would equate to a fee-in-lieu of \$2,400,000 and 24 units onsite. She also stated that if you do the math a full waiver for onsite units would equal \$4,900,000.

Chair Holler noted that Delnor Woods was approved and eventually sold. Chairman Carrignan said yes but it's still a good example, along with what happened with First St. Chair Holler said yes but that the recommendation by the Commission was made before the Ordinance was passed.

Chair Holler said Delnor was an exception to the IHO with the private sector as a way to make more money on units. She said Lexington has environmental problems and requested TIF

funding and is a distressed property. She further stated that sites that have conditions like that need to be taken into consideration. She said the Corporate Reserve is a rental project and that the Commission has not yet made a recommendation on that. She said she thinks a sliding scale will apply to different markets and that she fully supports that and that flexibility is wanted.

Chairman Carrignan said there needs to be a way found to get away from the “one-off” approach. He see affordable housing right now as a solid box of requirements and a sliding scale would include us going further to have more affordable housing stock. He said the sliding scale should have a different set of requirements for the required units and the fee-in-lieu because we need to create more units as opposed to funds in the HTF.

Ald. Turner said that he felt the purpose of the fee-in-lieu was to be used to keep existing homes affordable and that this fact should not be overlooked.

Chair Holler said that units built is better than cash and that the Housing Commission has preliminarily discussed HTF programs that could leverage those funds to create units. However, she stated that the current balance of the HTF is around \$500,000 wouldn't be enough to create that sort of a program. She said that the opinion of the Commission was to subsidize units and not tenants and that a number of different tools could be created to accomplish that goal. She said there are different issues that can effect developments such as blighted land, the bad economy, and genuine need for flexibility such as the sliding scale. She further stated that there is recognition that the IHO is in need of changes and that flexibility is the key.

Chairman Carrignan said it's more difficult for developments with smaller units and the sliding scale could be set at different slopes. A steeper slope could be established for the required units and a less steep slope could be established for the fee-in-lieu.

Chairman Carrignan then stated that Staff had prepared some examples of how the proposed sliding scale could work. He asked Staff to explain the table that was included in the meeting materials.

Mr. O'Rourke explained the sliding scale examples that were included in the materials. He stated that there are different hypothetical developments shown on the tables such as small versus large. The tables display the number of affordable units that would currently be required by the ordinance and then the units required if the proposed sliding scale is applied. He stated that there are two examples for the fee-in-lieu calculation. One of the tables illustrates the amount of fee-in-lieu contribution if there is no sliding scale applied to the required fee-in-lieu amount of \$104,500. The other table illustrates how the fee-in-lieu amount for each hypothetical development would change if the same sliding scale was applied to the required fee-in-lieu amount.

Chairman Carrignan said that 100% of the current requirements would still apply at 13.75% and that it was his understanding that the most the percentage of affordable housing fluctuates is 1 or 2 percentage points a year.

Chair Holler said that when the City started this initiative it was at 12-16% and now the city is at 18% of its housing stock as affordable as compared to the market. She further stated that the market in St. Charles has fared relatively well when compared to Elgin and Dundee. She said the situation in St. Charles is not what makes the headlines.

Chair Holler also stated that the Housing Commission understands those projects that include affordable housing have neighbors that are not in favor of affordable housing, but affordable housing in this context is not what residents perceive. She further stated that the Ordinance is not intended for residents to use to kill projects just because they do not like change.

Ald. Bessner asked if the proposed sliding scale decrease would keep the per unit- fee-in-lieu requirement of \$104,500 the same. Chairman Carrignan stated that the fee-in-lieu should be kept as is and there will be a number agreed and voted on every year by the City Council.

Ms. Pierog asked what the difference of 13.75% versus 13.76% for impact fee and questions at what point would a developer hold back or wait to propose a development just to have a lower unit requirement applied to their development. Chairman Carrignan said that would be the developer's risk. Ms. Tungare also stated that Staff only performs the affordability analysis once a year and that a developer could be waiting a long time for the next analysis.

Ald. Turner stated that he is not sure about how these affordable housing units could blend into a \$600,000 single-family home development.

Chairman Carrignan asked Mr. Hall as a developer how he would handle the affordable housing requirement in one of his developments. Mr. Hall stated the he would try and accomplish the goal by providing as much fee-in-lieu as he could. He stated that for an 80 lot development there would not be a lot of profit left for him to work with. He stated that margins for these developments are thin and in a \$250,000 of \$300,000 priced development the difference could be made up. However, the difference between \$200,000 and \$600,000 is a little too much.

Ald. Turner stated that due to taxes, the number of kids in the schools and traffic that the community should be moving towards less dense development.

Mr. Hansen asked how the more recent subdivisions accomplished blending the affordable units with the market rate units. Ms. Tungare said First St. has 16 affordable units in building 7A which are the only affordable units constructed. Mr. Townsend stated that this is not a true mix since all of the units are located within one building, and no market rate units have been constructed.

Chair Holler said there are a lot of examples where it has been done. Mr. Amundson stated that there are tried and true ways to blend these units in with the market rate units and that nationally this is not a new concept, there are a lot of examples out there that the City could turn to, but it works.

Ald. Rogina asked in addition to more units, what other programs could be utilized. Chair Holler stated that the Housing Commission has begun examining a few items. She further stated that some examples could be buying open land to give to a developer or offering capital and financial incentives for developers to construct units.

Aldr. Lewis asked how old sections of town would work in affordable housing. Chair Holler said you do city markets in different ways. Mr. Amundson said it could be a granny flat scenario.

5. Next Steps

Chairman Carrignan said there are 3 things he thinks need to happen:

- 1) To get deeper into the sliding scale to understand it better.
- 2) How to handle high end market homes and find examples to fit.
- 3) Other options for HTF to help keep housing stock in the right place.

Chair Holler said we definitely need some guidelines and tools. She said the Commission would take more initiative at their next meeting and start to examine 2 or 3 ideas.

Ms. Tungare asked if the 3 actions items should be grouped together. Chairman Carrignan said his preference is to examine all the modification in a holistic manner and not incrementally. He suggested another joint meeting in December or January. Chair Holler said yes with some good research and quick action they could have some proposal ready by then.

Mr. Hall asked if we are working toward the sliding scale and all parties agree to that concept, then wouldn't it be more beneficial to get that portion of the program approved and in place since some of the other items will take more time. Chairman Carrignan agreed that does make sense.

Ms. Tungare said the pieces will fit together comprehensively once all these items have been examined.

Mr. Henningson said the Housing Commission has spoken in regard to Corporate Reserve and agree that the \$1.3 million would be helpful and is supported.

Mayor DeWitte asked what about the projects in process right now.

Chair Holler said the Commission right now is looking at what to do and not review every deal but to make a quick decision and understand what is in the pipeline. The Commission would like to meet with Corporate Reserve as it did with Lexington.

6. Additional Items

7. Adjournment

Aldr. Martin made a motion to adjourn. Seconded by Aldr. Bessner at 6:59 PM.