

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, MARCH 19, 2015
COUNCIL COMMITTEE ROOM**

Members Present: David Amundson, Liz Eakins, Tom Hansen, Rita Payleitner, John Hall Jr., John Glenn, Corinne Pierog

Members Absent: Karrsten Goettel, Curt Henningson

Others Present: Rita Tungare
Matthew O'Rourke
Ellen Johnson

1. Call to Order

Vice-chair Amundson called the meeting to order at 7:05 p.m.

2. Roll Call

Ms. Johnson called roll with six members present. There was a quorum. Ms. Pierog arrived at approximately 7:25 p.m.

Vice-chair Amundson introduced himself to the new member, John Glenn, followed by introductions by commissioners and staff. Mr. Glenn stated that he has lived in town for about 15 years and has been president of his homeowners association for 12 years. His background is in mechanical engineering, insurance, consumer products marketing, market research, and financial planning. He has worked in real estate for Coldwell Banker for the last 10-12 years.

3. Approval of Agenda

A motion was made by Mr. Hansen and seconded by Ms. Payleitner to approve the Agenda. Motion carried by a unanimous voice vote.

4. Approval of Minutes from the January 15, 2015 Meeting

A motion was made by Ms. Payleitner and seconded by Ms. Eakins to approve the January 15, 2015 Housing Commission meeting minutes.

Vice-chair Amundson stated that on page 4 he would like to add "given IHDA's current methodology" as a qualifying remark to the sentence, "Vice-chair Amundson said the City will never hit 20%" because that was the intent of what was being said.

Motion carried by a unanimous voice vote.

5. Special Election

Ms. Tungare stated that Cindy Holler officially submitted her resignation last month so we need to officially elect an Interim Chair. The regular election will be at the May meeting. At that point the Interim Chair may be elected Chair.

a. Interim Chair

A motion was made by Ms. Payleitner and seconded by Mr. Hall to nominate David Amundson as Interim Chair, in the interest of what is best for the Commission in terms of continuity and advancement of its mission.

Vice-chair Amundson opened the floor for other nominations. There were no other nominations.

A motion was made by Mr. Hansen and seconded by Mr. Glenn to elect David Amundson as Interim Chair. Motion carried by a unanimous voice vote.

b. Interim Vice-chair

A motion was made by Mr. Hansen to nominate Liz Eakins as Interim Vice-chair.

A motion was made by Ms. Eakins to nominate John Hall Jr. as Interim Vice-chair.

Ms. Tungare said the primary responsibility of the Vice-chair is to serve as acting Chair in the absence of the Chairperson.

Mr. Hall declined the nomination but stated he would be interested for the election in May.

A motion was made by Mr. Hall and seconded by Mr. Hansen to elect Liz Eakins as Interim Vice-chair. Motion carried by a unanimous voice vote.

6. Discussion Items

a. Revisions to the Inclusionary Housing Ordinance

Ms. Johnson said the staff memo outlines potential revisions to the Inclusionary Housing Ordinance (IHO). The revisions are based on discussions the Commission has had about the practicality of the ordinance and in light of IHDA's revisions to the affordability share calculation used to determine AHPAA exemption status. The major topics of discussion are whether or not to adjust for household size, at what percentage the ordinance should be turned on and off, and the appropriate fee in-lieu amount and calculation.

Ms. Johnson explained that the potential revisions to the definitions of "Affordable Housing", "Area Median Income", and "Eligible Household" are related to removing reference to household size [Section 17.18.020]. IHDA will continue to release affordability charts each year, which are used to determine eligibility for HUD programs. The charts adjust the affordable purchase price and rent based on household size. Staff has used the charts to administer the IHO since the ordinance was adopted. IHDA's calculation for determining each community's affordable housing share under AHPAA does not adjust for household size. Ms. Johnson explained the question of whether or not to adjust for household size to determine the affordable purchase price and rent must be addressed in other sections of the IHO, as well.

Mr. Hall asked which option allows for more flexibility for more affordable units. Chair Amundson said the option that adjusts for household size does. If we ignore household size, there is only one affordable rent. That means the rental units that will be created will be efficiency units because that is what the market will demand. For-sale units are set at a fixed price regardless of the number of

bedrooms, which means a developer will build affordable for-sale units as one-bedrooms to save as much money as possible. He said that going with the state's affordable rent and purchase price would ultimately do the community a disservice.

Mr. Hansen said the whole premise of changing the IHO is to match what the state does.

Ms. Tungare said the position the Commission took at the last meeting was that we need to acknowledge that the state has changed their methodology and do what we believe is practical and applicable to align our code with the state's methodology. Staff has explained our methodology for determining the affordable housing share to the state. The state responded that while they appreciate our efforts, they will continue to use their methodology.

Ms. Johnson said the sliding scale is proposed to be changed to reflect the state's methodology; when we are at 10% affordable or under, we will require 100% of the affordable unit requirement. When we hit 20% affordable, the ordinance will be turned off because that is the level at which IHDA no longer views the City as "at risk".

Chair Amundson said if we create affordable units per our code but the units do not meet the state's \$916 rent limit, the state will not count those units towards the official count of affordable units. However the state will note that we made an effort to increase affordability.

Ms. Johnson noted the language in the affordability chart which states that while "adding housing units considered affordable by the guidelines shown below [on the affordability charts] may not numerically affect results in the annual calculation of AHPAA exemption status, tracking such additions may show a measure of progress."

Chair Amundson said that he takes that sentence to mean if we fall below 10% affordable, we need to have a plan in place and be moving towards correcting the problem. We have a plan and are moving towards correcting the problem.

Ms. Johnson said the staff person at IHDA said St. Charles basically has the components of an affordable housing plan already in place.

Mr. Hansen said not going with the state's affordable rent and purchase price is a big risk; we are putting the state in the position of changing our zoning.

Ms. Payleitner said that two years ago Pedcor came in and said St. Charles was on the state's watch list. They wanted to build Section 8 housing in St. Charles. According to Pedcor, we were close to having the decision taken from us.

Mr. Hansen said the risk is high and it would be a disaster if that happened.

Mr. O'Rourke clarified that at the last meeting when the Commission decided to go with the state's methodology, we did so strictly in regards to which calculation we used for determining the affordable housing share, not necessarily the sliding scale for household size.

Mr. Glenn asked if the ordinance has resulted in building any affordable units. Ms. Tungare answered no. Affordable units built as part of the First Street Redevelopment were negotiated through the redevelopment agreement. We have gotten some fee in-lieu.

Mr. O'Rourke said the City has not approved a residential subdivision since the ordinance was created in 2008, other than Lexington Club.

Mr. Glenn asked whether the intent is to build units or get fee in-lieu.

Mr. Hall said a combination, but we want to see as many units built as possible. At times, like for a single unit teardown, we can only get fee in-lieu. He stated he would like to see the Commission become active in acquiring property and building affordable units.

Mr. Glenn said the ordinance is very complicated and should not necessarily be changing every year.

Ms. Johnson said the only thing that would change every year is where we are at on the sliding scale, if we calculate our affordable housing percentage each year. The City has a worksheet that developers use to figure out the required fee, based on where the City is at on the sliding scale. They do not need to interpret the ordinance.

Mr. Hansen said he sees value in the annual affordability calculation, if the state's methodology is used for the calculation. It gives insight to the Commission and Council as to the direction we are headed so that we are not surprised when the state re-calculates the affordability share at the five-year mark.

Chair Amundson said that if we buy into the state's strict definition of the affordable purchase price and affordable rent, the implication to us is that we build product that has no use in our community. We would not be building product that is economically viable beyond the fact that it complies with the ordinance. The other unintended consequence is that the state may force our hand. He asked about the risk of the state stepping in and overriding Council decisions due to St. Charles factoring in household size in our affordable housing decisions.

Ms. Pierog said Cindy Holler shared with her information about tax credit opportunities for developers to create affordable housing. The point system that is used places preference on housing for families and seniors, as well as locations in close proximity to pharmacies, grocery stores, etc.

Ms. Johnson said that a whole list of things would need to happen before the state would hear an appeal by a developer, which could ultimately lead to the state overturning a zoning decision. It has never happened before in the state.

Chair Amundson said that one of the reasons the Commission was formed was the concern that if we do not do something the state could come in and take control of our zoning decisions. We do not want to allow the liability, but at the same time we do not want to tie our hands and make something that does not serve the community. What is the penalty and the risk if we adjust for household size?

Mr. Glenn said \$916 is almost the median for rent and \$145,639 is almost the median purchase price [on the affordability charts].

Mr. Hall said if we do not adjust for bedroom count, we will limit the amount that will get built. It does not make sense not to adjust. The sliding scale makes it more realistic that something will be done.

Mr. O'Rourke said adjusting for household size makes the ordinance complex, but staff is here to administer it. When a developer comes in, staff will work with them. The same type of worksheet is used for the school and park fee in-lieu calculations.

Chair Amundson said it is messy to adjust for household size, but we want to make the IHO as un-onerous as possible so as not to put so much financial burden on the developer that they walk away.

Mr. Hall said the ordinance [which adjusts for household size] is already well-established and developers are familiar with it.

Ms. Payleitner said that even if we adjust for household size, most of the affordable rental units will be about two-bedrooms, which is under the \$916 on the affordability chart.

Mr. Hansen said he agrees that we should use the scale.

Ms. Johnson moved on to the Maximum Price of Affordable Units section [Section 17.18.090]. Reference to household size could be removed and replaced with a household at 80% AMI for for-sale units and 60% AMI for rental units. Another issue is how long the units should be kept affordable. Staff is proposing to change the deed restriction from seven years to 20 years, which is based on the general lifespan of mechanical equipment.

Ms. Pierog said that with seven years, any money that goes beyond the subsidized purchase price goes back to the governmental entity; after seven years you pocket the profit. She felt that 20 years was too long.

Ms. Tungare said our concern was that after all the efforts by the City to create affordable units, seven years goes by too quickly.

Ms. Johnson explained the amended sliding scale regarding applicability [Section 17.18.030]. Proposed is to turn off the ordinance at 20% and require the full unit requirement at 10% or under. We are currently at 11.2% affordable, which means that 75% of the affordable unit requirement would apply. Commissioners expressed support for this change.

Ms. Johnson explained the next change, which would allow fee in-lieu, or a combination thereof, for any size development [Section 17.18.050]. This would allow more flexibility for the developer.

Mr. O'Rourke said allowing the fee in-lieu for any size development is a trade-off for requiring for-sale units to be kept affordable for 20 years. In exchange for this flexibility, if the developer builds an affordable unit we are asking for the unit to be affordable for 20 years. It is no longer something they are required to do; they can pay the fee in-lieu instead.

Ms. Pierog said locking someone into home ownership and not allowing them to gain equity would prohibit them from buying the home. There is also no incentive for improving the home as it prevents the homeowner from profiting from their labor.

Mr. O'Rourke said if the developer does not think they can sell the house, they will pay the fee, and not get the density bonus.

Chair Amundson said there is no incentive to invest or improve the house. He suggested a provision that says the amount the homeowner can recover escalates at 3% or COLA each year, whichever is lower. When the house is sold the seller gets to keep the 3% gain. Any differential between the 3% gain and the market price goes back to the City.

Mr. O'Rourke said under the current ordinance, the homeowner does not get the equity either; it comes back to the Housing Trust Fund.

Mr. Glenn said the profit is what they save from not having to pay market rate for the house. They get are getting a \$300,000 house for \$150,000; how can they expect to get a profit from that?

Mr. O'Rourke said there is a provision in the ordinance that the owner can keep the difference between the affordable price they bought the home at and the affordable price when they sell it, if the affordable price increases. The overage goes into to the Housing Trust Fund. That provision will still exist.

Ms. Pierog said for many, a homeowner's equity is their largest savings account.

Mr. Hansen asked staff what they are looking for from the Commission tonight.

Ms. Tungare said that elections are coming up in April. We will move forward to Planning and Development Committee with the revisions in May after the new Council is seated. We need a recommendation from the Commission by the end of the April meeting.

Ms. Payleitner said keep in mind that the whole reason for the ordinance is to keep our stock of affordable housing up.

Ms. Johnson went over the two options staff is proposing for the fee in-lieu calculation [Section 17.18.050]. The existing fee is calculated as: median sales price – 2/3 x affordable price for a four-person household from IHDA's annual affordability chart. The 2/3 adjustment was added to increase the fee in-lieu. Staff is proposing to remove the 2/3 adjustment to lower the fee in-lieu. Staff is proposing two options for the calculation:

A) median sales price (\$239,500) – IHDA's affordable price from the Exempt and Non-Exempt list (\$145,639), which results in a \$93,600 fee in-lieu (rounded), Or

B) median sales price (\$239,500) – affordable price for a four-person household from IHDA's 2014 affordability chart (\$160,833), which results in a \$78,400 fee in-lieu (rounded).

Chair Amundson expressed support for the second option because we are trying to lower the fee. Commissioners agreed.

Ms. Johnson said we can calculate the fee every year if we use IHDA's affordability chart because IHDA releases the chart each year. There is also the option for a flat fee; the Commission could pick a fee not based on a calculation.

Mr. Hall said from the builder's perspective, the lower the better. However, he likes option B.

Ms. Johnson went through the example calculations in the appendix.

Chair Amundson said that assuming a \$300,000 price per unit and a \$78k fee in-lieu, the result is a 1% markup for the 3-unit development, a 1.9% markup for the 25-unit development, and a 2.9% markup for the 200-unit development. Chair Amundson asked Mr. Hall's opinion, as a developer.

Mr. Hall said a fee in this range is not that crazy. For a single teardown the cost would be only \$2,900. Unless we annex more land, we will not have very large single-family developments. He stated support for option B. It is still onerous but you have to look at the developments that are likely to occur in the community.

Ms. Payleitner noted that the 200-unit development would most likely be multi-family. If the fee is too high, they will provide the units.

Ms. Johnson said the proposed change to the density bonus section is to remove the limitations on reduction of lot area, lot width, and building coverage [Section 17.18.060]. The only remaining limit is that the number of units cannot exceed 120% of base density.

Mr. Hall said the density bonus off-sets the cost to the developer and incentivizes the developer to build affordable units.

Mr. Glenn said if they go above base density, the property is less desirable because it is more dense. Mr. Tungare said not necessarily; there is more that goes into desirability, such as site design, materials, amenities, etc.

Chair Amundson said this gives more flexibility to developers. They can build more units to help offset the cost of building the affordable units, so they can still come out ahead.

Mr. Hall said the idea is to not be punitive in nature.

Mr. O'Rourke noted that the zoning bulk regulations like maximum building height will still apply.

Ms. Tungare said the density bonus already exists in the ordinance. What we are trying to do is simplify the provision. Commissioners expressed support for this change.

Ms. Johnson said another proposed change is to cap the percent of affordable units required at 10% [Section 17.18.040]. Developments of 1-15 units will require 5% set-aside, and developments over 15 units will require a 10% set-aside. Commissioners agreed with this change.

Mr. Hansen said one of the only things left for discussion is the affordability time limit for for-sale units. He suggested a compromise of 12 years.

Ms. Eakins said she agrees with 20 years. People are being given a gift.

Chair Amundson said the homeowner will be building equity by paying off the mortgage. There is some disincentive to invest in the property because you cannot see an escalation in sales price, however there is also the benefit of buying and living in a \$300,000 house for only \$150,000.

Mr. O'Rourke said we never came up with a model covenant for the affordable homes. However part of the research we did found that some covenants allow adjustments for things like putting in a new furnace or roof.

Chair Amundson said the other item up for discussion is whether we embrace the state's one affordable purchase price and rent or adjust for household size. He said he wants to know what the state will do; is the state statute a toothless ordinance or is there risk of the state stepping in and taking control of zoning decisions?

Mr. Hansen said if they state steps in, people will be very upset with City Council.

Chair Amundson said he thought the state statute said that if you are non-exempt, if you are doing nothing, and if a developer comes in and proposes an affordable development that gets shot down, then the developer may appeal to the state to have the zoning decision overruled.

Ms. Johnson said that the staff person she spoke to at IHDA said that we are making a good faith effort to improve affordable housing, and that would help our case if an appeal were made. The state would use the information in our file to help determine if the City was acting with malice. If the state were to jump in and reverse a zoning decision they would have to prove that the City changed the zoning to block a specific development.

Chair Amundson said he does not want to get tied to what the state is requiring us to do so much that nothing ever gets built. He does not want only efficiency units to be built.

Ms. Eakins said no one knows where the subsidized units that Lazarus House provides are located. They are integrated into the neighborhood with no one's knowledge.

Ms. Payleitner said once objectors understand what affordable housing means and what the units will look like they are okay with it.

Chair Amundson said that for the next meeting, the Commission needs to decide on the time limit for keeping for-sale units affordable. An example covenant would help settle that issue. Then the Commission needs to decide if we adjust for household size or go with the state's maximum rent and for-sale unit price. He also requested a copy from the state statute about what happens if the City falls below 10% affordable.

Ms. Tungare said we need to get a recommendation from the Commission at the next meeting. The proposed revisions will then go on to Planning and Development Committee in May.

Mr. Hansen said he wants to understand clearly what we are doing differently than the state to understand the risk of the state stepping in and taking over the zoning on a project.

7. Additional Business

Chair Amundson stated that he spoke to the Mayor and confirmed that two commissioners can legally meet and talk about Commission business without violating the Open Meetings Act. He encouraged commissioners to dialog about business outside of meetings. More than two can get together socially.

Chair Amundson said commissioners' first names should be listed in the meeting minutes.

Chair Amundson said commissioners should all be present and on time at every meeting.

Chair Amundson suggested having some homework, perhaps an hour a month. He said he is tired of saying "we haven't built anything yet". He wants something tangible to be done.

8. Future Meeting Dates

The next meeting will be April 16, 2015.

9. Adjournment

A motion was made by Ms. Payleitner and seconded by Mr. Glenn to adjourn at 9:00 p.m. Motion carried by a unanimous voice vote.