

**MINUTES
CITY OF ST. CHARLES, IL
HOUSING COMMISSION
THURSDAY, JULY 22, 2015
COUNCIL COMMITTEE ROOM**

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

Members Absent: Corinne Pierog, Tim Kessler

Others Present: Rita Tungare, Community & Economic Development Director
Matthew O'Rourke, Economic Development Division Manager
Ellen Johnson, Planner

1. Call to Order

Chair Amundson called the meeting to order at 7:03 p.m.

2. Roll Call

Ms. Johnson called roll with five members present. There was a quorum. Mr. Hall and Mr. Goettel arrived at 7:08 p.m.

3. Approval of Agenda

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

4. Approval of Minutes from the April 16, 2015 Meeting

A motion was made by Ms. Payleitner and seconded by Mr. Goettel to approve the April 16, 2015 Housing Commission meeting minutes. Motion carried by a unanimous voice vote.

5. Election of Officers

a. Chair

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

b. Vice Chair

A motion was made by Ms. Payleitner and seconded by Mr. Hansen to elect Liz Eakins as Vice Chair. Motion carried by a unanimous voice vote.

6. Discussion regarding revisions to the Inclusionary Housing Ordinance

Ms. Tungare said that after the Housing Commission made its recommendation on revisions to the Inclusionary Housing Ordinance (IHO), the next step would have been to discuss the matter at a Planning & Development Committee meeting. However, given the complexity of the subject matter, it was determined that it would be best to have the discussion at the City Council retreat, which was held on June 27. Ms. Tungare said she provided information on the Annual Affordable Housing

Analysis, IHDA's methodology changes for calculating St. Charles' affordable housing share, and the Housing Commission's recommendation for revisions to the IHO. The Council appreciated the work the Commission has put forth and the proactive approach it has taken. They expressed support for going in the same direction the Housing Commission has been going in: to reactivate the IHO but in an amended form, acknowledging that the current ordinance can be burdensome for the development community. The Council provided some direction related to amendments to the IHO. Council would like flexibility in determining how the IHO requirements can be met, i.e. whether a developer should pay all fee in-lieu, split between fee in-lieu and on-site units, or all on-site units. They felt that flexibility would be warranted based on recognizing that affordable housing needs may change as years go on. Council said the fee in-lieu amount needs to be more practical. The current amount of \$104,500 is not practical, especially for large-scale developments. The Commission's recommended fee of \$78,700 is also too high. For a 500 unit development, the fee in-lieu would be \$2.9 million with the amended fee, which they felt was too high. Council did not provide a specific fee in-lieu amount. Council also suggested a cap to the fee in-lieu amount. One alderman suggested a cap of \$1 million. The Council also discussed how to start implementing the recommendations from the *Homes for a Changing Region* study, after the IHO is amended. Council expressed interest in establishing programs to get more affordable senior housing and rehab existing housing stock.

Ms. Payleitner said Ms. Tungare provided all of the options for the Council, including getting rid of the IHO altogether. By laying out the options, we got a good feel for where the Council stands. Council said they want the IHO, they just think some of the numbers are a little high, and they would also like more control.

Ms. Tungare explained that staff would like to get some feedback from the Housing Commission about Council's direction. After that, staff will draft an amendment to the IHO. The amendment will incorporate everything the Commission has discussed over the past few months. Staff will file an application for a General Amendment to the Zoning Ordinance, as required by state law. The amendment will be brought to the Housing Commission in August, and the Plan Commission public hearing will be held in September, followed by P&D Committee in September. The new ordinance should be in place by late September or early October.

Mr. Hansen asked about the process a developer of, for example, an 80 unit development, would go through, if the ordinance is in place, and how they are notified about the IHO requirements.

Ms. Tungare said most of the time if there is a development of that nature, they will contact the Community Development department and they will be directed to attend a pre-application meeting. That meeting involves representatives from all City departments that review development. Staff outlines the requirements for the applicant, including the IHO requirements. For small scale developments, the applicant may apply directly for a building permit, in which case the Building and Code Enforcement Division would inform them of the IHO requirements.

Mr. Hansen asked about the Housing Commission's role regarding the IHO and new developments.

Chair Amundson said the Commission does not review everything that comes through. We set up a structure that staff and Council administer.

Ms. Tungare said if a development complies with the IHO, the Commission does not have a role to play.

Mr. O'Rourke said if the development meets the IHO, the proposal would go through Plan Commission. The IHO would not be discussed; there would simply be a line item in the staff report that says they meet the IHO, and how.

Ms. Tungare said if the IHO is amended to allow City Council and the Housing Commission to apply the IHO requirements on a case by case basis, based on objective criteria, then proposals may need to be brought back to the Housing Commission.

Mr. Hansen said he agrees with giving City Council flexibility in the ordinance, but he does not see the need for the Commission to get involved.

Ms. Tungare said the ordinance can be set up such that proposals go directly to Council and will not need to come before the Housing Commission.

Chair Amundson said the thought back when the IHO was established was that the Commission does not want to hold up the process. The Commission didn't want to get involved in administering how the ordinance was being played out. We recommend a tool kit and let staff and Council administer it.

Mr. Hansen asked if the IHO could include language that says, this is how you calculate the percentage of affordable housing every year.

Ms. Johnson said the percentage was going to come from the state's determination of the City's affordable housing share.

Mr. Glenn said \$2.9 million is not very much for a 500 unit development, and \$1 million will not provide many units.

Chair Amundson said capping the fee in-lieu at \$1 million penalizes smaller builders. If a developer builds a 500 or 700 unit development, they will effectively pay a 1% mark-up on units, but if they build 100 units and don't meet the cap, they will be paying a 2% or 3% mark-up for each unit. It is unfair to the smaller to mid-scale developer.

Mr. Hall said he doesn't know if a cap is needed. If it is, it needs to be very high. A \$1 million fee for 100 units is nothing.

Ms. Tungare said instead of capping the fee amount, maybe by reducing the fee in-lieu, the issue takes care of itself. Ms. Tungare said she thinks the cap was suggested by Council in response to the feeling that the fee is still too high.

Ms. Eakins said she is concerned about the statement in the memo that Council wants the ability to waive the requirements of the IHO.

Mr. Hansen said the fee in-lieu could be equated to what we could do with the money. We could use the money to make the down payment on an affordable unit for someone. If the value of an affordable unit is about \$145,000, we could do two 25% down payments if we collected \$72,500. The calculation would be the value of two affordable units, multiplied by 25%, for \$72,500, which would be the down payment for two units. If a developer gives the fee in-lieu for one unit,

theoretically we could then create two affordable units.

Mr. Hall said you have to look at it also from the perspective of a teardown. That amount will be seen like an impact fee. A fee per unit of \$6,000 to \$7,000 is palatable for a single teardown.

Chair Amundson said he likes Mr. Hansen's methodology because it puts an image to the fee: covering the down payment for two affordable units. It is about 10% under our previously suggested fee of \$78,700.

Commissioners expressed support for the proposed fee in-lieu of \$72,500 and methodology for calculating it.

Mr. Amundson said the fee in-lieu can change if the price of an affordable unit goes up; it's indexed. It probably will not be used to provide two down payments, but it is a relatable basis for coming up with the fee.

Chair Amundson said he hears consensus on the following:

1. There should not be a cap to the fee in-lieu.
2. The methodology to calculate the fee in-lieu would be the value of an affordable unit (\$145,000) x 2 x 25% = \$72,500, which is the down payment for two affordable units.

Commissioners expressed agreement on these two items.

Mr. Hansen explained the rationale behind a 25% down payment. It will be easier to get banks to take the risk if they are covering 75% vs. 80%. The buyers may have little credit history and high debt-to-income ratio.

Mr. Glenn said he likes that it is a formula that can change based on the current affordable unit price.

Ms. Eakins asked if the ordinance should state how often the calculation should be revisited.

Ms. Johnson said the affordable unit price came from IHDA's Exempt and Non-Exempt Local Governments update. IHDA has said they will do the update every five years.

Mr. Hansen said it could be written into the ordinance as, "IHDA's affordable housing value, currently \$145,000, x 2 x 25%". That way it can be changed when IHDA's number changes.

Chair Amundson said to make the ordinance very clear so that the fee can be updated by staff without going to Council, when the new number from IHDA is available.

Ms. Tungare asked for confirmation that the Commission does not want to get involved in terms of how the fee in-lieu is met for a particular development. Commissioners confirmed that it is up to the Council.

Chair Amundson brought up the idea of pulling the IHO out of the Zoning Ordinance and placing it in its own title within the City Code. That allows the IHO to be written a little bit differently and stops redundant review by the Plan Commission. Any changes to the IHO currently have to go before the Plan Commission, which means there are two citizen review boards looking over the same

documents, and it is not necessarily the Plan Commission's area of expertise. He would support pulling it out of the Zoning Ordinance, provided there is understanding that it applies to all residential developments. It streamlines the process and saves time and frustration.

Mr. Hall said he agrees, but said we need to make sure that the developer and the City cannot take out the requirements. There has to be a cap to the flexibility; the requirements need to be met in some way.

Ms. Tungare said there needs to be an objective basis for waiving the requirements. Currently there is some basis in the ordinance.

Mr. O'Rourke said the IHO was amended a few years ago in response to Lexington Club and the fact that they had a significant amount of environmental remediation that needed to be done. There is now an alternative approval process offered in the IHO. The developer must justify their inability to comply with the ordinance. There are specific criteria provided, such as the need for environmental remediation and unbuildable land. The financial hardship must be over 10% of the total project cost.

Commissioners stated they want to review the criteria at the next meeting.

Ms. Johnson asked if the Commission would want to review a development that is requesting to not meet the ordinance, based on the provided criteria.

Mr. Glenn said there are other ways to help a developer in a situation similar to Lexington Club, such as helping with the remediation, but the housing requirements do not need to be taken away.

Chair Amundson said he believes there is consensus that City Council should have the ability to determine how a developer should meet the ordinance, such as all fee in-lieu, all units, or a mixture of the two. Council should not have the ability to waive the requirements. Commissioners confirmed their agreement.

Commissioners agreed there should be some language in the ordinance that in very special circumstances, the Commission may review developer appeals.

Ms. Tungare said if there is a situation where a developer wants to appeal, the Commission would want to weigh in on that.

Mr. O'Rourke said for there to be an appeal, they must meet one of the criteria currently provided in the ordinance.

Ms. Tungare said staff will serve as gatekeepers; if the developer's proposal does not meet the criteria, staff will not move it forward to the Housing Commission.

Mr. Glenn said the current ordinance does not address the need for senior housing.

Mr. Tungare said that Council gave general feedback on the need for affordable senior housing. Once the IHO is in place, which is mechanism to collect the fee in-lieu, the Commission will devote time towards determining how we spend the fee in-lieu. That is the implementation phase.

Mr. Glenn said he would like to figure out how to get more senior housing in town.

Mr. Hall said when developers see enough of a need for something, they will try to create that. It is a different discussion of what we need to do with the money.

Mr. Glenn referenced senior housing developments in other communities. Ms. Eakins said those are not affordable and Mr. Glenn said they do not necessarily need to be affordable.

Mr. Hall said that is not our charge. Mr. O'Rourke said statutorily, we can only use the Housing Trust Fund money for affordable housing, as defined by the state.

Commissioners discussed that there are many different options for how to use the Housing Trust Fund and programs that can be set up.

Mr. Tungare said providing more senior housing is also outlined as a policy recommendation in the *Homes for a Changing Region* study, which is a policy document that has been endorsed by the Commission and the Council.

Mr. Glenn said there are not many foreclosed homes that exist anymore. Mr. Hall said there are many houses that need to be fixed up and are inexpensive. Those homes could be rehabbed and sold at an affordable price.

Ms. Eakins said she does not want the need to provide affordable housing for families to fall off the radar.

Ms. Payleitner said that was assumed, and Council wanted to add the need for affordable senior housing.

7. Additional Business

Ms. Johnson said the *Homes for a Changing Region* implementation team and the Chamber of Commerce is holding an event on employer-assisted housing for area employers on Oct. 7, around 4 p.m. More information will be provided closer to the event. It will be an informational session. A representative from Metropolitan Planning Council will make a presentation.

8. Future Meeting Dates

The next meeting will be Thursday, August 20, 2015.

9. Adjournment

A motion was made by Mr. Hansen and seconded by Mr. Goettel to adjourn at 8:05 p.m. Motion carried by a unanimous voice vote.