Village of Arlington Heights
Housing Commission
Commissions Room, 2nd Floor
33 S Arlington Heights Road
Arlington Heights, IL 60005
October 1, 2019
7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes 9/3/19

IV. REPORTS

V. OLD BUSINESS

A. Single Family Rehab Program

B. Group Home Acquisition and Rehab Program

C. Update on Refining Arlington Heights Affordable Housing Guidelines

VI. NEW BUSINESS

VII. OTHER BUSINESS

VIII. ADJOURNMENT

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Housing Commission
10/1/2019

Item: Minutes 9/3/19

Department: Planning & Community Development

ATTACHMENTS:

Description	**Type**
Minutes	Minutes

DRAFT

MINUTES OF A MEETING OF
THE ARLINGTON HEIGHTS HOUSING COMMISSION
HELD IN THE COMMISSIONS ROOM
VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
SEPTEMBER 3, 2019

IN ATTENDANCE:

Commissioners Present:	Alex Hageli	John Eggum	William Delea
	Zach Creer	Andrew Tripp	
Commissioners Absent:	None		
Staff Present:	Nora Boyer, Housing Planner/Staff Liaison		
Public Present:	Fred Feldman		Peg Lane
	Philip Grier		Heidi Graham
	Keith Moens		George Motto
	Bill Slankard		Tem Williams
	Tom Mussar		Calvin Flentall

I. CALL TO ORDER

The meeting was called to order at 7:00 p.m. The Pledge of Allegiance was recited.

II. Roll Call

The following Commissioners were present: Hageli, Eggum, Creer, Tripp and Delea.

III. APPROVAL OF MINUTES

A motion was made by Commissioner Delea, seconded by Commissioner Tripp to approve the minutes of the August 13, 2019 meeting with a few minor editd. The motion was approved unanimously.

IV. REPORTS

None

V. OLD BUSINESS

A. Single Family Rehab Program

Ms. Boyer reported that there is one active application. It is from a homeowner who had his furnace replaced through the program earlier this year and now his air conditioning unit has gone out.

B. Group Home and Transitional Housing Acquisition and Rehab Program.

Ms. Boyer reported that the large project by Little City Foundation is continuing and the Clearbrook project for this year has been completed.

VI. NEW BUSINESS

A. CDBG Applications – Group Home Renovations

The project year 2019 – 2020 CDBG applications for group renovations were included in the meeting packet. There were three applications as follows:

> Clearbrook – For exterior renovations of a group home (i.e. exterior siding, fascia, soffits, etc.)
>
> Little City Foundation – For interior renovations including bathroom remodeling to make one bathroom ADA accessible and to renovate a second small bathroom.
>
> Shelter, Inc. – Replace flooring throughout a group home.

The members of the Housing Commission were asked to provide any questions that they have regarding the applications via email to Ms. Boyer within the next week. There was a question about the documentation that is required for submission with the applications. Ms. Boyer responded that the agencies are required to provide mission statements, organizational charts, their last audit and other documents and Village staff uses those documents to vet the organizations. In this case, the three agencies have long histories of working in the Village.

There was a discussion concerning whether it is necessary to invite representatives to attend a Housing Commission meeting to present their projects. It was decided that they should be invited because the conversations between the agency representatives and the Commissioners is useful and it may set a negative precedent to excuse some agencies from presenting their applications while in the future requiring other agencies, that are perhaps less known to the Village, to present their application to the Commission.

Ms. Boyer will ask the applicants to take photographs for the Housing Commissioners of the areas of the homes where they hope to do work. She will also forward any questions from the Commissioners to the agencies.

B. Refining Arlington Heights Affordable Housing Guidelines – Continued Discussion

The Commissioners first discussed the topics under this subject on which they mostly agreed at the August 13, 2019 meeting. Ms. Boyer stated the Housing Commission's positions as she summarized them in the Memorandum to the Housing Commission dated August 28, 2019 for the September 3, 2019 meeting.

With regard to income eligibility, the Commissioners agreed that the income eligibility standard should be kept at 60% of area median income for rental projects. A discussion on income eligibility for owner housing was not needed at this time since the Commissioner are not recommending that actual affordable units be included in for-sale developments.

The Housing Commissioners agreed that the ideal is for affordable units to remain affordable in perpetuity. However, it was suggested that the Village Board could look at proposals on a case-by-case basis and consider defined affordability period if, for instance, it would mean that more affordable units would be provided.

The Commissioners were in favor of local preferences. Categories of persons to receive preference would need to be defined as well as a preference procedure. It was suggested that this is a policy implementation action that could be performed by staff. Categories of persons to receive preference as stated in the memorandum were current Village residents, employees of Arlington Heights businesses or organizations, veterans and persons with disabilities. Ms. Boyer commented that it is likely that a preference policy would be brought to the Housing Commission for comment.

The Housing Commissioners agreed that the Village should provide some developer cost offsets. It was stated that it is important that the Village bring something to the table.

There was a discussion about density bonuses for developments that are subject to the requirements and whether the density bonuses should be connected to actual affordable units and units for which fees in lieu are paid. It was stated that these density bonuses need to be considered from the beginning of discussions with the developer not after a recommendation on the maximum appropriate density for the site has been determined.

Ms. Boyer went through the information that was provided concerning the fees that were charged on the 45-unit Parkview Apartments project as an example of fee levels for new construction developments. There was consensus that the Village fees should be waived proportionally on actual affordable units provided in developments.

The Commissioners agreed with permitting alternative forms of affordable housing contributions, such as off-site affordable units, on a case by case basis. Alternatives would need to be carefully reviewed to ensure that the alternative contributions are truly equivalent to the affordable units that would otherwise have been included in the development. Proximity standards should be included in the requirements establishing maximum distances of off-site units from developments. Some communities employ distance limitations, such a ¼ mile, which should be considered. The alternative contributions also need to be evaluated to ensure long-term quality and maintenance. Involving non-profit affordable housing providers as a partners or requiring periodic inspections by the Village could be ways to help ensure that the units are maintained as affordable and the quality is protected long-term.

Chairman Hageli opened the meeting for public input on the topics discusses thus far.

Mr. Moens commented that he thought that density bonuses should only be provided in connection with actual affordable units that are provided.

Mr. Mussar asked why the fee in lieu was being considered as an option and stated that the requirements should just include requiring affordable units.

Commissioner Hageli responded that the fee in lieu option is included in order to provide some flexibility. He said that the fee is an option for when including affordable units does not make sense such as in high price developments such as Sigwalt 16 where it was not feasible to make units affordable at the price levels of those townhomes.

Commission Eggum stated his concerns about continued affordability requirements on for-sale units since the restrictions applied to low- and moderate-income buyers limit in how much equity they can earn on their investments. He stated that increased equity in home ownership is the path for wealth building for low- and moderate-income people and that limiting their equity was counter-productive to the goal of providing affordable housing.

Commissioner Delea had to leave the meeting at this point. Before leaving, he stated that he thought that exempting developments from the requirements that are at or below a size of 6, 9 or 10 units is fine. He said though that he thinks that Arlington Heights is an attractive enough community for development that the Village should push for the inclusion of affordable units rather than fees in lieu of affordable units.

A member of the audience asked about the framework for the Affordable Housing Trust Fund. He asked when the uses for the funds would be more specifically defined and for a framework for when the $800,000 in funds will become available.

Ms. Boyer clarified that the balance in the fund is currently around $188,000. Developments have been approved that require fees in lieu if the developments proceed to construction, but the timing of that is in the hands of the developer at this point. The Housing Commission has discussed ideas for the uses of the Trust Fund. Chairman Hageli stated that there has not been a rush to set up priorities uses and processes for awarding Trust Fund money because the Housing Commission wanted the fund to build to a greater amount before getting specific regarding recommendations for application process and the allocation of funds.

Dr. Motto asked about Village projections for the affordable housing that will be needed in the Village. He stated that the Village should address housing needs in the future such as those of the growing senior population. Ms. Boyer said that staff is working on a comprehensive affordable housing needs and trends report. She said that the Homes for a Changing Region report shows the projected need for affordable rental housing and affordable owner housing. She said that is it assumed that a good portion of the projected affordable housing need among low income owners is need by low income, senior owners. Commissioner Eggum contributed that the discussion of providing preferences to current, long-term Arlington Heights residents is intended to provide opportunities to long-term residents who may be seniors even though an age is not included in the preference language.

Dr. Motto asked what the discussion about decreasing the percentage goal of affordable housing at the last Housing Commission meeting meant. Chairman Hageli said that that discussion was not about the overall affordable housing goal for the Village. Commissioner Eggum stated that the State of Illinois's definition and method of determining affordability currently results in an outcome that 19.1% of Arlington Heights' housing stock is affordable. However, there is a lack of data on housing costs since there is not a mandate for landlords to provide information to the Village on the rents they charge. He stated that this data would be helpful to determine how much affordable housing is available in the Village and where it is located. He said that he thinks that this is a topic that the Housing Commission should investigate. Commissioner Creer commented that staff is investigating other ways, beyond requiring affordable units in new developments, to create or maintain affordable housing in the Village such as changes in the Zoning Code to permit options like Accessory Dwelling Units on properties.

Mr. Moens asked about using the Zoning Code to keep smaller homes in the Village. He commented that in some neighborhoods like Virginia Terrace the smaller homes have been leveled and replaced by large homes. He asked about ways to protect smaller homes in neighborhoods that are composed of them by requiring that the character of those neighborhoods be maintained.

Commissioner Creer stated that an outright ban on tear downs will not work. Commissioner Tripp pointed out that some other communities have tear down fees so at least some funds are generated for affordable housing programs. Ms. Boyer commented that the Housing Commission proposed a tear down fee to the Village Board a number of years ago. She said that she believed the amount proposed was $10,000 per tear down which is the same fee as in Lake Forest. She said that she believes that Highland Park has a tear down fee but did not know the amount off-hand. She said that the proposed tear down fee seemed to hit a road block due to the amount proposed and that discussion of the concept faded. Commissioner Tripp said that perhaps the Housing Commission should discuss bringing a tear down fee back up including discussions of an appropriate amount.

With public comments having concluded, the Housing Commissioners turned to the percentages of affordable units and fees in lieu. The Commissioners first discussed the development size categories to which requirements should be applied. Commissioner Eggum made the correction in the memorandum that the lowest size category discussed at the August Housing Commission meeting was Under 10 (not 9) Units. The discussion was that for:

- Under 10 Units – There would be no affordable unit or fee in lieu requirement but that a small linkage fee would be charged per unit in the development in an amount recommended by staff.
- 10 – 25 Units – Affordable units and fee in lieu requirements will be applied
- Over 25 Units - Affordable units and fee in lieu requirements will be applied

The discussion was that these size categories would be applied under each of the geographic areas to be discussed - the "tiers" in the staff recommendations.

There was a discussion of the percentages of affordable units or fees in lieu to be required under the tiers proposed by staff. The Commissioners discussed that the standards providing incentives are important factors in the policies and that Village contributions were brought up by the developers. Commissioner Tripp commented that most collaborations are more successful if all sides are putting in something. The types of Village incentives discussed were density bonuses applied to just the affordable units provided (not the affordable unit contribution made through a fee in lieu), waiving parking requirements for affordable units, and waiving the proportion of Village fees attributable to the affordable units that are provided.

The Commissioners discussed a number of percentages and fees and arrived at the following:

Under 10 Units – Recommend that there be no affordable unit or fee in lieu requirements but that a small linkage fee be charged per unit in the development in an amount recommended by staff.

For developments of 10 units and more:

<u>Rental Developments</u>
Tier 1 – Downtown
Require 12.5% affordability. A minimum of 7.5% of units must be actual affordable units and a fee in lieu may be paid on a maximum of 5% of units at $25,000 per affordable unit not provided. If no affordable units are provided, require 12.5% affordability at a fee in lieu of $100,000 per affordable unit not provided.

Tier 2 – Community-Wide excluding downtown
Require 5% actual affordable units or if no actual units are provided require 10% affordability at a fee in lieu of $75,000 for each affordable unit not provided.

Tier 3 – Public Assistance Provided
Require 10% actual affordable units with no fee in lieu option.

<u>Ownership Developments</u>
Do not require actual affordable units at this time; rather require 10% affordability in the form of a fee in lieu using a method to be devised by staff that results in a fee amount that is proportional to the value of the development or units (i.e. the fee paid by a development with units having $500,000 sale prices per unit should be higher than a development with units having a $300,000 sale price per unit).

Ms. Boyer commented that staff was in favor of a flat fee in lieu amount because the of the complexity of applying a formula based on applying a percentage to the value of the development or sale prices of the units, particularly because values and sale prices are not firm at the time the development is approved and information such as sale prices would have to be tracked later. The Commissioners maintained that a proportional fee for for-sale products makes more sense because the values of the projects and units in the projects can vary so widely, and developments with widely different values or price points should not pay the same fee. Commissioner Eggum recommended that the fee could be based on estimates at the time the project is approved and the fee could be trued-up using the value used by the developer for depreciation in the first tax return, receiving a copy of which would be a requirement of approval.

The Commissioners concurred in recommending that the Village should adopt its requirements by ordinance although finer administrative points of procedure would be developed by staff.

When the public was invited to make comments, Mr. Mussar made the comment that permitting too much room for negotiation will lead to the Village losing out in the negotiation in favor a concern that the developer will not proceed with the project. He said that he would favor an ordinance that is less open to negotiation.

The Housing Commission reviewed its recommendations on all of the topics discussed above. Since the Housing Commission will not meet and have the opportunity to review the meeting minutes prior to the Village Board meeting on this topic on Monday, September 9, 2019, Ms. Boyer said that she will type up the Housing Commission's recommendations in-detail in the morning. The recommendations will be sent out by email so that the Commissioners may individually point out any issues.

A motion was made by Commissioner Eggum, seconded by Commissioner Tripp that the Housing Commission adopt as a whole the recommendations made at the September 3, 2019 Housing Commission meeting to be forwarded to the Village Board. Commissioners Hageli, Tripp, Creer and Eggum voted yes. No Commissioners voted no. The motion carried 4 – 0.

1. Covered Project – Apply the requirements to multi-family, new construction at this time. Research and consider if and how affordable housing requirements should be applied to the following in the future: substantial rehabilitation, adaptive re-use of structures, and condo conversions or de-conversions.

2. Development Size - Apply the affordable housing requirements to the following size categories:

Under 10 unit:	No requirements for units but charge a small linkage fee with an amount to be recommended by staff
10 or more units:	Affordable housing percentage and fee in lieu apply as per 3. below.

3. Percentage of Affordable Units and Fee in Lieu – applies to developments of 10 or more units

   Rental Developments
   Tier 1 – Downtown
   Require 12.5% affordability. A minimum of 7.5% of units must be actual affordable units and a fee in lieu may be paid on a maximum of 5% of units at $25,000 per affordable unit not

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Do not require actual affordable units at this time; rather require 10% affordability in the form of a fee in lieu using a method to be devised by staff that results in a fee amount that is proportional to the value of the development or units (i.e. the fee paid by a development with units having $500,000 sale prices per unit should be higher than a development with units having a $300,000 sale price per unit).

4. Income Eligibility
Keep the income eligibility for rental units at 60% of Area Median Income. An income eligibility level for ownership is not needed since only fees in lieu are recommended at this time.

5. Term of Affordability
Make no change in the term of affordability which is in perpetuity. Consideration could be given on a case-by-case basis to a defined period of affordability (ex. 50 years) if it means that more affordable units would be provided.

6. Local Preferences
Local preferences should be required when possible to include categories such as long-term current residents, employees of Arlington Heights businesses or organizations, veterans and persons with disabilities with staff to develop a detailed preference policy and tenant selection procedure.

7. Developer Cost Offsets/Incentives - The following developer cost offsets/incentives are recommended:

- Density Bonuses for the actual affordable units provided in the development
- Parking requirement waiver for actual affordable units provided in developments in the downtown
- Waiver of Village permit and review fees on a proportional basis for the actual affordable units provided in the development. Other taxing bodies could be contacted about reducing their impact fees

8. Alternative Contributions – Permit alternative forms of affordable housing contributions, such as off-site affordable units, on a case by case basis. Alternatives would need to be carefully reviewed to ensure that the alternative contributions are truly equivalent to the affordable units that would otherwise have been included in the development. Proximity standards should be included in the requirements establishing maximum distances of off-site units from developments. Some communities employ distance limitations such as a ¼ mile, which should be considered. The alternative contributions also need to be evaluated to ensure long-term quality and maintenance. Involving non-profit affordable housing providers as a partners or requiring periodic inspections by the Village could be ways to help ensure that the units are maintained as affordable and the quality is protected long-term.

9. Ordinance or Guidelines – Adopt the affordable housing guidelines as an ordinance.

VII. ADJOURNMENT

A motion was made by Commissioner Tripp, seconded by Commissioner Eggum, to adjourn the meeting. The motion passed unanimously.

NEXT MEETING: October 1, 2019 7:00 pm.