



Village of Arlington Heights
Housing Commission
Commissions Room, 2nd Floor
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
July 17, 2018
7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

- A. Minutes 6/12/18

IV. REPORTS

V. OLD BUSINESS

- A. Single Family Rehab (SFR) Program Update
- B. Group Home and Transitional Housing Update
- C. 2018-2019 Community Development Block Grant Update
- D. Affordable Housing Trust Fund

VI. NEW BUSINESS

- A. 2018-2019 Review and Updates Village Housing Regulations and Strategy
- B. Senior Commission - AARP Livable Communities Initiative - Housing Domain and Survey Questions

VII. OTHER BUSINESS

VIII. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.



Item: Minutes 6/12/18

Department: Planning & Community Development

ATTACHMENTS:

Description

Minutes

Type

Minutes

DRAFT

MINUTES OF A MEETING OF THE ARLINGTON HEIGHTS HOUSING COMMISSION HELD AT ARLINGTON HEIGHTS VILLAGE HALL VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS JUNE 12, 2018

IN ATTENDANCE:

Commissioners

Present: Alex Hageli Mark Hellner
Will Delea Zach Creer

Commissioners

Absent: Andrew Tripp Andrea Johnson Namrita Nelson

Staff Present: Nora Boyer, Housing Planner/Staff Liaison

Others Present: Chris George, Tartan Realty Group, Inc.
Douglas Reichl, Tartan Realty Group, Inc.

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE

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

II. ROLL CALL

Commissioners Hageli, Hellner, Delea, and Creer were in attendance.

A motion was made by Chairman Hageli, seconded by Commissioner Delea to approve the minutes of the May 8, 2018 with some edits. The motion was approved unanimously.

Prior to beginning the items on the agenda, the Commissioners asked some questions about the history of the Arlington Downs development and the staff report concerning the affordable housing component at development. The staff report was emailed to the members of the Housing Commission at 4:30 pm.

III. REPORTS

None

IV. OLD BUSINESS

A. Single Family Rehabilitation Loan Program

Ms. Boyer reported that there are no active projects at this time. Two loans were repaid in the past month totaling around \$48,000. Chairman Hageli suggested asking the Planning Department's summer intern to assist with publicizing the program.

B. Group Home and Transitional Housing Rehab Program

Four projects are currently in progress. Two are being completed and two are under construction or are about to be under construction.

There was a discussion of the letter received from the Little City Foundation asking when the Village's Affordable Housing Trust Fund may be opened for applications and expressing Little City's interest in applying for funds.

Ms. Boyer reported that the balance in the Trust Fund is \$106,372. Payments in lieu of providing affordable units are expected in the future from the Lexington Heritage (townhouse) project in the amount of \$122,500 and the Hickory/Kensington area apartment building in the amount of \$275,000. The total after these payments are received will be \$503,872.

Ms. Boyer was asked to: 1) ask Little City Foundation for an update on their search for a home in Arlington Heights to be used as a group home; and 2) find out when the Village expects to receive the fees-in-lieu payments for the Lexington Heritage and Hickory/Kensington projects.

Commissioner Creer asked whether \$500,000 is sufficient to do something significant or if the Housing Commission should wait to see if CA Ventures returns with another concept for the Sigwalt Apartments. Commissioner Creer stated it would be necessary to openly solicit applications for grants or loans from the Trust Fund.

This topic will be discussed again at the next Housing Commission meeting.

C. 2018-2019 Community Development Block Grant (CDBG) Update

Ms. Boyer stated that the second public hearing on the 2017-2018 Annual Action Plan (including the 2018-2019 CDBG budget) will be held at the Village Board meeting on June 18, 2018.

Commissioner Hellner was thanked for representing the Housing Commission at the first public hearing on May 14, 2018. At the May 14th public hearing, Commissioner Hellner presented the Housing Commission's requests for funding for the Single Family Rehab Program and the Group Home and Transitional Housing Acquisition and Rehab program. Commissioner Hellner reported that he also expressed the Housing Commission's support for the funding requests submitted by Clearbrook for the replacement of the heating and air conditioning system at a group home and by Little City Foundation for partial funding of the acquisition/rehab of a new group home in Arlington Heights. He reported that the Village Board did not have any questions about the requests.

Ms. Boyer distributed a copy of the draft 2018-2019 CDBG budget. This draft budget was made available for a 30-day public comment period. The Housing Commission's request for \$75,000 for the Single Family Rehab Program and \$68,000 for the Group Home and Transitional Housing Acquisition and Rehab Program are included in the draft budget. The \$68,000 in the Group Home and Transitional Housing Acquisition and Rehab Program is sufficient to cover the \$13,750 request from Clearbrook for the heating and air conditioning system and the \$50,000 request from the Little City Foundation for the purchase and acquisition of a new group home in Arlington Heights should the Housing Commission approve those projects.

Housing Commissioners are welcome to come to the second public hearing, but presentations are not requested as was the case with the first public hearing.

V. NEW BUSINESS

A. Arlington Downs – Presentation and Response to Affordable Housing Policy

After introductions, Mr. Reichl explained that this project is also receiving design review this evening. The developer is proposing a 263-unit rental building at the Arlington Downs. The hope is to break ground on the 263-unit apartment building in September. Mr. Reichl stated that he is representing Tartan Realty Group, Inc., which is coordinating aspects of the development for the current owner CA Ventures.

Mr. Reichl and the Commissioners discussed a number of changes are being proposed at Arlington Downs including moving the location of the hotel and developing a smaller strip shopping center. Three pad sites in the development area are yet to be identified as to use. He said that these sites may be appropriate for restaurants or retail users.

Mr. Reichl stated that staff and the developer have been discussing the affordable housing conditions for Arlington Downs that were approved in 2012. He said that there has been confusion regarding the conditions. The developer is asking that rather than looking to the existing affordable housing requirements for Arlington Downs that the Housing Commissioners look at the proposed building as if they are considering the affordable housing conditions for Arlington Downs for the first time.

The developer is proposing that 15% of the units in the 263-unit building be affordable or that a fee in lieu of providing the affordable units be set at a rate of \$25,000 per affordable unit not provided. This is consistent with how the affordable housing policy has been applied to the past couple of multi-family development projects. Mr. Reichl said that the petitioner may prefer to pay the fee in lieu of providing the affordable units, but a definite decision has not been made.

Commissioner Hellner said that he was on the Housing Commission when the existing (2012) affordable housing conditions were approved. He said that the affordable requirements approved in 2012 are clearly stated in the motion and records from that time. Commissioner Hellner spoke about the need for more affordable housing units in the Village, especially now due to changes in the housing market. He said that more people are in need of affordable housing than before, and he hopes that the developer will be sensitive to the affordable housing needs and concerns of the community.

Mr. Reichl commented that they are aware of the need, but costs have gone up, and without some kind of subsidy, it is difficult to develop even market rate units. Mr. Reichl was asked if any additional residential development is being looked at for Arlington Downs. Mr. Reichl said that CA Ventures has a senior group, and has included a concept for a 180-unit senior housing building in the revised development plan. He also said there is another area off Rohwling Road that is being looked at as possibly residential.

Ms. Boyer reviewed the approved (2012) affordable housing requirements for Arlington Downs. A threshold was set which provided that the affordable housing requirements apply if the number of units in Phase II of the development (defined as all redevelopment at Arlington Downs except the One Arlington tower) exceeds 300 units. If the number of residential units in Phase II exceeds 300 units, the

affordable housing requirements apply to all of the units in Phase II including the first 300 units. Once the threshold of planned units is met, 5% of all units in Phase II must be designated as affordable; or the developer may pay a fee in lieu of providing units at \$100,000 per affordable unit not provided; or an equivalent combination of affordable units and fees must be provided. Ms. Boyer clarified that the fee in lieu amount in the Village's policy was \$100,000 in 2012 but was later lowered to \$75,000.

Ms. Boyer stated that since the 300 unit threshold is met by the proposed 263 unit building plus the conceptual 180 unit senior building (total 443 units), the 2012 affordable housing requirements apply to the 263 unit building. Under the current (2012) requirements, 13 of the 263 units in the building under discussion must be affordable ($263 \times .05 = 13$) or the total fee if no affordable units are provided is 1.3 million ($13 \text{ affordable units not provided} \times \$100,000 \text{ per unit} = 1,300,000$); or an equivalent combination of affordable units and fees is required.

Under the the developer's new proposal, 39 affordable units would be required ($263 \text{ units} \times .15 = 39 \text{ units}$); or a maximum of fee of \$975,000 would be due if no affordable units are provided ($39 \text{ units} \times 25,000 = \$975,000$); or an equivalent combination of affordable units and fees would be provided.

Ms. Boyer mentioned that some members of the Village Board members have expressed that they would like to see some affordable units produced rather than developers taking the option to satisfy the the affordable housing requirement entirely by paying the fee.

Ms. Boyer summarized the staff's recommendation as contained in the Staff Report. The staff recommendation concurs with the developer's request with regard to the percentage of affordable units and fee-in-lieu rate. However, the staff recommendation suggests that some minimum number of affordable units be required.

Mr. Reichl asked why the funds collected as fees in lieu of affordable units are not used to subsidize units so that they are affordable. Commissioner Hellner stated that the fees will be used to incentivize the development of affordable housing, but the amount of funds in the Trust Fund at this time is \$106,000 and this amount needs to build up. Also, the plan is not to use the funds for rent subsidies. The discussion earlier in the meeting was about what to do with the funds once additional revenue is received. Commissioner Hellner said that one of the reasons for the Village's affordable housing policy is to try to insure that the Village meets the minimum of 10% affordable housing threshold set by the State of Illinois. He said that he doubts that the Village currently meets the 10% minimum standard.

Mr. Reichl wondered what the Board would be looking for in terms of the count of affordable units and asked whether the developer would have a say in which units are affordable. Ms. Boyer responded that in other buildings with affordable rental units, particular units are not specifically identified. Rather, the total number of units required to meet the affordability requirement may vary depending on how the turnover of units is managed by the owner. Mr. Reichl said that there are specific requirements regarding accessible units and where they are located and wondered if there was that level of detail concerning the numbers and locations of the affordable units in the building. The response was that the incorporating the affordable units did not have those types of specific requirements.

Commissioner Delea said that he likes the idea of a combination of a minimum number of affordable units and fees. He said that he would not have a problem with the affordable units being the units that are at the lower end of the hierarchy of rents levels in the building. For example units on lower floors tend to have lower rents.

Commissioner Delea asked if there are any negative consequences for the Village if its affordable housing level falls below the 10% threshold set by the State. Ms. Boyer explained that the Illinois Affordable Housing Planning and Appeals Act requires that municipalities that do not have 10% affordable housing, as calculated by the State, must approve an affordable housing plan and submit it to the State. In municipalities that do not have 10% affordable housing, developers of affordable housing may appeal municipal denials of projects when the denials are based on the inclusion of affordable units to a State appeals board. She said that she does not know that any of those appeals have occurred, but the possibility of losing local authority to the State is the consequence of falling below the threshold.

There was a discussion of what the minimum number of affordable units in the 263-unit building (ADR II) should be. There was a proposal that it be required that a minimum of half of the affordability requirement be met with providing affordable units in the building (i.e. 20 affordable units) with the option to pay the fees for the balance of the affordable requirement at \$25,000 per unit.

Mr. Reichl pointed out that thus far all other developer had the option to satisfy the full affordable housing obligation by paying the fee. He said that the affordability requirement is already burdensome. He said that there is a reason that other developers have opted to pay the fee. He also stated that affordable units within the building may create a certain environment if it is known that some tenants are paying market rents while others are paying less. Commissioner Hellner stated that it is often the case that some people pay less for products than others (ex. airline tickets or automobiles), and that there will be no need to disclose which tenants are benefitting from the affordability requirements.

Commissioner Delea pointed out that 20 affordable units would exceed the number of affordable units required in the existing (2012) affordability requirements - which is 13 affordable units. He said that requiring more than 13 affordable units would be unrealistic given the existing requirements since the developer would likely comply with those existing requirements rather than seek new conditions. He said that the number would need to be something less than 13. He also suggested that in the future, perhaps the fee-in-lieu of affordable units not provided could be lowered if some affordable units are provided in a development.

Mr. Reichl said that the development team needs to have additional conversations about what would work in terms of affordable units and fees. Commissioner Hellner asked that the development team think about the housing burden being faced by many people and consider that the Village's goal is to keep the Village from becoming exclusionary.

The members of the Housing Commission concurred that they were not in a position this evening to recommend a minimum number of affordable units at this meeting. Chairman Hageli said that he would want more member of the Housing Commission in attendance at a meeting to discuss such an important policy. The members discussed "strongly encouraging" the inclusion of affordable units without their setting a specific number. This was the agreed upon action so that the project can proceed to Plan Commission in a timely manner with the recommendation of the Housing Commission.

Mr. Reichl suggested that incentives from the Village to include affordable units in development may make developers more likely to include the affordable units rather than pay the fee to get out of the requirement.

Ms. Boyer explained the other affordable housing conditions recommended by staff which included topics such as the payment schedule for fees, fee refunds if the developer decides to provide affordable units after fees have been paid, maximum rent levels and the reporting requirement. She stated the condition concerning maximum rents should also have included the maximum income-eligibility level of households benefitting from the affordable units. According to the Village's affordable rental policy, which was provided to the developer, beneficiaries are to be households with annual household incomes at or below 60% of the Chicago area median income level (adjusted for household size) as set by HUD. Ms. Boyer suggested that this income eligibility level be include in the condition.

The following motion was made by Commissioner Hellner, seconded by Chairman Hageli:

The Housing Commission recommends to the Village Board that for ADR II and future proposals at the Arlington Downs Development (all redevelopment except the redevelopment of the existing One Arlington tower building):

- **Require that 15% of the residential units (39 affordable units in ADR II) be allocated as affordable units in perpetuity. The developer may elect to pay a fee in lieu of providing the affordable housing units at a rate of \$25,000 per affordable unit not provided; or may provide an equivalent combination of affordable units and fees in lieu of affordable units. However, developers are strongly encouraged to provide and maintain affordable units in the Arlington Downs development.**

The motion was approved unanimously.

A second motion was made by Commissioner Hellner, seconded by Commissioner Hageli to include the following additional conditions for ADR II and future proposals at the Arlington Downs Development (all redevelopment except the redevelopment of the existing One Arlington tower building):

- **Prior to Plan Commission hearing, staff will work with the developer on an acceptable housing fee payment schedule. Fee in lieu payments shall be made no later than the issuance of the first Certificate of Occupancy and incorporated as a condition of approval.**
- **If fees are paid and the developer later decides to provide affordable units instead, they the developer may receive refunds of the fees paid in accordance with the following:**
 - a) Refunds may only occur ~~within a specified time period say 6 months or certainly no~~ more than 12 months from issuance of the first certificate of occupancy; and**

b) If funds are available in the amount of the requested refund in the Trust Fund in the amount of the requested refund; and

c) ~~Excluding the minimum number of affordable units provided.~~

- **The base rental rate for affordable housing units shall be set at the HUD Fair Market Rent for Cook County as established annually by the U. S. Department of Housing and Urban Development (HUD), and income eligibility for the affordable units shall not exceed 60% of the area median income, adjusted for household size, for the Chicago area as determined by HUD. If the developer is participating in an affordable housing program that is approved by the Village (such as a government-sponsored program, program for veterans, etc.), the eligibility guidelines and rent structure of the approved affordable housing program would apply.**
- **If affordable units are provided, tThe developer shall submit an annual report concerning compliance with the affordable housing program by January 31 of each year, in a form as determined by the Village.**

Mr. Reichl and Mr. George left the meeting.

The members of the Housing Commission discussed options for how the affordable housing goals may be furthered in the future. Commissioner Creer suggested that the Village look at incentives that could be provided to encourage the inclusion of affordable units in future developments. Commissioner Delea suggested that the Village also consider allowing developers to provide affordable units off-premises from the new development that is being proposed. For example, the developer could give a grant to a non-profit organization to buy and operate a building that includes affordable units. The non-profit, rather than the developer, would manage the affordable housing and be responsible for future reporting obligations.

B. Timber Court

Ms. Boyer explained that there are 14 units at the Timber Court condominiums on Old Arlington Heights Road that are designated as affordable housing units. Eleven of the units were sold to low/moderate income buyers at below market prices. The other three units were not sold. Originally, the program restricted resale to low/moderate income buyers at restricted resale prices.

The owners of the affordable units have expressed concerns about their inability to sell their units. This is due to the inability for buyer's to obtain mortgage loans for the units due to the high level of units being rented in the complex, the proportion of units owned by one owner (the developer), and the pending lawsuit involving the property.

In 2013, the Village provided the owners with the option to rent their units to low/moderate income tenants at affordable rents, or sell their units to investment buyers who would rent the units to low/moderate income tenants at affordable rents. One unit, that was in foreclosure, was purchased from the mortgage holder by an investor who agreed to the rental restrictions.

Presently, there is an owner of an affordable unit who is requesting that the affordability restriction be removed in order to increase the likelihood that he can sell his unit. This owner recently moved out of state due to a job change and had to hire a management company to assist him with his unit due to his current distance from Arlington Heights.

Acknowledging that the Village's primary goal is to retain the affordable units, staff presented the following options and recommendation for the Housing Commission to consider:

Options

1. Make no change in policy at this time. Continue to permit owners of the low/moderate income units to:
 - a. Lease their units to low/moderate income tenants at affordable rents; or
 - b. Sell their units to investment buyers who agree to lease the units to low/moderate income tenants at affordable rents.
2. Allow owners of the affordable units to rent their units at market rate rents (in order to better cover their monthly costs of ownership).
3. Other alternatives continue to be explored with the Legal Department, but at this time, have not been fully vetted.
4. Use an appropriate amount of funds from the Affordable Housing Trust Fund to provide financing to a non-profit organization that may be interested in purchasing a unit.

Staff recommended Option 1.

Commissioner Hellner commented that making no change is not unfair since it was the original deal and the owners' obligation. Chairman Hageli said that he would consider Option 4 as long as the units stay affordable.

A motion was made by Commissioner Hageli, seconded by Commissioner Delea, to:

- 1) Make no change in policy at this time. Continue to permit owners of the low/moderate income units to:**
 - i. Lease their units to low/moderate income tenants at affordable rents; or**
 - ii. Sell their units to investment buyers who agree to lease the units to low/moderate income tenants at affordable rents; and**
- 2) Explore option 4 regarding possible use of an appropriate amount of funds from the Affordable Housing Trust Fund to address the current affordable housing owner's case and other cases that may arise in the future.**

The motion was approved unanimously.

VII. OTHER NEW BUSINESS

None

VIII. ADJOURNMENT

A motion was made by Commissioner Hellner, seconded by Commissioner Hageli, to adjourn the meeting. The meeting adjourned at 9:00 pm.

NEXT MEETING: Tuesday, July 17, 2018 7:00 pm