Village of Arlington Heights
Housing Commission
Commissions Room - 2nd Floor
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
June 11, 2019
7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes 4/29/19

B. Minutes 5/6/19

IV. REPORTS

V. OLD BUSINESS

A. Single Family Rehab (SFR) Program

B. Group Home Acquisition and Rehab Program

C. Timber Court Update

VI. NEW BUSINESS

A. Sigwalt 16 - Response to Affordable Housing Policy

B. Substantial Amendments to 2015-2019 Consolidated Plan and Draft 2019 Annual Action Plan

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.

Housing Commission
6/11/2019

Item: Minutes 4/29/19

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Minutes 4/29/19	Minutes

DRAFT

MINUTES OF A MEETING OF
THE ARLINGTON HEIGHTS HOUSING COMMISSION
HELD AT ARLINGTON HEIGHTS VILLAGE HALL
VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
April 29, 2019

IN ATTENDANCE:

Commissioners Present:	Mark Hellner	Zach Creer
	William Delea	Andrew Tripp
Commissioners Absent:	Alex Hageli	Namrita Nelson
Staff Present:	Charles Witherington-Perkins, Director of Planning & Community Development Nora Boyer, Housing Planner/Staff Liaison	
On Behalf of Arlington 425:	Bruce Adreani, Developer, Arlington 425 Michael Firsel, Attorney for the Developer	

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 present: M. Hellner, W. Delea, Z. Creer and A. Tripp.
Absent: Hageli and Nelson

A motion was made by Commissioner Creer, seconded by Commissioner Tripp to select Commissioner Hellner to chair the meeting in the absence of Chairman Hageli. The motion was approved unanimously.

III. Minutes

A motion was made by Commissioner Delea, seconded by Commissioner Creer to approve the minutes of the January 22, 2019 meeting with two minor edits. The motion was approved unanimously.

IV. REPORTS
No report.

V. OLD BUSINESS

No report.

VI. NEW BUSINESS

A. Arlington 425 Response to Affordable Housing Guidelines

Chairman Hellner stated that although staff has been involved with discussing the development with the developer, this is the first that the development has become before the Housing Commission. The Housing Commission only addresses the affordable housing component of the project.

Ms. Boyer summarized the Staff Report to the Housing Commission that was posted on the Village website concerning Arlington 425 project. Ms. Boyer stated that the Arlington 425 project is a development proposed for the north three quarters of the block in downtown Arlington Heights bounded by Campbell, Sigwalt, Highland and Chestnut Avenue. The project is proposed to include 3 buildings with a total of 361 units.

The Arlington Heights affordable housing guidelines call for developments of this size (over 26 units) to set aside 15% of their units as affordable to households that are at or below 60% of area median income. The guidelines applied to this development call for 54 affordable units.

Ms. Boyer said that staff has held several meetings with the developer. The developer's first, formal response to the affordable housing guidelines was received by the Village on December 21, 2018. The developer's proposal was to provide 15 affordable units.

Most recently, the developer proposed to provide 27 affordable units as units or fees in lieu of units. During a meeting, the developer offered to provide the 27 affordable units as 20 actual affordable units affordable to renters 80% of AMI at affordable rents, and fees in lieu of units for seven units at $25,000 each for a total of $175,000.

The staff alternative offered on April 12, 2019 included 27 affordable units as follows: 1) 18 actual affordable units; 2) for households with incomes at or below 60% AMI at rents affordable to this income level; 3) with the affordable units be studio and one-bedroom units; and 4) fee in lieu payments for 9 units at $25,000 per unit. It was also discussed that if the affordable guidelines are revised in the future, the lower of the requirements approved for the development or the revised guidelines would apply.

Staff has reviewed the affordable housing component of Arlington 425 based on the cost to the developer to provide affordable housing units. Staff also considered:

1) The Village guidelines and Village directives which emphasize providing affordable units over the payment of fees in lieu of units;
2) What the income eligibility income and rent standards should be. The guidelines call for 60% AMI which is the standard used by the State under the Illinois Affordable Housing Planning and Appeal Act that calls for 10% of units in municipalities to be affordable. Also, a 2013 housing study states that there is more need in Arlington Heights for rental units affordable for households around 60% AMI than at 80% AMI;

3) Unit mix according to the guidelines the unit mix should be proportional to the development overall. In this case the developer has requested an exemption from providing two-bedroom units and asks to provide only studio and one-bedroom units.

The staff recommendation for this meeting as it appears in the Staff Report was follows:

After analyzing the cost of providing affordable units, financial impacts on the Arlington 425 developer, and the Village Boards goals and directives, it is recommended that the affordable housing component of Arlington 425 meet the following conditions:

1. 18 actual affordable units be provided (5% of all units), affordable at 60% Area Median Income (AMI) that are to be affordable in perpetuity.

2. A payment in lieu of 9 units (2.5% of all units) to be paid at $25,000 per unit ($225,000 total) at the time of permit issuance for the first building to be constructed at Arlington 425.

3. The income eligibility standard for the affordable units is to be 60% of the Area Median Income (AMI) for the Chicago-Joliet-Naperville area, adjusted for household size as updated annually by HUD.

4. The maximum rents are to be the rents determined to be affordable to households at 60% of Area Median Income (AMI) for the applicable unit sizes (studio and one-bedroom units) according to the method used by the Illinois Housing Development Authority (IHDA) for the Chicago Metro Area.

5. That 1/3 of the 18 affordable units to be studio units (6 studio units) and 2/3 of the affordable units to be one-bedroom units (12 one-bedroom units), which is consistent with the proportions of these units in the development.

6. Preference for tenancy of the affordable units will be given to current Arlington Heights residents and/or veterans.

7. The 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 and in compliance with all other elements of the guidelines.

8. If the Village's affordable housing guidelines are revised prior to the issuance of the first building permit for this project to standards that are lower than what the developer and Village agree upon, that the lower of the two standards will be applied.

Mr. Perkins stated that Arlington Heights is one of five or six communities in Illinois, outside of Chicago, that require affordable units in developments. The other communities being Highland Park, Lake Forest, Evanston, St. Charles and Oak Park a month ago. Arlington is somewhat of a leader in this area. He stated that, in fairness, the 15% of affordable housing units called for in the guidelines has not been achieved in rental developments. Most recently, the approval for Arlington Downs required nine affordable units.

Exceptions have been Heart's Place where all of the units are subsidized and Parkview, which was financed with Low-Income Housing Tax Credits. In both of these cases, the developer exceeded the 15% is affordability level in the guidelines. The other rental developments in the Village paid the fees in lieu of units. As acceptance of affordable housing has increased, the amount of the fee in lieu approved has increased.

Chairman Hellner stated that audience comments will be heard. He asked that comments address this project specifically. He also stated the questions of the developer will be permitted. He asked that the discourse be civil.

Before taking comments from the public, Mr. Michael Firsel, attorney for the developer said that certain things have been discussed around the community and he hoped to answer some audience question in his presentation.

Mr. Firsel said that since the developer went to the Village Board for early review, they have been told and have been responsive to the Village's desire to have actual affordable units in the development rather than providing the full amount of affordable housing as payment of fees. Rather than payment of fees. He said that this is a $150 million project and that the per unit cost is not the $204,000 reported in the Staff Report but is more than $300,000. He reported having done research that contradicts certain assertion in the Staff Report and that there is a need for more units at 80% AMI in the zone identified by the Illinois Housing Development Authority (IHDA) than for units affordable at 60% AMI.

He stated that the 18 actual units proposed by the developer exceeds any percentage or amount of affordable housing provided by any other developer including at Arlington Downs. The payment in lieu would be $225,000, which the Village would use to supplement or provide affordable.

He said it is impossible to provide 54 affordable units in this project and be able to finance it. Several consultants, including SB Freedman have told the developer that even affordable housing providers cannot afford to provide units at 60% AMI unless there are government subsidies or special financing provided to support the affordable units. He said that no subsidies or special financing have been offered to the developer. He said that he would respond to the staff recommendations specifically with other proposed edits but wanted to point out that the developer is in agreement with respect to providing tenant preferences in the following order: 1) to veterans; 2) to Arlington Heights residents; and 3) to veterans who are not Arlington Heights residents, before offering units to other applicants.

The meeting was opened to comments by the public.

Heidi Graham identified herself as appearing officially as the President of the local League of Women Voters and as a long-time resident of Arlington Heights. She commented that the League of Women Voters holds the position nationally that affordable housing is a priority issue, and public and private affordable housing is needed by many segments of communities. She said that the community is not viable unless there is housing for all income levels. She recommended not going below the guidelines set by the Village.

Mr. Mussar asked for clarification from the developer if he is redefining affordable housing as affordable at 80% rather than 60% and also lowering the number of units being offered. The developer responded that the proposal is 18 units at 80% affordable.

Geri Wasserman identified herself as a resident of Glenview and as a representative of Reclaim NW Suburbs which has members from many of the northwest suburbs. Her points were that Arlington 425 should include a fair amount of affordable units at the 60% AMI level and that the $25,000 fee in lieu amount is too low. She said other communities have set their fee in lieu at amounts at levels such as $125,000 per unit. She also stated that Arlington Heights should adopt its guidelines by ordinance in order that developers will know what is expected of them and in order to avoid the need to negotiate. She talked about Evanston's program, which is adopted by ordinance, and provides incentives and bonuses to developers in order to incentivize units over the payment of fees.

Susan Catlin, resident of Arlington Heights, stated that she does not want all this affordable housing in Arlington Heights. She said that when she moved here everyone was the same and we didn't have all this crime with people who can't afford to live here. She lives a half a block away and is concerned for her safety.

Cindy Churchill, who stated that she lives across the street from the proposed development and has not agreed with some aspects of the project, but she stated that she agrees with what the developer is offering. She said that she read on the Village website that the Arlington Height police are concerned about the project.

Charles Perkins stated that he thought she was referring to an article in the *Arlington Cardinal* about Parkview Apartments and in which some of the information about police calls was attributed to unspecified sources. Parkview is on the north side of downtown and is a 45-unit apartment development that was financed with Low-Income Housing Tax Credits. The Village requirement on that development was seven affordable units, but they actually have closer to 40 or 41 affordable units at less than 60%. It is a different program than what we are talking about here. It is apples and oranges and not a good comparison. He pointed out that Dunton Tower has 20% affordable units since it was built 20 – 25 years ago. He said that there are always police calls to apartment buildings, but it has been nothing out of the norm at the Dunton Tower development.

Chairman Hellner said that most of the calls at Parkview have been about parking issues. He said that people should be cautious about reports from unattributed sources.

Laura (no last name provided) said that she has family and friends with the Arlington Heights Police Department who made her aware of the Arlington 425 project. She said that she thinks it is valid to talk about Parkview Apartments in this discussion. She didn't want to name the offices but she heard from them that a lot of the police calls to Parkview Apartments involved violent incidents. She described one violent incident, which was also reported in the *Daily Herald*, regarding a man who she doesn't think was supposed to be living there, but his grandmother let him move in. He beat his grandmother, tried to take an officer's gun and bit an officer, and who was subsequently arrested. She spoke about another incident when a woman would not let the police in when a child was choking. Chairman Hellner asked if she had personal knowledge of these incidents. Laura said that she heard these things from family and friends who are cops. She then said that she spoke to the management at Parkview Apartments and learned that 15 units are Housing Authority and Cook County units, and that an investor purchased 25 units and allowed them to be Low-Income Housing Tax Credit units, and crime has increased there. She wanted to know, if the developer pays the fee in lieu units, if there anything the Village can to prevent someone from purchasing units at Arlington 425 and making more units into low-income units.

Charles Perkins responded that there is nothing to stop a private sale of property. He said that a new owner could lower rents if they could do so and still meet their debt service. However, it is unlikely that this would happen. He said federal fair housing laws limit what the Village can do. Parkview Apartments, which is not under discussion tonight, was developed using Low-Income Housing Tax Credits by a developer who specializes in developing that kind of building with a higher percentage of affordable units. That is not what we are talking about with Arlington 425, which is a high end, market rent development. It would be difficult to bring down the rents to the affordable levels we are talking about even with Low-Income Housing Tax Credits. Mr. Firsel confirmed this comment. With Parkview Apartments, it was known that the developer was seeking Low-Income Housing Tax Credits, which might result in 19 affordable units. It was not known that 41 unit would be affordable.

Peg Martin asked about the relevance of Parkview Apartments to the discussion tonight since it is an entirely different kind of development.

Dawn Frenzell said she is in support of affordable housing and a diverse community. She said that people like her parents, who are retired, who have difficulty affording the home they are in could, and senior who may or may not drive, can use this type of affordable housing so that they can remain in the community that they built over many years as residents. The location near amenities within walking distance is perfect for permitting long-term residence to remain independent and in their community. She also said that she has a young adult son with Asperger's who would never be able to afford housing on his own in the community could use an opportunity like this and would greatly benefit from affordable housing, especially at a location like this. She said that we need to figure out how we are going to support people who are on the spectrum and other members of our community to be able to live here. She had a question about the fees in lieu that are collected and their uses and commented that it must be lot of money by now.

Nora Boyer stated that the amount currently in the Affordable Housing Trust Fund is about $200,000. More in fees has been recently approved in connection with development projects, but since the fees are collected a while after the projects are approved, the funds come later when permits are issued. It was explained that fees are being built up, but the fees come in slowly. Ms. Frenzell suggested that many people become in need of affordable housing through no fault of their own and the collected fees could be used to help people experiencing hardships. Mr. Perkins said that the priority is to use funds to create units not to use the funds for subsidies where the funds would get used up. There are other programs for that. Commissioner Creer stated that the Housing Commission is the citizens advisory group on the Affordable Housing Trust Fund.

Keith Moens who lives in Arlington Heights described the developer's proposal of 20 affordable units as a borderline insult compared to what should be done in this community. He said we need a whole lot more than 20. He said that letters from the developer to the Village Manager indicated that the developer would provide affordable units and rather than cash in lieu and comply with the affordable housing requirements. He said that the developer should not be afraid of affordable units and that providing affordable units would enable the developer to influence and take advantage of demand for higher rent and affordable rent markets with the rents on the higher units going up since the supply would be reduced by the number of affordable units. He said there is plenty of demand for 54 affordable units, certainly more than 20 affordable units. He asked that the developer double or more the number of affordable units, at 60% AMI and look at one and two-bedroom units which is what working families need.

Mr. Firsel responded that he needed to rebut some comments that were just made that were unfair. He said that the developer initially offered only affordable units with no cash when it initially proposed 15 affordable units. He said that the Village asked the developer to get to 27 units through units and cash-in-lieu and they did that. He said that the developer kept their word. He said that the developer is not afraid of affordable housing, rather the number of affordable units that can be included is an economic issue. He pointed out that 15% has never been achieved in the Village, and the need for affordable housing cannot be solved by this development. He further pointed out that none of the nearby suburbs have this type of requirement.

Kathleen (no last name given) stated that she is excited to see something flourish on this block. She thinks that the developer's proposal is reasonable. She said that the residents of the high rises support the downtown businesses and this link needs to be considered. In response to her question, it was clarified that the income eligibility standard applied to Dunton Tower is 80% of AMI, which was the standard used under the government industrial revenue bond financing mechanism used at the time for Dunton Tower. Mr. Firsel pointed out that Dunton Tower was also not required to build parking, and they rent their parking in the Village garage; whereas, Arlington 425 is building parking.

Tom Melody stated that he moved to Arlington Heights once he could afford to. He said that providing affordable housing for persons making $35,000/year provides a disincentive to make more and lose their subsidy. He appreciates the preference for veterans. He supports the developer's plan.

Janet Niemeyer said that she is a longtime resident of Arlington Heights. She is providing housing now for a woman and her adult son who need affordable housing. She said that they are applying to programs, but it is difficult. She said that affordable housing is an important issue. She said that being a City of Good Neighbors is in our DNA, and she thinks it is beneficial to make opportunities for people to come to live and contribute to Arlington Heights. She said that she favors the 60% AMI level.

Ray Crocker asked that the Village dig deep to provide as much affordable housing as we can in this and other projects in Arlington Heights. He said that there need to be communities where the haves invite the have-nots to come. He likes diversity and would like to see the developer increase the number of affordable units. He said that the numbers seem awfully low to him, that they have done a pretty good job, but thinks we could do better if the developer will take a little less profit.

Dave Weiner said that during the Parkview Apartment approval process, discussion of low-income housing was turned to discussing affordable housing. He asked that Arlington 425 be held to having an affordable component not a low-income component. He also stressed the importance of enough parking. He said that he lives right behind the Parkview building and there are parking issues there.

Mark Bostrom with the *Arlington Cardinal* said that people in the audience had the right to be skeptical about the development and that does not mean that they are against affordable housing. He questioned Chairman Hellner and Mr. Perkins about their comments regarding his Arlington Cardinal article and it having unattributed sources. He also questioned Chairman Hellner's source for his statement that most of the police calls to Parkview Apartments have been parking related. Chairman Hellner said that he got his information by checking with the building manager.

Mr. Bostom said that since Mr. Perkins criticized the sources in his article, he was asking if Mr. Perkins knows about calls to Parkview or has knowledge of any social service, law enforcement or other internal memos discussing problems at Parkview Apartments. Mr. Perkins said that he was not being critical, he just said that there were comments reported in the article that came from unspecified sources. He said that he is aware that there is a higher number of calls at Parkview Apartments. He said that he thought he said that. He also explained how the development was funded, that the income levels are lower at Parkview Apartments, and there has been a higher volume of calls there. He said that Village's social services employees and the police are working with the residents and management through the Village's Community Policing program.

Mr. Bostrom stressed that residents concerns about Arlington 425 are understandable given events at Parkview Apartment and that the Village should be open and responsive to those concerns. There was than a discussion about whether or not there is a correlation between household income and crime.

Mr. Habib commented his main concerns were adequate parking and how sustainable the buildings will be. It was explained that these topics are not under the purview of the Housing Commission, but the plans are online and there have been two Plan Commission hearings that included discussion about parking. The Housing Commission can only talk about the affordable housing.

A question was asked about whether there is a difference between the terms affordable housing and low-income housing. Chairman Hellner said there terms are not precisely defined. The Low-Income Housing Tax Credit program, is a financing mechanism for affordable housing which is difficult to obtain. He said that 60% of AMI is typically used to define affordable housing; and generally, housing is considered affordable if monthly housing cost do not exceed 30% of monthly income. How Arlington Heights guidelines have been applied has varied over time under different market conditions and seeking affordable units has become more aggressive as the housing market has improved.

Laura asked how the Parkview Apartment project started. Mr. Perkins explained that the developer was applying for Low-Income Housing Tax Credits and as part of the tax credits, they were required to have 19 affordable units. He said that he thinks tax credit income eligibility is lower than 60% AMI. Laura asked the difference between tax credits and Cook County assistance. Chairman Hellner explained the Cook County program is a voucher program that subsidizes the rents of voucher holders. Laura said that she grew up around public housing that was a problem and she just doesn't want that to happen here, especially for the sake of children. She wanted to know how Arlington 425 will be different from Parkview Apartments so that problems happening at Parkview don't happen with Arlington 425. Laura said she likes the preferences that have been discussed and would favor other preferences such as senior citizens from outside of Arlington Heights. She said that she just wants to make sure Arlington 425 is safe.

Chairman Hellner said there is crime everywhere that has to be dealt with. He said that if any tenant that lives there, or their guests, have a voucher and they commit a crime, they will lose the voucher under the voucher program. He said that managers do not have incentives to have bad tenants. The Village also deals with law enforcement. Mr. Perkins said that the staff proposal is that 5% of units at Arlington 425 be affordable which is very different from what has happened at Parkview Apartments. The Village seeks to distribute affordable units.

Mr. Habib (last name inaudible) asked if this $150 million project will bring jobs with it to govern the development.

Mr. Firsel called on Debbie Smart, Arlington Heights resident and representative of Briarwood Management. It was explained that Briarwood Management is the management company for Arlington 425. Ms. Smart said that developer has gone through a great deal of due diligence and multiple public hearings on this project. She said the uniqueness of this project is that property management was brought onto the team from day one. She said they have been involved in the affordable housing, parking plan, etc. By having the management company in the process they are able to develop a management methodology that will work. They are making sure there are proper rules, a sense of ownership in developed, etc. to make it a great place live. She said that Mr. Adreani has been developing properties for many years and has been paying $40,000/year in property taxes on the site which he has left unfenced. He will pay $2 million in property taxes after development is built, and $5 million/year in spending will be brought into the community as a result of the development. There will be 100 new jobs related to the commercial space, office space, and for the buildings. Ms. Smart said that she is a proponent of affordable housing but there needs to be a balance between what can asked for in terms of affordable housing and what the developer can afford to provide. She said that the developer is an honorable person and his heart is in the right place. She said that, by coincidence, she lives in one of his buildings downtown and it is among the best buildings downtown. She is comfortable that this is a great project for Arlington Heights.

Mr. Habib (last name inaudible) commented that he agrees that the number of units should come up some and be at 60% AMI, and he expects there to be millennials just starting with first jobs to be interested in the affordable units. He said crime is going to happen but how the community deals with it is what matters.

Chris Jones asked if there is still room to negotiate on the affordable housing component; whether the 60% vs. 80% AMI and no two bedroom units is set. Chairman Hellner responded that things are still up for negotiation. The Housing Commission will make a recommendation to the Village Board. The Housing Commission does not have to accept the staff recommendation. Ultimately, final decisions are up to the Village Board. There have been two lengthy Plan Commission public hearings on the project, and comments will be accepted at the Village Board meeting when this project is considered. There is usually a three minute per person comment limit at the Village Board level.

Peg Martin asked if there are Village officials financial interest in the project. She said that Trustee Tinaglia is the architect on the project. Mr. Firsel said that Mr. Tinaglia has been absent or has recused himself from all meetings on this project. Public officials are required annually to disclose financial involvement with Village business. The normal course of action is for officials to recuse themselves if they have a conflict of interest.

Geri Wasserman repeated that the Village should make a serious effort to adopt its guidelines into an ordinance so that developer know what is required of them. Chairman Hellner said that each project is different and applying the same standards to all projects is difficult.

Chairman Hellner stated that the Village has been more ambitious with respect to affordable housing since the housing market has improved. He commented on a recent study on the need for affordable housing in Cook County.

Mr. Firsel said that according to the housing authority website, voucher payments are greater than the maximum rents in the Village’s guidelines. Chairman Hellner said that whether vouchers are available is a different thing and CHA facilities have lengthy waiting lists.

Jim Elgas said that neighborhoods such has Virginia Terrace have been decimated by construction of new homes at the same time that the Village says it wants to protect affordable housing. He said the ability of people get a start in the community is going away. He said that it is a form of gentrification and the changes are upsetting to residents. He said that there have been many teardowns on his block and people are reluctant to improve their smaller homes because they think that resale is likely to be for a teardown.

Ted Eckhart asked when the public comment period will be ending because he is interested in listening to what the Housing Commissioners' are thinking. Chairman Hellner asked if there were any more comments from the audience. When no one indicated they wished to speak, the public comment portion of the meeting ended.

Mr. Perkins provided a brief description of the differences between the developer's proposal and the staff's recommendations as well as the staff's reasoning. Mr. Perkins suggested adding people who work in Arlington Heights to the categories of persons who receive preference in tenancy.

Commission Creer asked for clarification on the process depending on whether the Housing Commission goes with the staff recommendation, the developer's proposal, its own recommendation, or if the Housing Commission is not able to arrive at a recommendation tonight. He asked how that will affect whether the project goes to the Village Board on May 6th. Mr. Perkins said that would have to be evaluated.

Mr. Firsel stated that he wished to provide the developer's responses to the staff recommendation for the record. He stated that they are asking that the income eligibility and rent levels be increased to the 80% AMI standards. The developer asks for a 20-year affordability period for the affordable units from the date of first occupancy instead of in perpetuity. The developer asks that the payment of fees in lieu of units take place at staggered points of permit and occupancy approval processes rather than all at once at first permit approval. He asked for flexibility in the number of studios and one-bedroom units by more or less 3 units units (i.e. 3 – 9 studio units and 9 to 15 one-bedroom units but at all times a total of 18 affordable units) so that the developer has some flexibility in responding to unit demand. He also stated that they want to include all of the affordable units in the Campbell and Highland buildings, which will be the first buildings to be built. He asked that the annual report to the Village be due in March or April each year rather than January. He asked to go over the wording of the eighth recommendation.

Commissioner Tripp noted that the Village had requested more detailed financial information, but the developer said in February that a pro-forma was not available. He asked if that had changed. He said that it is difficult to make a decision based on the one spreadsheet that has been provided. Mr. Firsel stated that the estimated value in the staff report of $204,000 to construct a units is not accurate for this project. Mr. Perkins said that was not the intent of that number. The intent was to show the average value of this development's contribution based on housing in the Village is over $3 million.

Zach Creer asked why the SB Friedman analysis had not been provided to the Housing Commission. Mr. Firsel clarified that SB Friedman did not provide an affordable housing analysis but they did provide a letter that the developer will send to staff stating that there are not a lot of communities in the area that have affordable housing policies. He said that the letter states that no developer, even developers that specialize in affordable housing for entire buildings and which received incentives or special financing, can develop at 60% AMI. Chairman Hellner suggested that the number of units at 60% would need to be provided in order to evaluate whether that is accurate for a development. Housing Choice Vouchers is one way to assist with the gap between the maximum rent to the tenant and what would be the market rent. Mr. Firsel stated that Ms. Boyer said she would assist with identifying ways to possible address the gaps.

Commissioner Tripp asked about the origin of the preferences for tenant selection. The response was that staff first brought up the preferences but that developer was in agreement, wanting this to be a project that benefits Arlington Heights and its residents. Units would not be set aside and kept vacant if there were no applicants who qualify for preference. The assumption is that there will be many applications from the community.

Commissioner Creer stated that he is not seeing anything that would justify the developer's statements over the staff's recommendations. He said that he would even be willing to recommend more affordable units if other Housing Commissioners accept that. If the developer can show evidence of the developer's analysis, he would be willing to look at that, but he is disappointed by what is before him from the developer.

There was a discussion of the future property taxes on the development, which Mr. Firsel stated will be $2 million/year including the residential, commercial, office and parking components. Tenants will rent parking spaces. Spaces are not included in the rents. Mr. Firsel stated that the property taxes on the units will be $3,600 on average, and that property taxes on the affordable studio units will take up 36% of the annual rent received on those units.

Mr. Firsel said that the developer can look again at the income and rent limits and other alternatives but can not respond to alternatives tonight; and without having a discussion with the Village about possible assistance such as breaks on permit fees.

Mr. Adreani said that 60% AMI standard does not work and the banks will laugh them out when they go in for financing if that is presented. Mr. Firsel also said that the affordable housing affects the value of the property due to the annual loss in revenue for the affordable units. He said that this project is spearheading what the Village's requirements for affordable housing will be going forward and it has been challenging because up to this point what the Village has required has been all over the board. He said that it is important for the Village to have a program that is something it can be proud of, but the program needs to be realistic so that developments will not be made unfeasible.

Commissioner Delea asked about if more financial information is available since lender responses must be based on more information than the Housing Commission has. Mr. Firsel talked about the annual loss in rent at various numbers of units. Mr. Perkins pointed out the analysis in the Staff Report that shows annual gross rent income at approximately $8 million and the rent losses at different levels equates to approximately 2% of the development's units. Mr. Firsel said the affordable housing also has an impact on the value of the property, which is based 100% on the project's income and talked about the capitalization required. Mr. Firsel talked about losses at 54 affordable units, but Mr. Delea said that information should not be presented based on 54 affordable units since that number of affordable units appears to be off the table. More information is needed at 18 or 20 units and 60% and 80% AMI. Mr. Firsel said other communities use other standards and there are other factors such as a Deerfield development that was approved at 120% AMI and Chicago developments where incentives, such as TIF funds, are included.

Commissioner Delea asked if Arlington Height has discussed moving its income eligibility standard to 80% AMI. Ms. Boyer responded that this has not been discussed. Commissioner Delea asked if the developer would consider a mix of 60% AMI and 80% AMI units. Mr. Perkins said that although Arlington Downs is providing 9 affordable units at 60% AMI, and more affordable units are being requested for Arlington 425, Arlington Downs did not get a break on the bedroom mix (the project includes two bedroom units) and Arlington Downs has parking construction costs. What is being asked of Arlington 425 is not that much more.

Mr. Firsel said that there may be some movement from 80% AMI to 75% AMI for, and they want to try to accommodate all parties. He suggested that it may turn out that a resolution that does not make anyone completely happy may be the best outcome. He said 27 actual affordable units is not something they can do.

Mr. Firsel asked that the Housing Commission deliberate and said that the will try to come to agreements where possible or may need to discuss and tweak requirements at the Village Board level too. There is a need, with financial implications, to move forward with the project.

In response to the developer's earlier comments, Mr. Perkins recommends that the affordable units to be affordable in perpetuity. Allocating the affordable units to the Campbell and Highland (and not Chestnut) buildings is fine. Staff does not have an issue with phasing in the payments of fees in lieu of units to points during the permit approval and first occupancy processes

Mr. Perkins said that staff understands that 15% affordable units is hard to get without affordable housing financing or programs. That is why the recommended percentage of affordable units was brought down to 5% for this privately- funded development. The 60% AMI standard is important for continued compliance with the 10% State affordable housing requirement. The recommended fee for 2.5% of the units brings the total contribution to 7.5% of all units. With respect to the staff point of view, it is also important that the units are affordable in perpetuity.

Commissioner Creer said that he would be willing to support the staff recommendation at this point and maybe go with a higher number of required units. He may have been more receptive to the developer's proposal had the developer provided more information justifying their proposal.

Mr. Firsel said that they would not be able to agree to additional affordable units tonight and without a discussion with the Village about assistance the Village could provide to reduce the developer's costs, cut as looking at waiving permit fees on the affordable units.

Commissioner Trip responded that the developers are saying that they need to do a holistic evaluation, and there are a lot of stakeholders who want this development to be a success. However, he said that the Housing Commission is being asked to make a decision with large implications based on not quite enough information. He said the Housing Commission needs more information just as the developer needs more information.

Chairman Hellner said that throughout the process he has noted that everyone agrees that the Village would love to see this project. Mr. Firsel said that the project has a lot of moving parts that have been debated, but agrees that the project has been well received overall.

Commissioner Creer stated that the Housing Commission has a difficult role because considerations such as density, less parking, etc. are discussed prior to the project getting to the Housing Commission. The Housing Commission asks without having anything to offer. The only thing the Housing Commission has to work with is how much profit the developer should get. Mr. Firsel agreed that costly modifications have been requested throughout the process to this point and the affordable housing gets what is left over. He suggested that the process should include all components of the project all the way along, including the affordable housing, rather than leaving the affordable housing for the end.

Commissioner Delea said that he would like to see some units at 60% AMI. Commissioner Tripp agreed that he wants some units at 60% AMI but needs more information before making a recommendation.

Commissioner Creer said that he is inclined to go with the staff recommendation relying ton staff's expertise.

Mr. Creer made a motion to accept the staff's recommendation for the affordable housing component of Arlington 425. The motion failed for a lack of second.

Chairman Hellner said that the Housing Commission would like to get this resolved quickly for the developer and offered to put his suggestion of 18 units at 60% AMI and 9 units at 80% AMI in the form of a motion is the other Housing Commissioners were receptive to that. Mr. Firsel had said that the developer would not accept this alternative. There was no response from the Housing Commissioners and the motion was not made.

The possibility of meeting again before May 6th was discussed. Mr. Perkins said a turn around that quickly would be difficult, especially with regard to notifying the public, am available meeting room would have to be located, etc. Commissioner Creer asked when the developer could provide more financial information. It was clarified that the financial information requested is a detailed cash flow statement including anticipated revenues and expenses at the various affordable housing scenarios and showing the net operating income that is feeding the values.

Mr. Firsel said that he could provide the financial information to staff the next day and offered to meet with two Housing Commissioners at time (to comply with the Open Meetings Act), to go over financials. He said that some of the financial information is confidential and no developer that is not seeking public funds would disclose it. Mr. Perkins said staff would need to talk to the Village Attorney about such an approach.

Commissioner Creer stated he was not comfortable with the suggestion because he does not see it as the role of a citizen's advisory group to delve that deeply into the financials. He stated that he would be comfortable with staff doing that evaluation and amending the staff recommendations accordingly if they see fit.

Mr. Firsel asked if the needed additional analysis and discussion can be done over the next week in order to take the project to the Village Board on Monday, May 6th. Mr. Perkins said the Village will need to look at options for proceeding and when a next meetings can be scheduled.

Chairman Hellner thanked everyone for attending and participating in the discussion.

VII. OTHER BUSINESS

VIII. ADJOURNMENT

A motion was made by Chairman Hellner, seconded by Commissioner Creer, to adjourn the meeting. The meeting adjourned at 10:10 pm.

NEXT MEETING: TO BE DETERMINED

Housing Commission
6/11/2019

Item: Minutes 5/6/19

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Minutes 5/6/19	Minutes

DRAFT

MINUTES OF A MEETING OF
THE ARLINGTON HEIGHTS HOUSING COMMISSION
HELD AT ARLINGTON HEIGHTS VILLAGE HALL
VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
May 6, 2019

IN ATTENDANCE:

Commissioners Present:	Mark Hellner William Delea	Zach Creer Andrew Tripp
Commissioners Absent:	Alex Hageli	
Staff Present:	Charles Witherington-Perkins, Director of Planning & Community Development Nora Boyer, Housing Planner/Staff Liaison	
On Behalf of Arlington 425:	Bruce Adreani, Developer, Arlington 425 Michael Firsel, Attorney for the Developer Debbie Smart, Briarwood Management	

I. CALL TO ORDER
The meeting was called to order at 7:00 p.m.

A motion was made by Commissioner Creer, seconded by Commissioner Delea to select Commissioner Hellner to chair the meeting in the absence of Chairman Hageli. The motion passed unanimously.

II. PLEDGE OF ALLEGIANCE
The Pledge of Allegiance was recited.

III. ROLL CALL
Commissioners present: M. Hellner, W. Delea, Z. Creer and A. Tripp.
Absent: A. Hageli

IV. Minutes

Chairman Hellner suggesting deferring approval of the minutes to a later meeting due to their length. The other Commissioners did not object to this suggestion.

V. OLD BUSINESS

A. Arlington 425 Response to Affordable Housing Guidelines

Chairman Hellner opened the discussion of this item saying that the Housing Commission would only be discussing the affordable housing aspect of the development. He said that there have been discussions between staff and the developer since the last Housing Commission meeting and progress has been made. He asked for a report from staff.

Charles Perkins updated the Housing Commission on what has transpired since last Monday (date of the last Housing Commission meeting on April 29, 2019). At the last meeting, there was discussion about whether the affordable housing component of the project should be 20 units at affordable at 80% Area Median Income (AMI) and payment of fee-in-lieu for 7 units or 18 units affordable at 60% AMI and payment for fee in lieu for 9 units. Members of the public spoke at the April 29th meeting who advocated for 54 affordable units. However, this percentage of affordable units has never been attained from a developer, especially without some form of government funding or financing. Mr. Perkins further explained that the developer has provided limited financials to the Village. He called each of the Housing Commissioners present and this meeting and briefly discussed on the information in the financials. No detailed pro-forma or cash flow analysis was provided. The financials did not change staff's recommendation. Staff continues to recommend 18 units affordable at 60% AMI and fee in lieu payments for 9 units at $25,000 each.

Mr. Perkins explained that there have been extensive discussions with the developer's attorney since the last meeting. The Housing Commission meeting packet contains a redline version of the staff's recommendation as modified as a result of those discussions. The developer has agreed to provide 18 affordable units at 60% AMI and payment in lieu of units for 9 units at $25,000 each for a total of $225,000 with those funds going into the Trust Fund. Originally, staff recommended that the total fee amount be paid at the issuance of the first building permit. An agreement was reached where the total would be paid in three parts: 25% at the time of issuance of the garage/Highland building permit; 25% at the time of issuance of the first garage/Highland Building occupancy certificate; and 50% at the time of issuance of first Campbell Building occupancy certificate. This recognizes that the developer has a lot of costs early in the development and this staging of the payment of the fees allows the developer to begin construction and begin receiving rental income before all of the fees are due. The revised staff recommendation also provides that the developer may have flexibility up or down 3 units when leasing studio and one-bedroom units in order to allow them to be responsive to the units size preferences sought by eligible tenants. Implementing this flexibility will require prior staff approval. The staff recommendation was amended to add employees of Arlington Heights businesses and organizations to the groups receiving preference for the affordable units. The annual reporting date was changed from January 31 to March 31. Lastly, if the Village changes the program guidelines to be less restrictive prior to 12 months after the issuance of the first certificate of occupancy for the development, the least restrictive of the of the two standards will then be applied to the development.

Chairman Hellner asked if the developer is in agreement with these conditions as summarized by Mr. Perkins. Mr. Adreani said that he agrees to all the conditions.

Chairman Hellner asked if the Housing Commission members have comments. He said that the Housing Commission members have not discussed this matter since the last meeting.

Commissioner Delea said that at the last meeting the developer's attorney said that there was an over supply of affordable housing at the 60% AMI level and a shortage of supply of affordable housing at the 80% AMI level in this area; and therefore, the need is for more affordable housing at the 80% AMI level.

Mr. Michel Firsel responded he had referred to data for the project area from the Illinois Housing Development Authority website that states that 28% of the available units in the area affordable at 60% AMI were used for affordable housing and that 43% of the units affordable at 80% AMI were used for affordable housing. He said that the developer is comfortable with providing the 18 affordable units at the 60% AMI standard and that the data he cited is just one measure which he brought up to clarify that they did not necessarily concur that the need was greater at 60% AMI than 80% AMI.

Commissioner Delea said that he did some calculations and it seems to him that there is the need for more units. He asked if, since there is a need according to the developer for more units in the area at 80% AMI, the developer could provide the 9 affordable units as actual units rather than paying a fee in lieu of those units. He suggested that it would be better to have the units occupied to households at 80% AMI rather than having unoccupied units in the building since they would be getting some rental income.

Mr. Firsel said that there is a difference between something that is mandatory and voluntary. He said that they do not expect unusual vacancy rates, but the developer can always voluntarily decide to rent units below the market rate. There is a significant difference between the 80% affordable rental rate and the market rate; therefore, there would a significant difference in cash flow if that were done.

Commissioner Delea said that there would be a break even point after 4-5 years if the units were rented at the 80% AMI affordable rent rather than paying the fee in lieu amount. He said that income at the 80% AMI affordable rent would be a better use of the units rather than leaving them vacant.

Mr. Firsel said that Commissioner Delea's comments assume that there will be vacant units. Also, rather than restricting additional units, Mr. Adreana thinks that contributing the fee in lieu to the affordable housing fund is important. They believe that the 18 affordable units at 60% AMI is a fair compromise between what the developer has proposed and what the Village requested.

Chairman Hellner said that he made a calculation based on the $225,000 fee which, if the developer kept that money in his pocket, would represent a subsidy for the 9 units for 4.5 – 5 years. By then, the development would be finished and close to 100% occupancy, revenues will be coming in, and the cash flow may be better with the 9 units at 80% keeping in mind that the $225,000 was saved. He asked what was erroneous about that hypothetical.

Mr. Firsel said that Chairman Hellner is correct for the 5 years, but he assumes that something is going to happen at the end of that time in and into perpetuity. He said that the developer has asked to limit the affordable period to 20 years but agreed to in perpetuity. The developer cannot afford to risk assuming that revenues will continue to grow in perpetuity. Also, taxes and other costs will go up.

Chairman Hellner asked if the developer would consider renting the 9 units at 80% AMI for 10 – 15 years and renegotiate after that time if revenues have continued to increase. Mr. Adreani asked if the number of affordable units can be renegotiated after some time if revenues do not increase over time to which Chairman Hellner responded that he cannot answer that questions. Mr. Adreani said that neither can he answer Chairman Hellner's question.

Mr. Firsel stated that Mr. Adreani feels that the contribution to the trust fund is also important since the fund can help the Village meeting its goals. Chairman Hellner said that actual affordable units are more viable for immediate impact than is the trust fund.

Mr. Firsel said that the 9 units as affordable units will also decrease the value of the development due to the decrease in revenue for the units.

Commissioner Tripp said that he had no questions at this time, but staff has done a good job as reflected in where things stand currently.

Commissioner Creer said that it was probably too late, but perhaps the $180,000 in the trust fund could be used with respect to the affordable units in this project.

Mr. Firsel said that one of the issues has been the lack of other ways to fund the gap between the affordable rents that can be charged and the market rents. Sine there are no other mechanism about which they are aware, that is the basis for the current proposal. He said that the affordable housing component could be revisited in the future if funding becomes available.

Commissioner Delea asked Nora about the $180,000 in fund now. He asked how much more is expected in the future since there is expected income. Chairman Hellner clarified that this is income for projects that will be paying fees in lieu in the future and that are under construction. Ms. Boyer asked for a few minutes to add up the fees in lieu that have been approved.

Chairman Hellner asked if the developer is assuming that Housing Choice Vouchers will not be used at the development. Mr. Firsel said that has not been taken into consideration.

Chairman Hellner said that that Housing Choice Vouchers would result in the developer receiving market rate rents. He wondered what should be done in that case since the developer's deficit would be reduced. Perhaps additional affordable units should be provided if that occurs.

Chairman Hellner also asked if the developer would consider waiving the $100 - $125/month parking space rental fee for the affordable units. Mr. Adreani said he would consider that on a per case basis. Other forms of transportation were mentioned.

Chairman Hellner said that the loss of revenue does not appear that great when spread across all of the units, at $500/year per unit. Mr. Adreani responded that there are unknowns including anticipated increases in property taxes and possible increases in other costs to be covered by the project revenue.

Commissioner Tripp asked about the distribution of the affordable units. Mr. Adreani said that the plans are not far enough along for them to have discussed that level of detail yet.

Ms. Boyer reported on the income to the trust funds. She said that two projects have been approved that are completed or under construction that have or are paying into the trust fund for a total of $150,400. There was some other income from the sale of some tax-exempt bond volume cap resulting in the $180,000 to $200,000 that has been mentioned. Two other projects are approved that are to pay fees in lieu, which are Arlington Downs at $100,000 and the project in Hickory/Kensington at $275,000. The total approved is around $550,000. Commissioner Delea said that he asked for that total number since the developer kept referring to there being $180,000 in the fund and there is anticipated revenue just as the revenue from this project would initially be only anticipated. He wanted to compare apples and apples.

Chairman Hellner opened the meeting for public comments.

Geri Wasserman, representing Reclaim the NW Suburbs, asked if there are projections of income or profits for the development. She said the developer is very definite about losses but is not providing projections on profits.

Mr. Adreani listed a number of unknowns that prevent him from estimating revenues at this time. Chairman Hellner said that based on his experience, losses are more readily estimated than income.

Ms. Wasserman said that any developer can claim that they can't afford to provide affordable units. Mr. Firsel said that he did not think of affordable housing as a profit sharing endeavor. He said they are required to provide the affordable units whether they experience a profit or loss. He said they don't have the numbers because they do not have final plans and there are other unknowns.

Keith Moens stated that affordable units are needed in town and that he thinks that 18 affordable units and the other 9 units being provided as actual units with no fee in lieu payments would be reasonable. He thinks the difference between providing the 9 units at 80% AMI and paying the fee has to be marginal and could be worked out over the next few years. The developer will also receive more income due to inflation. He asked if the public can look at the financial information that was provided or if it can be obtained by filing a Freedom of Inforamtion Act (FOIA) request.

Mr. Perkins said that the financial information received was marked confidential. If a FOIA request is received it would be reviewed by the Village's Legal Department to see what information can and cannot be released.

Mr. Moens commented that last week the developer said that units at 60% AMI cannot be done and now they have agreed to it. Also, he said that what the developer is agreeing to is not consistent with letters that were provided earlier to the Village. He said that he does not think the developer would walk if more was required, and that someone else would be happy to develop that block. He said he wants units not fees. He asked the Housing Commission to approve 18 units at 60% AMI and 9 units at 80% AMI.

Cathy Motto commented that money in the fund can come and go, but units last forever. She said that both are good, but the units would be lasting.

Tom Mussar said that he can't believe that the developers don't have any projections of revenue and income.

Heidi Graham, from the League of Women Voters and an Arlington Heights resident, said that she understands that this is a negotiation and that the developer should make money. However, she recently talked to a single mother about her need for affordable housing and she is concerned about there not being any affordable 2-bedroom units. She said that the children that she works with as an advocate in the foster care system need affordable housing. She asked that the Housing Commission push as hard as it can for as much affordable housing as it can get.

Dawn Frenzell, a neighborhood resident, said that there is an incredible need for affordable housing. She said that this is a great location for seniors moving out of their homes and who may no longer drive. She said that she has a son with Asperger's who would never be able to afford a market rate unit like this. She said that there are a lot of people in need of affordable housing through no fault of their own.

Lisa Doty said that she lives a block west of the proposed development. She said that she is all for affordable housing and thinks that affordable housing is a great idea for this developmemt. However, she does not think that it is fair to put the burden of all of the past mistakes of the Village, and that other villages have made about affordable housing, on the backs of the developer of this project. She said that she thinks that the compromise staff and the developer have made is a good working compromise, and that it could be something that is a very good start for push developers to do more affordable housing. She said that she has pretty much been at every meeting on this project. The developer has talked about parking and other stuff. They have talked to them as neighbors. She said that the developer has been unbelievably good at listening, taking advice, making changes, changing direction, and doing all the things that need to be done. She thinks the developer is doing what they can on affordable housing, that staff has been a really good guide, and she thinks we need to accept the compromise in order to allow the development to move forward.

She said when we talk about jobs and income equality; this development will be brining jobs and support local businesses. She pointed out that there will be $2 million per year in property taxes that will go to Cook County and the Village, to our parks and library. They will bring in consumer spending that will make the downtown vibrant. She said that the affordable housing advocates should work with the Village in a separate way to see what we can do to make the ordinance have a little more teeth and to show developers that the Village is serious about affordable housing. She said that since the beginning, no one ever told the developer exactly what they needed to do for affordable housing. They were told what they needed to do for parking, building height and they complied with those requirements, but they were never told exactly about affordable housing and that the affordable housing has been all over the place. She said that the Housing Commission should agree to the compromise and move this along to the Village Board because every time there is a meeting it delays the project and money and the benefits to the Village are delayed, and she thinks that it is time that we stopped doing this.

Commissioner Hellner asked "tongue in cheek" if Ms. Doty isn't an employee of the developer. Ms Doty said that she is not. She objected to the question, and there was an exchange between Commissioner Hellner and Ms. Doty about whether this inquiry impugned her integrity.

Commissioner Delea said that it was not correct that the developer was never told what the affordable housing requirement was. He said they were told that there was a specific requirement of 54 units, and we have now reduced that substantially. He said that you can't say that they were not told the requirement or that we have done nothing toward that.

Commissioner Tripp said that he agreed with Ms. Doty that there could be more clarity on the guidelines and how they are applied moving forward.

Chairman Hellner also agreed with Ms. Doty that there will be overall benefit to the community including the tax revenues and the overall support of businesses. These are things that should not and are not being ignored.

Geri Wasserman said that all of those things will happen and there can be affordable housing. She said that they are not against development and profit, but she feels they need to speak for people with needs.

Mr. Firsel said that the developer appreciates everyone's comments. He wants to make clear that the developer has been pushed by staff and he pointed out that what the developer is agreeing to is in alignment with the staff proposal. He urged the Housing Commissioners to take all comments into consideration and support the staff recommendation. He said that we all know what the alternative is.

Mr. Moens said he took Mr. Firsel's comment as a threat. Chairman Hellner said that he understood Mr. Firsel's comment and that the most powerful part of negotiation is your feet.

Mr. Firsel said that this has been discussed at great length; they have done a lot of research and have looked at other projects. He made the statement that the guidelines have to be reviewed, to which Chairman Hellner agreed. He said that the guidelines not having been strictly followed can't be put on one developer, although he isn't saying that is what is happening here. Mr. Adreani and he have offered to meet and talk about the guidelines to help frame standards that are economically viable and add meat to the bones of the guidelines as far as what can be achieved in the best way possible. He said that they are in favor of affordable housing, but there is a big pie here and this is a piece of that pie. He said that working with staff, staff and Mr. Adreani have come to an agreement they are comfortable with. He urged the Housing Commission to adopt the staff proposal.

Chairman Hellner turned the Housing Commission to its deliberation.

At motion was made by Commissioner Tripp, seconded by Commissioner Creer to accept the staff recommendations for Arlington 425.

Discussion followed. Commissioner Creer stated that this is a good package overall. He said that you have to look at the whole picture. He is excited for this development. He thanked everyone for coming and thanked the developer for participating in the process. He said that this is a good step on which to move forward. He said that it is hard to get affordable housing when the Village isn't offering anything in terms of money such in the case with a development is a tax increment financing (TIF) district. In this case, the Village not putting anything into the kitty. He said that parking is being provided also, which is not his priority, but that is why this is a community process. He thanked staff for their work and thanked everyone for coming. He said that staff negotiated a good and hard deal.

Commissioner Delea said that he is not happy with deal, but it is in line with what we have done in the past. He is looking forward to more strict requirements for the future. He said that he is not happy, but it would not be fair to be so easy-going and then changing on this project. However, we need to be stricter going forward.

Commissioner Tripp thanked members of the audience and community at large, including people not here tonight for their involvement in the process. He said that the Housing Commission is charged with a complicated balancing act involving concerns from throughout the community including those of the developer. He said that developments like this are complicated and staff came up with reasonable solution. He said that what is most important is fairness, consistency and transparency, and that we tried to provide that. He thinks this is consistent with what we have done in the past.

Chairman Hellner pointed out that one of the issues is that the Village has guidelines not mandates. He said the Village went in this direction because there had been no multi-family development in a long period of time. One project generated the belief that we needed to get into this. Not many communities have affordable housing requirements in this area. Other than the City of Chicago, the communities that do are Arlington Heights, Highland Park, Evanston, Lake Forest, St. Charles and Oak Park. He said that is sad, and he is glad we have this, but agreed that we need to work on it. The economy is different now and this is only the second large development project in that period of time. The first was Arlington Downs. He said that he thinks he supports all of the comments made by the other Commissioners.

Chairman Hellner said that he still has a preference and wondered if a modification to the motion would be allowed stating that our preference is to have 18 units at 60% and 9 units at 80% with the second alternative - an a/b proposal basically to the Village Board – being the staff recommendation. He said that he concurs with Commissioner Tripp that staff did a good job. The developer was flexible, moved a good deal and brought about a fast turnaround. He appreciated that the public came out twice in a period of eight days and said that was commendable. The Housing Commission has learned a lot in the two meetings. He said there are weaknesses in what we are dealing with, but asked that people please keep in mind that everyone needs something of a win. He said that this is an enormous project in a village of this size with the addition of 361 residential units, parking, property tax generation, and spending of people who live there. All of these are important. He does not want to prevent this from going forward. He thinks that his economic argument about the 9 units at 80% is sound. He recognizes that with any project that the revenue projection come with speculation associated with them, but he thinks his proposal makes more sense and is more helpful to the community. He doesn't think it would be as burdensome to the developer as they may think, although he admittedly doesn't have skin in the game.

There was a procedural discussion about whether to proceed by amending the current motion or voting on that motion and considering a second motion. Commissioners Tripp and Creer indicated that they would accept Chairman Hellner's proposed modification to the motion. Chairman Hellner said that the motion then was that the Housing Commission recommends the staff motion subject to a further recommendation that in lieu of the $225,000 there is a preference that the developer provide the 9 units at 80% AMI instead, with no cash fee in lieu.

Ms. Boyer asked for clarification on the motion. Mr. Perkins asked that the maker of the amended motion restate the motion. Commissioner Tripp, who made the original motion followed up with the motion below, which was amended from the original motion with the amendment accepted by Commissioner Tripp (the maker of the motion) and Commissioner Creer (who seconded the original motion):

Commissioner Tripp moved to accept the staff's recommendations with the modification with that the Commission states a preference for the additional 9 additional units to be at 80% AMI with no cash in lieu requirement. The vote was taken and the motion was approved unanimously.

Chairman Hellner thanked everyone for coming. He said that he appreciates the comments and will welcome comments about how to change the guidelines and how to use the trust fund money. Comments can be sent to Planningmail@vah.com.

Mr. Adreani thanked the Housing Commission, staff and his attorney. He said that he still thinks that providing money to the trust fund would be beneficial to the community and his providing that contribution is consistent with the values that have resulted in his making other charitable contributions in the community.

Mr. Perkins announced that the Arlington 425 project will be going to a special meeting of the Village Board on May 13, 2019. The time is to be determined and will be available on the Village's website.

VIII. ADJOURNMENT

A motion was made by Commissioner Delea, seconded by Commissioner Creer, to adjourn the meeting. The motion passed unanimously. The meeting adjourned at 7:20 pm.

NEXT MEETING: TO BE DETERMINED

Housing Commission
6/11/2019

Item: Sigwalt 16 - Response to Affordable Housing Policy

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Staff Report to Housing Commission - Sigwalt 16	Report
Developer Response to Affordable Housing Guidelines	Exhibits
Sigwalt 16 Rendering	Exhibits

Staff Report to the Housing Commission

To:	The Chairman and Members of the Housing Commission
From:	Nora Boyer, Housing Planner
Re:	Sigwalt 16 – Response to Affordable Housing Policy
Report Prepared:	June 4, 2019
Meeting Date:	June 11, 2019

Background

Sigwalt 16 is a residential, rowhomes development proposed for the southern quarter of vacant Block 425 located in downtown Arlington Heights. Block 425 is bounded by Campbell Street to the north, Sigwalt Street to the south, Highland Avenue to the east, and Chestnut Avenue to the west. The proposed development is just south of the proposed Arlington 425 project.

The proposed development would involve the construction of a total of sixteen rowhomes on the site, in three buildings. The first building, located at the northeast corner of Chestnut Street and Sigwalt Street would contain six rowhomes. The second building, located at the northwest corner of Highland Avenue and Sigwalt Street would contain five rowhomes. The third building, located between the other two buildings along Sigwalt Street would contain five rowhomes. An exhibit is provided showing the site plan and a rendering in order to provide context and general understanding of the development to the Housing Commission, but site and design considerations do not fall under the purview of the Housing Commission.

Affordable Housing Guidelines

The Village's affordable housing guidelines call for a percentage of units in multi-family developments to be set aside as affordable housing. The guidelines suggest the inclusion of affordable units as a percentage of the total units. A fee in lieu of providing the affordable units in the amount of $75,000 per required affordable unit is allowed. However, the guidelines stipulate that there is a preference for actual affordable units over the payment of fees. According to the guidelines, Sigwalt 16 with its 16 townhomes would either need to provide 10% of its units as affordable (i.e. 2 affordable units, rounded up from 1.6 units) or $75,000 for each of the affordable unit not provided for a total of $150,000.

Developer Proposal

The developer originally proposed to provide a fee for two units of $25,000 per unit for a total of $50,000. After discussions with Staff the developer has agreed to a fee in lieu of $75,000 multiplied by 1.6 (10%) for a total of $120,000.

Analysis

Recently, the Village Board has been requiring the inclusion of affordable units in new multi-family developments, and has permitted a combination of actual affordable units to the extent feasible in the development with the fees in lieu of units at $25,000/unit for affordable units not provided. However, it is not recommended that actual affordable units be included "for sale" developments at this time for the following reasons:

1. The only for-sale development that included affordable, deed-restricted units to date is Timber Court condominium. Difficulties have been experienced with respect to the resale of these units due to fluctuation in values and the high proportion of rental units that resulted from the recession and decline in the suburban condominium market. Staff continues to work on these challenges, and is reluctant to recommend the inclusion of affordable for-sale units until solutions are found that resolve the difficulties at Timber Court.
2. The anticipated costs of the Sigwalt 16 units are expected to be in excess of $600,000 per unit. Therefore, it is unrealistic to expect an affordable unit to be incorporated within this small development.

Since the Multi-Family Affordable Housing Guidelines for For-Sale developments has been implemented, units and fees have been approved for developments as follows:

Affordable Housing Guidelines Applied to For-Sale Developments							
Year	Development	Guideline Requirement	Units Provided	Fee per Affordable Unit	Total Fee	Fee Across All Units	Public Assistance Provided
2004	Timber Court Condos Total: 72 Units	20% -14 units	14 Deed Restricted	0	0	0	VAH $100,000
2012	Arbor Lane Townhomes Total: 16 Units	12% - 2 units	0	$15,189/unit	$30,378	$1,898/unit	$0
2016	Lexington Townhomes 48 townhomes	15% - 7 units	0	$17,142/unit	$120,000	$2,500/unit	$0
2019 Original Proposal	Sigwalt 16	10% - 2 units	0	$25,000/unit	$50,000	$3,125/unit	$0
Guideline Requirement	Sigwalt 16 Rounded Up	10% - 2 units	0	$75,000	$150,000	$9,375/unit	$0
	Sigwalt 16 Not Rounded	10% - 1.6 units	0	$75,000	$120,000	$7,500/unit	$0

If the Housing Commission concurs with the recommendation that this for-sale development not be required to include actual affordable housing units, the Housing Commission will need to determine the appropriate fee.

In the majority of suburban Chicago communities with inclusionary housing programs (i.e. the communities of Highland Park, St. Charles, and Lake Forest), when the calculation number of required affordable units includes a fractional number, that number is rounded up or down for the number of affordable units required. However, the whole number and (non-rounded) fractional number are used when calculating the fee-in-lieu amount. It is recommended that Arlington Heights calculate the fee-in-lieu amount in this manner. The non-rounded requirement for Sigwalt 16 (10% of 16 units) of 1.6 units multiplied by the $75,000 fee per affordable units not provided totals $120,000.

Recommendation

It is recommended that the Housing Commission recommend to the Village Board that a fee-in-lieu of providing affordable be accepted for the Sigwalt 16 project in the amount of $120,000 (1.6 units x $75,000) to be paid upon the issuance of the first building permit.

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June 6,. 2019

Mr. Alex Hageli, Chairman, and
members of the Village of Arlington Heights
Housing Commission
33 S. Arlington Heights Road
Arlington Heights, Illinois 60005

Re: REVISED - Affordable Housing Proposal – Sigwalt 16 – Taylor Morrison of Illinois, Inc. - Proposed Rowhome Development in Downtown Arlington Heights

Dear Mr. Hageli,

This letter is written as a revised proposal by the Petitioner for the provision of affordable housing units at Sigwalt 16. This letter replaces our previously submitted letter of April 12, 2019. As you know, this project includes the development of 16 for-sale residential units. Accordingly, the Village request that 10% or 1.6 of these units be provided as affordable housing. Based on Petitioner's many years of experience in the development industry, the loss of annual income that will be necessary to secure financing, and the ultimate market value of the development which is primarily a function of a capitalization of the project's net income, this project is not viable with the inclusion of any affordable housing units. Under the Village's recommended guidelines the cash in lieu is $75,000 per unit. After discussions with the Village staff, **Petitioner has agreed to pay the full cash in lieu donation of $75,000 per unit for the equivalent of 1.6 units, or $120,000**. We understand that the Village staff agrees with this proposal and will be recommending it to the Housing Commission. We are very please that we have been able to have productive discussions with staff on affordable housing, and come to an agreement with staff on this recommendation.

We have studied the historical affordable housing requests and accepted contributions for the developments in the Village to date. Based on our review of that information, we believe that the proposed donation exceeds previous Village requirements, practices and policies relating to for-sale housing.

We look forward to our hearing with the entire Housing Commission on June 11, 2019, to review, and hopefully recommend, our Affordable Housing proposal to the Village Board.

Thank you for your cooperation and consideration in this matter.

Sincerely,

Michael D. Firsel

Michael D. Firsel

Sigwalt 16 TaylorMorrison

Architecture Planning Landscape Architecture

Rendered View

May 22, 2019

HKM Sigwalt 16 TaylorMorrison
Architecture Planning Landscape Architecture

Rendered View
May 22, 2019