COMMITTEE-OF-THE-WHOLE
MINUTES OF THE MEETING OF THE MAYOR AND THE BOARD OF TRUSTEES OF THE VILLAGE OF ARLINGTON HEIGHTS COMMUNITY ROOM
MONDAY, JUNE 10, 2013 7:30 P.M.

BOARD MEMBERS PRESENT:	President Hayes, Trustees Blackwood, Farwell, Glasgow, LaBedz, Sidor and Tinaglia
BOARD MEMBERS ABSENT:	Trustees Rosenberg and Scaletta
STAFF MEMBERS PRESENT:	Bill Dixon, Village Manager; Diana Mikula, Assistant to the Village Manager; Robin Ward, Asst. Village Attorney; Tom Kuehne, Director of Finance, Charles Perkins, Director of Planning, Nora Boyer, Housing Planner, Eileen Hellstrom, Recording Secretary

SUBJECTS:

4. Internet Hotel Tax Issue
5. Report of Affordable Housing Trust Fund Task Force
6. Other Business
7. Adjournment

President Hayes called the meeting to order at 7:30 PM. The Pledge of Allegiance was recited.

Trustee Farwell entered the meeting at 7:42pm.

4. Internet Hotel Tax Issue

Mr. Dixon, Village Manager, talked about the Village being approached by a group of law firms representing a consortium of suburban communities looking to bring a class action suit against the Online Travel Companies (OTCs). Hotels are likely remitting the applicable hotel taxes based on the wholesale transaction, but municipalities are not being paid the difference between the wholesale rate the hotel charges the OTCs, and the retail rate the OTCs charge the consumer.

Mr. Kuehne, Finance Director, explained that the OTCs pay local hotels a wholesale rate for a block of rooms. The OTCs sell the rooms to the public at a retail rate. What appears to be happening is the Village is not receiving any money in hotel or motel taxes from the OTCs. It appears that the hotels themselves are paying us the hotel rate based on the wholesale rate but we are missing out on the gap between the wholesale rate and the retail rate that the

OTCs are using.

The Village's current hotel tax rate is 5% of actual hotel and motel receipts, and the Village's FY2014 budget anticipates total hotel tax receipts of about $940,000. Hotel tax receipts had been as high as $1.7 million in FY2008 when the Sheraton was still in business. It has been estimated that 15% to 30% of all hotel room reservations are now made through OTCs and that OTCs purchase rooms at a wholesale rate that is about 40% less than the retail rate. Based on that information, if the lawsuit was successful and the OTCs started paying the applicable hotel rate based on the retail charge for the room paid by consumers, the Village could conceivably receive an additional $60,000 to $120,000 in hotel taxes per year. This would be in addition to any award from a successful lawsuit. This would be done on a contingent fee basis with no upfront legal costs to the Village. If the lawsuit is not successful, there would be no legal charges to the Village. If it is successful, there would be about a 30% contingent fee to the attorneys in addition to legal expenses. The advantage of joining with other communities in this lawsuit, is that there is an economy of scale in sharing the cost of reimbursable legal expenses.

Mayor Hayes asked if we have to become a member of the class action suit in order to recoup financial benefits.

Robin Ward, Asst. Village Attorney, replied no.

Trustee Glasgow said he doesn't see any downside to this and the Village would only seem to gain what is proposed.

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE SIDOR, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD APPROVAL OF THE LEGAL SERVICES AGREEMENT AND AGREE TO BE A NAMED PARTY IN THE LAWSUIT AGAINST THE ONLINE TRAVEL COMPANIES.

Trustee LaBedz asked if there are any unsuccessful lawsuits.

Ms. Ward replied that there has been no final determination on this.

Trustee Tanaglia asked if it could affect the local hotels in Arlington Heights.

Ms. Ward responded that as long as the hotels are paying the taxes on the rate they are receiving, they are not responsible for the tax on the higher rate.

Upon a voice vote, the motion passed unanimously.

5. Report of Affordable Housing Trust Fund Task Force

Siobhan White, member of the Affordable Housing Trust Fund Task Force, said the task force was established in 2009 to identify alternative sources of funding to establish an Affordable Housing Trust Fund.

The objectives of the Trust Fund are to provide substantial financial resources to address affordable housing needs and to preserve and produce dedicated affordable housing units.

The Trust Fund members were asked to find resources that did not burden individual businesses or resources, and that had a broader Village wide approach to funding affordable housing throughout the community. Funding from the Village's general funds, given the economic stress on Village resources, was no longer considered the best option.

This brought forth three sources of funding that the current Affordable Housing Task Force is asking the Board to approve.

1. Cash payments in lieu of constructing Affordable or Attainable Units as per the Village's inclusionary housing policies.
2. Income from fees collected from the transfer of Village annual tax exempt bond cap.
3. 10% of any gaming revenue received by the Village in the first full fiscal year that any gaming revenue is received by the Village and 1% of the gaming revenue received in each fiscal year thereafter.

Ms. White said when these were proposed a year ago, the Legal Department worked extensively on the creation of the ordinance with Greg Ford, Chairman of the Housing Trust Fund Task Force. They believe they have implemented every recommendation into the new ordinance.

The Finance Department suggested that, should the Village receive any additional gaming revenues, these funds should not be used for operational or ongoing programs. The Finance Department said that better uses for these funds would be infrastructure repair, reducing pension or debt obligations or improving insurance reserves.

Ms. White said that the members of the Task Force have no problem with the fact that the above may be better uses of any gaming revenues that come forward. However, Ms. White talked about the Finance Department's suggestion to the Task Force that a portion of these revenues be designated to establish an endowment or revolving fund for affordable housing for a one time limited duration. Based on this, the recommendation was revised to ask for one year's endowment funding of 10% from the gaming revenue, but ongoing support in the amount of 1% of gaming revenue each year is also requested.

Expansion of gaming in Arlington Heights could produce several hundred jobs in Arlington Heights. Having additional jobs in the gaming industry will put additional stress on what the Task Force believes is already a stressed affordable housing market in Arlington Heights. Therefore, they believe having the gaming money fund the needs of affordable housing makes complete sense.

Ms. White talked about how funding this trust fund will not build one unit of affordable housing in of itself. What it will do is create an atmosphere in the Village where the Village, developers, and non-profits get together and create a collaborative environment for the development of affordable housing in Arlington Heights which continues to be a problem.

Mayor Hayes thanked the Task Force for all of their hard work. He thinks it serves a very good purpose in furthering our affordable housing goals, policies and programs. He has concerns, based on what he heard from Ms. White, about whether or not there is going to be enough money put into the fund under the proposal to accomplish our goals with the creation of this ordinance.

Trustee Blackwood said the creation of the fund is to provide substantial amounts of funding to sustain affordable housing. She asked Ms. White to define substantial funding.

Ms. White replied that it is a self-regulating trust fund. If there is money in the trust fund then the Village will be able to work with developers and non-profits, to provide grants or revolving loans to support their efforts and thereby leverage additional funds. We believe that amounts less than $10,000 dollars could be used in leverage with funding from other sources to accomplish the Village's goals. We would look to grow the fund to $500,000 which would make the Village a meaningful participant in terms of partnering with developers and non-profits to get affordable units.

Trustee Blackwood said the Village needs to be dedicated to affordable housing and is concerned about the third source of funding, expanded gaming, and if it doesn't pass we have to look for other options.

Trustee Glasgow asked how the Affordable Housing Trust Fund would help a family or person moving into Arlington Heights.

Ms. White replied that this will allow a family or person, a larger group of housing options. Currently the affordable housing options in Arlington Heights are very limited.

The Housing Trust Fund is meant to create permanent affordable housing. This family or individual would be able to go to those buildings and apply for a unit based on their reduced income and find quality, safe, affordable housing in Arlington Heights that is currently not available to them.

Trustee Glasgow spoke to Mr. Kuehne regarding the fact that currently there is no gaming revenue. He has concerns about approving something that is currently not available.

Mr. Kuehne expressed concerns about any kind of revenue source which is not guaranteed, and the Board making decisions on the future that binds future Boards for revenues that are not available at this time.

Trustee Glasgow asked if it would be binding for future Boards if the Board makes this decision.

Ms. Ward replied that it would be binding but a future Board could make changes.

Trustee Glasgow asked the effect of the options that the Board has for motions; one with gaming and one without gaming.

Ms. Ward said the proposal is to approve the ordinance that includes gaming revenue when it becomes available as a funding source.

Trustee Glasgow asked Mr. Kuehne what is the anticipated revenue from gaming?

Mr. Kuehne replied about $3,000,000 per year in revenue.

Trustee Glasgow said that would be approximately $300,000 as a one time contribution into the Affordable Housing Trust Fund.

Ms. White said that if the gaming money does not come they can do far less in terms of making an impact on the affordable housing needs in Arlington Heights.

Trustee Glasgow said he is for the option including the gaming, but is concerned about approving the ordinance not having the funding that is needed if gaming does not come through.

TRUSTEE GLASGOW MOVED, SECONDED BY TRUSTEE FARWELL, THAT THE COMMITTEE-OF-THE-WHOLE RECOMMEND TO THE VILLAGE BOARD APPROVAL OF THE RECOMMENDATION OF THE HOUSING TRUST FUND TASK FORCE AS PRESENTED.

Mayor Hayes said approving this at this point without the gaming resources doesn't prevent the Village from including it if it becomes a real source of income down the road. We should continue to look at other revenue sources.

Trustee Farwell said having obtainable housing has so many benefits for our community. He is very encouraged by the work done by the Housing Trust Fund Task Force and supports the motion.

Trustee LaBedz said at first she was uncomfortable about idea of earmarking the gaming revenue, but after listening to all the discussions it seems like a good use of the gaming revenue should it happen.

Mayor Hayes said that he had some concerns about committing resources that the Village does not yet have. He would prefer to wait until we have the funds, and at that time, see where this request fits in with the Village's other needs. He said that after tonight's discussion, and after hearing from the other Board members, he feels more comfortable that this request is reasonable with the inclusion of potential gaming funds as a source of funds for the Trust Fund, based on the Task Force's recommendation.

Upon a voice vote, the motion passed unanimously.

6. Other Business

None

10. Adjournment

TRUSTEE LABEDZ MOVED, SECONDED BY TRUSTEE SIDOR TO ADJOURN THE MEETING 8:57 P.M.