



Village of Arlington Heights
Housing Commission
Buechner Room 1st Floor
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
May 6, 2019
6:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

- A. Minutes 4-29-19

IV. REPORTS

V. OLD BUSINESS

- A. Arlington 425 Response to Affordable Housing Guidelines

VI. NEW BUSINESS

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
5/6/2019**

Item: Minutes 4-29-19

Department: Planning & Community Development

ATTACHMENTS:

Description

Minutes

Type

Minutes

DRAFT

**MINUTES OF A MEETING OF
THE ARLINGTON HEIGHTS HOUSING COMMISSION
HELD AT ARLINGTON HEIGHTS VILLAGE HALL
VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
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 Bruce Adriani, Developer, Arlington 425
Arlington 425: Michael Firsell, 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: Hellner, Delea, Creer and 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

Commissioner 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.

Commissioner 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 Heights 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.

Commissioner 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. Commissioner 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. Firsell 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. Firsell 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 Commissioner Hellner and Mr. Perkins about their comments regarding his Arlington Cardinal article and it having unattributed sources. He also questioned Commissioner Hellner's source for his statement that most of the police calls to Parkview Apartments have been parking related. Commissioner Hellner said that he got his information by checking with the building manager.

Mr. Bostrom 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. Commissioner 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. Commissioner 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.

Commissioner 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. Commissioner 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. Commissioner Hellner said that each project is different and applying the same standards to all projects is difficult.

Commissioner 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. Commissioner Hellner said that whether vouchers are available is a different thing and CHA facilities have lengthy waiting lists.

Jim Elgas said that neighborhoods such as 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. Commissioner 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.

Commissioner 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 (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 unit 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. Commissioner 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 possibly 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. Firsell 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. Firsell asked that the Housing Commission deliberate and said that they 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. Firsell 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.

Commissioner Hellner said that throughout the process he has noted that everyone agrees that the Village would love to see this project. Mr. Firsell 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 on 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.

Commissioner 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 if 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, an 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 meeting can be scheduled.

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

VII. OTHER BUSINESS

VIII. ADJOURNMENT

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

NEXT MEETING: TO BE DETERMINED



Housing Commission
5/6/2019

Item: Arlington 425 Response to Affordable Housing Guidelines

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Staff Report	Report
Red Lined - Arlington 425 Affordable Housing Recommendations Revised May 3, 2019	Exhibits
Clean - Arlington 425 Affordable Housing Recommendations Revised May 3, 2019	Exhibits
Staff Report 4-29-19 Meeting	Report

Staff Report to the Housing Commission

To: The Chairman and Members of the Housing Commission
From: Nora Boyer, Housing Planner
Re: Arlington 425 – Response to Affordable Housing Guidelines
Report Prepared: May 3, 2019
Meeting Date: May 6, 2019

Background

At its meeting on April 29, 2019, the Housing Commission reviewed the developer's affordable housing proposal with respect to Arlington 425. For the meeting, the Housing Commissioners received a staff report containing information about the developer's response to the Village's affordable housing guidelines, the staff's analysis, and staff recommendations. At the meeting, comments and questions were taken from the public, and responses were given. After a period of deliberation, the Housing Commissioners determined they needed additional information before either supporting the staff recommendation or making their own recommendation. It was determined that further deliberation would take place at a future meeting.

Update

Since the April 29, 2019 Housing Commission meeting, staff received limited financial information from the developer which was labeled as confidential. The additional information does not change staff's recommendation as presented to the Housing Commission on April 29, 2019. However, as a result of discussions with the developer, few of modifications have been made to some points in the recommendation.

Agreement

The developer has stated that they are in agreement with the attached amended staff recommendation, which states that 18 actual affordable units will be provided for households at or below 60% of area median income at rents affordable to that income level. The developer also agreed to pay a fee in lieu of 9 affordable units at \$25,000 per unit (total \$225,000) to be deposited into the Affordable Housing Trust Fund.

Recommendation

It is recommended that the affordable housing component of Arlington 425 meet the conditions as attached.

ARLINGTON 425 AFFORDABLE HOUSING RECOMMENDATIONS

REVISED MAY 3, 2019

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) ~~as follows: at the time of permit issuance for the first building to be constructed at Arlington 425.~~
 - a) 25% at the time of issuance of Garage/Highland Building Permit.
 - b) 25% at the time of issuance of first Garage/Highland Building Occupancy Certificate.
 - c) 50% at the time of issuance of first Campbell Building Occupancy Certificate.
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. ~~The affordable units for the Arlington 425 development may be restricted to the Highland and Campbell Buildings. That~~ 1/3 of the 18 affordable units will be studio units (6 studio units) and 2/3 of the affordable units will be one-bedroom units (12 one-bedroom units), which is consistent with the proportions of these units in the development. ~~However, owner may periodically adjust up or down between the studio and 1-bedroom units by no more than three units subject to prior approval from the Village.~~
6. Preference for tenancy of the affordable units will be given to current Arlington Heights residents, ~~employees of Arlington Heights businesses or organizations, -and/or veterans.~~
7. The ~~owner developer~~ shall submit an annual report concerning compliance with the affordable housing program by ~~March~~ ~~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 ~~12 months after issuance of the first Certificate of occupancy permit~~ ~~the issuance of the first building permit for this project~~ to standards that are ~~less lower~~ ~~restrictive~~ than what the ~~owner developer~~ and Village agree upon, ~~than the least restrictive that the lower~~ of the two standards will ~~then~~ be applied.

ARLINGTON 425 AFFORDABLE HOUSING RECOMMENDATIONS

REVISED MAY 3, 2019

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) as follows:
 - a) 25% at the time of issuance of Garage/Highland Building Permit.
 - b) 25% at the time of issuance of first Garage/Highland Building Occupancy Certificate.
 - c) 50% at the time of issuance of first Campbell Building Occupancy Certificate.
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. The affordable units for the Arlington 425 development may be restricted to the Highland and Campbell Buildings. 1/3 of the 18 affordable units will be studio units (6 studio units) and 2/3 of the affordable units will be one-bedroom units (12 one-bedroom units), which is consistent with the proportions of these units in the development. However, owner may periodically adjust up or down between the studio and 1-bedroom units by no more than three units subject to prior approval from the Village.
6. Preference for tenancy of the affordable units will be given to current Arlington Heights residents, employees of Arlington Heights businesses or organizations, and/or veterans.
7. The owner shall submit an annual report concerning compliance with the affordable housing program by March 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 12 months after issuance of the first Certificate of occupancy to standards that are less restrictive than what the owner and Village agree upon, than the least restrictive of the two standards will then be applied.

Staff Report to the Housing Commission

To: The Chairman and Members of the Housing Commission
From: Nora Boyer, Housing Planner
Re: Arlington 425 – Response to Affordable Housing Guidelines
Report Prepared: April 25, 2019
Meeting Date: April 29, 2019

Background

Arlington 425 is a residential and commercial development proposed for the northern three quarters 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 would involve the construction of three buildings on the site; one building along Chestnut Avenue, one building along Campbell Street, and one building along Highland Avenue. The developer is proposing a four-story residential building on the Chestnut Avenue side of the site, a nine-story residential building with ground floor commercial space on the Campbell Street portion of the site, and a thirteen-story building with five floors of parking and residential units above on the Highland Avenue side of the site. The total number of residential units proposed in the three buildings is 361.

Affordable Housing Guidelines

The Village of Arlington Heights' affordable housing guidelines suggests that, in a rental development of this size (i.e. a development of 26 or more units), 15% of the units be affordable to households at or below 60% of Area Median Income (AMI) at affordable rents. Therefore, the guidelines call for 54 affordable units in this development (361 total units x .15 = 54 affordable units).

Developer's Proposals

December 20, 2018 Letter - In their first formal response to the Village's affordable housing guidelines, the developer stated that they were "committed to promoting affordability in private housing within the Village." They further stated that due to the cost of development they would be unable to finance and ultimately sell the development with 54 affordable units. Instead, the developer committed to providing 15 affordable units in the development.

February 8, 2019 Letter - The developer provided additional details stating that the proposed 15 affordable units would be studio and one-bedroom units located in all three buildings. The developer further stated that they reserved the right to allocate the units among the buildings; that unit sizes would equate to the average unit types and sizes in each of the buildings; and the number of affordable units would be reduced to 13 if the building facing Chestnut is developed as a condominium project.

April 4, 2019 Letter - The developer's current response to the affordable housing guidelines states that they would provide actual affordable units and/or to provide payments in lieu (or a combination) equivalent to 27

units (rather than 54) with the actual number of units, payments in lieu of units, allocation of units among buildings; and other considerations to be discussed with the Housing Commission.

April 12, 2019 Meeting – Staff met with the developer at which time the developer proposed 27 units as follows:

1. 20 actual affordable units or 5.5% of total units in the development.
2. Income eligibility and rent levels affordable at 80% of Area Median Income (AMI).
3. That the affordable units all be studio and one-bedroom units.
4. A fee in lieu payment for 7 affordable units or 2% of total units in the development at \$25,000 per unit (\$175,000 total).

April 12, 2019 Meeting Referenced Above – Staff presented the following to the developer:

Staff Alternative Proposal

At the April 12, 2019 meeting referenced above, staff proposed 27 units in the following alternative:

1. 18 actual affordable units or 5% of total units in the development
2. Income eligibility and rent levels affordable at 60% of Area Median Income (AMI).
3. That the affordable units all be studio and one-bedroom units.
4. A fee in lieu payment for 9 affordable units or 2.5% of total units in the development at \$25,000 per unit (\$225,000 total).
5. Preference is to be given to current Arlington Heights residents and/or veterans.
6. If the affordable housing guidelines are revised in the future resulting in a lower requirement than what the developer and Village agree upon, the lower of the two standards would be applied going forward.

Analysis

The following issues have been identified when analyzing this and other affordable housing proposals under the Village's guidelines:

Cost of providing an affordable unit:

In evaluating the cost of providing actual affordable units, staff evaluated the 4 N. Hickory project, Arlington Downs, and an existing apartment building that was for sale and listed on Loop Net in the summer of 2018. On average, the cost to build or acquire apartment units ranges from \$157,000 to \$252,000 per unit (average \$204,500/unit). At the estimated value of \$204,500/unit, the value to purchase or build 18 affordable housing units is approximately \$3.7 million.

Financial impact on development/Loss of developer income:

Based on the \$2.32 monthly market rate rent per square foot of apartment spaces reported by the developer:

- Total estimated rent for the development annually: \$8,458,200
- Lost rent income for 20 units per the developer if 1/3 of the affordable units are studio units (7 units) and 2/3 are one-bedroom units (13 units) as shown below is \$188,148 or 2.2% of gross rental income per year.

Projected Market Rent vs. Rents Affordable at 60% AMI (2018)

	2019 Arlington Heights Max. Monthly Rent	Market Rate Rent at \$2.32 per sf	Difference in Rent per Month	# of Affordable units	Total Lost Rent per Month	Total Lost Rent per Year
Studio Unit	\$889	\$1,385	\$496	7	\$3,472	\$41,664
One-bedroom Unit	\$952	\$1,891	\$939	13	\$12,207	\$146,484
				20	\$15,679	\$188,148

*There may be programs available that could reduce the rent differentials.

Village Guidelines and Village Board Directives:

1. Negotiation and Emphasis on Inclusion of Affordable Units

As the Housing Commission is aware, the 15% affordable housing goal for larger developments as stated in the Village's guidelines has only been attained on a few occasions and usually by niche affordable housing developers that utilized multi-layered financing including government-sponsored affordable housing financing programs. The fee in lieu of affordable units of \$75,000/unit has never been attained, with the most common recently approved amount being \$25,000 per affordable unit. See the attached Inclusionary Affordable Housing Table for the history of units and fees approved to date.

The percentage threshold and fee amount are guidelines (both of which have been reduced from the original amounts). The Housing Commission and the Village Board have evaluated projects on a case-by-case basis to determine the number of affordable units that are feasible in each development given factors such as housing market conditions, land cost, construction cost and infrastructure needs. The Village has not yet adopted its guidelines by Code as it was recognized that every new development is subject to unique circumstances.

During this project's early review before the Village Board, and last summer when discussing other development projects, the Village Board made it clear that they wish to see actual units included within future rental developments. This preference is consistent with the guidelines as stated in the *Multi-Family Affordable Housing Toolkit for Rental Housing* that it distributed to developers:

"The construction of the affordable units is preferred. However, in lieu of providing affordable units as per the Village's guidelines above the suggested payment in lieu of providing the affordable units is \$75,000 per unit with the funds to be used by the Village exclusively to create and/or preserve affordable housing in the Village." (emphasis added)

Privately-financed developments have been unable to incorporate the number of affordable units or pay the fee in lieu amount as stated in the Village's guidelines; otherwise these privately-financed projects would not have been feasible and, as a result, no affordable units would have been created nor would contributions have been made to the Affordable Housing Trust Fund. Since the inception, the Village has modified its guidelines and the Housing Commission continues to evaluate and consider recommending adjustments to the guidelines with the goal to create affordable housing without inhibiting development. Over the past couple of years, the bar has been raised for the number of actual units and the fee in lieu amounts that are provided or required.

2. Income Eligibility Standard

The Village's guidelines directs affordable rental programs to households at or below 60% of AMI. The developer proposes an income eligibility standard to 80% AMI.

The two income eligibility levels, adjusted for household size, are:

Household Size	2018 Max. Income at 60% AMI	2018 Max. Income at 80% AMI
1	\$35,580	\$47,400
2	\$40,620	\$54,200
3	\$45,720	\$60,950
4	\$50,760	\$67,700

The Village's income eligibility standard is set at 60% AMI for the following reasons:

- The Illinois Affordable Housing Planning and Appeal Act which requires that 10% of Illinois communities' housing stock be affordable sets the income eligibility standard for affordable rental housing at 60% AMI. Therefore, units created that meet this standard contribute to the Village meeting the State-required units whereas units created to be affordable at 80% AMI would not.
- The 2013 *Homes for a Changing Region* report for Arlington Heights indicated that there is:
 - Insufficient rental housing units in Arlington Heights, at the current and projected demand, for renter households with annual incomes at or below \$35,000/year (in 2013 dollars), which is more consistent with the 60% AMI levels.
 - An excess of rental housing units in Arlington Heights, for current and projected demand, for renter households with annual incomes above \$35,000 - \$75,000 (in 2013 dollars), which is more consistent with the 80% AMI levels.
- As indicated below, the difference between the affordable monthly rent between the developer's market rate and monthly rent affordable at 80% AMI is a discounted rent but the difference between the market rate rent and rent affordable at 60% AMI provides a meaningful measure of affordability.

Projected Market Rent vs. 60% and 80% AMI (2018)

	Market Rate Rent/Month	Affordable Rent at 80% AMI/Month	Difference between Market Rent and Rent at 80% AMI/Month	Affordable Rent at 60% AMI/Month	Difference between Market Rent and Rent at 60% AMI/Month
Studio Unit	\$1,385	\$1,185	\$200	\$889	\$496
One-Bedroom Unit	\$1,891	\$1,270	\$621	\$952	\$939

*Affordable rents for a studio unit is calculated at 30% of maximum monthly income for a one-person household at 80% AMI and 60% AMI. Affordable rent for a one-bedroom unit is calculated at 30% of monthly maximum income for a 1.5 person household at 80% and 60% AMI. This is the method used by the Illinois Housing Development Authority.

For these reasons, staff believes that it is better have fewer units affordable at 60% of Area Median Income (AMI) rather than more affordable units at 80% of Area Median Income (AMI).

3. Unit Size Mix

The Village's guidelines call for the size (i.e. bedroom mix) and the standard interior finishes of the affordable units to be consistent with the market rate development. The guidelines also state that the affordable units are to be disbursed throughout the development.

The developer is proposing studio and one-bedroom units at a proportional mix but no two-bedroom units due to the larger rent differential

Of the studio and one-bedroom units proposed for Arlington 425, approximately 1/3 are studio units and 2/3 are one-bedroom units. Therefore, the bedroom mix of the affordable units should reflect these proportions and be disbursed throughout the Arlington 425 rental buildings.

Recommendation

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 will be studio units (6 studio units) and 2/3 of the affordable units will 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.

Additionally, it is recommended that the Housing Commission evaluate the guidelines and recommend modifications to address market conditions and eliminate future case-by-case negotiations.





MICHAEL D. FIRSEL
MICHAEL E. ROSS
CHRISTINE S. BOLGER
KAREN JERWOOD
STEPHEN E. ROSS

2801 LAKESIDE DRIVE, SUITE 207
BANNOCKBURN, IL 60015

O 847-582-9900
F 847-582-9933

www.firsellross.com

December 20, 2018

RECEIVED
DEC 21 2018
PLANNING & COMMUNITY
DEVELOPMENT DEPARTMENT

Ms. Nora Boyer
Housing Planner
Housing Commission
Village of Arlington Heights
33 S. Arlington Heights Rd.
Arlington Heights, IL 60005-1403

**Re: Request for Affordable Housing Review by Housing Commission - Arlington 425 /
CCH LLC - Temporary File Number T1599**

Dear Nora:

Please consider this letter our formal request to present the affordable housing aspects of our proposed project, "Arlington 425", before the Housing Commission of the Village of Arlington Heights.

As you are aware, CCH LLC, the owner and developer of Arlington 425 (the "Owner"), is proposing a new mixed-use development on the parcel of vacant land identified as Block 425 in the Village of Arlington Heights Downtown Master Plan. I have been authorized to deliver this letter to the Village for and on behalf of the owner of the project (the "Project").

The Project will involve a new PUD consolidating seventeen lots into a single lot as well as the construction of three buildings containing a total of 361 residential dwelling units, currently planned as all "for-rent" apartments. One building will be located along Campbell Street and will contain nine stories, with commercial / office space on the first two floors and 182 apartment units on the top seven floors (42 studios, 91 one-bedroom and 49 two-bedroom). One building will be located along Highland Avenue, and will contain thirteen stories with the first floor reserved for commercial use, the next six floors will consist of a 454-space parking garage, and the final six floors containing 125 apartment units (101 of which will be one-bedroom and twenty-four of which will be two-bedroom). The third and final building is currently planned to be a four-story apartment building located along Chestnut Avenue containing fifty-four units (28 one-bedroom and 26 two-bedroom).

Ms. Norma Boyer
December 20, 2018
Page 2

The Project will be marketed at upper-middle class residents. Accordingly, a standard unit within the Project will likely not be affordable to the average lower-income individual. Nonetheless, our client intends to meet the Village's affordable housing requirements in a manner consistent with other current and previous developments within the Village.

Our client will provide handicap-accessible apartments in a reasonable quantity to meet potential tenants' needs. Although the exact number of handicap-accessible units has not yet been determined, we are currently conducting studies to ensure that the proper amount is provided, and we welcome input from the Village and Housing Commission as to this issue.

As to the number of affordable housing units within the Project, the Village currently requires that PUDs with twenty-six or more units contain 15% or more affordable housing units. This would require our client to provide 54 affordable housing units within the Project. While our client is committed to promoting the affordability of private housing within the Village, it is an unavoidable reality that the scale of this project and the size of the parcel to be developed will not allow our client to provide the full amount of fifty-four affordable housing units while still being able to finance the development and ultimately sell the Project. Based on the cost of development as well as the ultimate value of the project upon disposition, Owner simply cannot develop this Project and provide 54 affordable housing units.

Rather, our client is committed to providing 15 affordable housing units in the Project, and will otherwise comply with the remaining requirements of the Affordable Housing program.

We look forward to presenting this project before the Housing Commission for review, comment, and approval.

Sincerely,


Michael D. Firsell

MDF/djm



Village of Arlington Heights

33 South Arlington Heights Road
Arlington Heights, Illinois 60005-1499
(847) 368-5000
Website: www.vah.com

January 4, 2019

Mr. Michael D. Firsel
Firsel Ross – Attorneys at Law
2801 Lakeside Drive, Suite 207
Bannockburn, IL 60015

Re: Affordable Housing Proposal – Arlington 425 Project – Temp File No. T1599

Dear Mr. Firsel:

In your response, you state that "the size of the parcel to be developed will not allow our client to provide the full amount of fifty-four affordable housing Units while still being able to finance the development and ultimately sell the Project."

In order that the Village may evaluate your affordable housing proposal, the Village requests the following documents and answers to questions:

1. Provide a detailed financial pro forma to validate your statements that 54 affordable units are not financially feasible, and that no more than 15 affordable units are financially feasible.
2. Provide a breakdown of the 15 units you propose to provide by building. What are the square footage areas of each proposed affordable unit? Of the proposed 15 units, how many will be studio, 1-bedroom and 2-bedroom units?
3. Does the developer expect to use any federal or other affordable housing programs to subsidize the rents in the affordable units?

The Village looks forward to receiving your response. Please contact me at (847) 368-5214 or nboyer@vah.com if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Nora A. Boyer", is written over a horizontal line.

Nora A. Boyer
Housing Planner



MICHAEL D. FIRSELL
MICHAEL E. ROSS
CHRISTINE S. BOLGER
KAREN JERWOOD
STEPHEN E. ROSS

2801 LAKESIDE DRIVE, SUITE 207
BANNOCKBURN, IL 60015

O 847-582-9900

F 847-582-9933

www.firsellross.com

February 8, 2019

Ms. Nora Boyer
Housing Planner
Department of Planning and Community Development
Village of Arlington Heights
33 S. Arlington Heights Road
Arlington Heights, Illinois 60005

Re: Request for Housing Commission Review - Arlington 425 Development

Dear Ms. Boyer,

This letter is written in response to yours of January 4, 2019. The paragraph references below correspond to those contained in your letter.

1. We are unable to provide a "detailed financial proforma" at this time. The main reason is that we have not yet developed a detailed financial proforma because we do not have the approvals and other project requirements necessary to know what we are building and how we are building the project. Without accurate pricing which is integral to any detailed project financial proforma, the requested proforma cannot be completed. However, we have prepared, and I have attached a financial impact analysis of providing 1, 15 and 54 Affordable Housing units. This analysis indicates what the financial impact on both the project's cash flow and sale value will be. Based on the developer's 40+ years of experience in the industry, this project is not viable based on (a) the loss of annual income necessary to secure a financeable debt service coverage ratio; and (b) the ultimate market value of the development which value is primarily a function of a capitalization of the project's income stream. The project is hardly viable with even the 15 Affordable Units, but the Developer is committed to providing the number of Affordable units proposed. We request that you to review this analysis.

2. The proposed 15 Affordable Housing units would consist of studio and one-bedroom apartments located in all three buildings. The Developer would reserve the right to allocate the units among the buildings. The unit sizes will equate to the average unit types and sizes in each of the buildings. Were the Chestnut building to be developed as a condominium



Ms. Nora Boyer
February 8, 2019
Page 2

project. the number of Affordable units would be reduced to 13 units between the Highland and Campbell buildings.

3. We have not yet investigated the availability of additional sources of income to supplement the loss of income from the Affordable Housing units. However, if available, we will likely pursue such availability.

In addition, we have studied the historical Affordable Housing requests and requirements for the developments in the Village to date. Based on our review of that information, we believe that the proposed number of Affordable Housing units is consistent with past and current Village practices.

Based on this response to your request for further information, we request a meeting with staff as soon as possible to review and further discuss our proposal, so we can move to a Housing Commission hearing as quickly as possible.

Thank you for your cooperation and consideration in this matter.

Sincerely,

A handwritten signature in blue ink that reads 'Michael D. Firsell'. The signature is written in a cursive, flowing style.

Michael D. Firsell

MDF/djm

CCH LLC - AFFORDABLE HOUSING												
CASH FLOW AND VALUE COST												
I Unit	avg sf	rent sf	avg rent/mo	max for 2018	lost rent	# units	mo loss	loss/unit/yr	Annual Cash Flow Loss	Value loss		
										5 years	10 years	20 years
1-br	815	\$ 2.32	\$ 1,891	\$ 952	\$ 939	1	\$ 939	\$ 11,266				
									\$ 11,266			
										\$ 56,328.00		
											\$ 112,656	
												\$ 225,312
15 Units Proposed												
Studio	597	\$ 2.32	\$ 1,385	\$ 889	\$ 496	8	\$ 3,968	\$ 47,620				
1-br	815	\$ 2.32	\$ 1,891	\$ 952	\$ 939	7	\$ 6,572	\$ 78,859				
									\$ 126,479			
										\$ 632,395	\$ 1,264,790	\$ 2,529,581
54 Units - Per Code												
Studio	597	\$ 2.32	\$ 1,385	\$ 889	\$ 496	27	\$ 13,393	\$ 160,717				
1-br	815	\$ 2.32	\$ 1,891	\$ 952	\$ 939	27	\$ 25,348	\$ 304,171				
									\$ 464,888			
										\$ 2,324,441	\$ 4,648,882	\$ 9,297,763



MICHAEL D. FIRSEL
MICHAEL E. ROSS
CHRISTINE S. BOLGER
KAREN JERWOOD
STEPHEN E. ROSS

2801 LAKESIDE DRIVE, SUITE 207
BANNOCKBURN, IL 60015

O 847-582-9900
F 847-582-9933

www.firsellross.com

April 4, 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 - Arlington 425 Development -
PC #19-001**

Dear Mr. Hageli,

This letter is written as a revised proposal by the Petitioner for the provision of affordable housing units at Arlington 425. Based on Petitioner's 40+ years of experience in the development industry, this project is not viable with the inclusion of 54 affordable housing units based on (a) the loss of annual income necessary to secure a financing; and (b) the ultimate market value of the development which is primarily a function of a capitalization of the project's net income. **Petitioner will agree to provide a total of 27 affordable housing units.**

The allocation of the actual number of units to be leased or payment in lieu, the allocation amongst the buildings, and other related issues can be discussed and resolved with the Housing Commission in person.

We have studied the historical affordable housing requests and requirements for the developments in the Village to date. Based on our review of that information, we believe that the proposed number of affordable housing units meets and exceeds previous Village practices and policies.

We request a hearing with the entire Housing Commission as soon as possible to review and further discuss our proposal, and arrive at a mutually acceptable recommendation to the Village Board.

Thank you for your cooperation and consideration in this matter.

Sincerely,

Michael D. Firsell

INCLUSIONARY AFFORDABLE HOUSING TABLE

Last updated: 4/24/2019

Year	Development	Total Number of Units in the Development	<u>Required</u> Number of Affordable Units as per the Village guidelines	Number of Affordable Units included in the <u>Approved</u> Projects	Cost Offsets	Fee-in-Lieu Contributions
2004	Timber Court for-sale condominiums	108 units for sale condominiums approved 72 units have been constructed	21 units (20% of all 108 units) $108 \times .20 = 21$ affordable units	Approved: 21 affordable units (20% as required by policy). Seven (7) in each of 3 buildings. Two (2) buildings have been constructed with a total of 14 units affordable units (7 in each of the 2 buildings.	Density Bonus \$100,000 in Village paid road improvements	\$0
2011	Arlington Downs rental apartments	Up to 475 rental units in Phase II	95 units (20% of all 475 units) $475 \times .20 = 95$ affordable units	Approved: Up to 24 affordable units First 300 units: 0%. If more than 300 units are developed up to an estimated maximum of 475 units are constructed, 5% of all units in Phase II would be affordable. $475 \text{ max total units in Phase II} \times .05 = 24$ affordable units	None	The owners had the option of paying a fee in lieu of affordable units at the rate of \$100,000 for each affordable unit not provided. The developer was given the option to do a combination of affordable units and payment of the fee. (Amended for 263 unit ADR II building, see below).
2012	Arbor Lane for sale townhomes	16 townhomes	2 townhomes (12% of all 16 units) $16 \times .12 = 2$ affordable townhomes	Approved: 0 townhomes (see fee-in-lieu)	None	Fee-in-lieu payment : \$30,378 5% of the average sale price when half of the units (8 units) are sold or the average sale price of the units sold one year from the date of the first occupancy permit (which was issued on November 19, 2014), whichever comes first.
2014	Parkview Apartments rental apartments	45 rental apartments	7 units (15% of all 45 units) $45 \times .15 = 7$ affordable units	Approved: 7 units shall be maintained as affordable in perpetuity. Additional affordable units are included in the project in connection with affordable housing program financing of the project. It is reported that 41 of the 45 units are affordable.	None	\$0
2016	Lexington Homes – for sale townhomes	48 for-sale townhomes	7 affordable units (15% of all 48 units) $48 \times .15 = 7$	0 affordable units (see fee-in-lieu)	None	In lieu of providing 7 affordable units, the developer will pay a fee equal to \$2,500 for each of the 48 units in the development or \$17,142 per affordable unit for a total of \$120,000.

2017	Heart's Place	18 rental apartments for persons with disabilities	2 affordable units (10% of all 18 units) 18 x .10 = 2 affordable units	Approved: The project was proposed as a 100% affordable building. All 18 units are affordable.	None	The development is supportive housing for persons with disabilities. All 18 units (100%) are affordable.
2017	Sigwalt Apartments	86 rental apartments	13 units (15% of all 86 units) 86 x .15 = 13 affordable units	0 affordable units (see fee-in-lieu)	Density increase from approximately 60 units to 86 units.	\$325,000 or \$25,000 per affordable unit not provided. \$25,000 x 13 = \$325,000. This equates to approximately \$3,780 spread across all 86 units. The proposal was revised to 80 units which would have required 12 affordable units x \$25,000 = \$300,000. The project was not approved by the Village Board for reasons other than the affordable housing aspect of the project
2018	4 N. Hickory Hickory/Kensington Apartments	75 rental units	11 units (15% of all 75 units) 75 x .15 = 11 affordable units	None	Various variations requested. TIF assistance.	The Housing Commission accepted the petitioner's offer to pay a fee in lieu of affordable units of \$25,000 per affordable unit not provided in the development: 11 x \$25,000 = \$275,000. Approved by Village Board 7/16/18.
2018	Arlington Downs – Proposed amendment of affordable housing requirement (2018)	Phase II 263 rental units referred to by the developer as ADR II. (180 senior units are informally referred to in the plans but not proposed at this time – i.e. ADR III).	Phase II total 40 units (15% of all 263 units) 263 x .15 = 40 affordable units 13 (5%) affordable units was approved in 2011 – see above	9 affordable units	Various variations.	Following strong direction from the Village Board that the inclusion of affordable units is favored by the Village Board rather than satisfaction of the requirement through payment of the fee, the approved requirements is: 9 affordable housing units in ADR II and fee in the amount of \$25,000 each for 4 affordable units not provided (i.e. \$100,000).