Village of Arlington Heights
Housing Commission
Buechner Room 1st Floor
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
April 29, 2019
7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes 1/22/19

IV. REPORTS

V. OLD BUSINESS

VI. NEW BUSINESS

A. Arlington 425 Response to Affordable Housing Guidelines

B. Little City Foundation - Change in Use of 2018/2019 Grant Funds and Clearbrook Project Updates

C. Discussion of Community Development Block Grant (CDBG) Funded Program and 2019-2020 Grant Request

D. Timber Court Update

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
4/29/2019

Item: Minutes 1/22/19

Department: Planning & Community Development

ATTACHMENTS:

Description	**Type**
Minutes	Minutes

<u>DRAFT</u>

MINUTES OF A MEETING OF
THE ARLINGTON HEIGHTS HOUSING COMMISSION
HELD AT ARLINGTON HEIGHTS VILLAGE HALL
VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
JANUARY 22, 2019

IN ATTENDANCE:

Commissioners Present:	Alex Hageli	Mark Hellner
	Will Delea	Andrew Tripp
Commissioners Absent:	Zach Creer	Namrita Nelson
Staff Present:	Nora Boyer, Housing Planner/Staff Liaison	
Others Present:	Keith Moens	Judith Royal

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE

The meeting was called to order at 7:10 p.m. and the Pledge of Allegiance was recited.

II. ROLL CALL

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

A motion was made by Chairman Hellner, seconded by Commissioner Tripp to approve the minutes of the October 9, 2018 meeting. The motion was approved unanimously.

III. REPORTS

None

IV. OLD BUSINESS

A. Single Family Rehabilitation Loan Program

Ms. Boyer reported that she has received on application. She is meeting with the homeowners. According to the application, the job would include waterproofing and window replacements.

B. Group Home and Transitional Housing Rehab Program

Alexian Brothers for Mental Health received a grant to replace the gutter system on their apartment building on Northwest Highway. This project t has been completed.

Clearbrook was approved by the Housing Commission for the replacement of HVAC components at one of their group homes. The Work is under contract.

Little City Foundation was approved by the Housing Commission for $50,000 toward the purchase of an additional group home in Arlington Heights. Ms. Boyer said that a grant agreement has been signed with Little City, and she will follow up with Little City on the status of that project.

C. Inclusionary Housing Discussion

Ms. Boyer reviewed the parameters and history of the Village's inclusionary affordable housing guidelines for for-sale and rental housing. It was pointed out that specific locations of developments affect developers' profits and margins; and therefore, the guidelines concerning the percentages of affordable units that should be included in developments or the amount of fees paid in lieu of affordable units need to be flexible.

There was a discussion of the Low Income Tax Credit Program. Commissioner Delea asked about whether the program is well known to developers. Commissioner Hellner stated that this program is known and used by developers who specialize in the development of affordable housing. An example cited was the Parkview Apartments developed by Up Development. Commissioner Tripp agreed that the Low Income Housing Tax Credit Program presents a number of challenges and developers need to know how to work with the program and the involved State agencies and local governments. He said that it tends to be used by niche developers who know from the concept stage that this type of financing will be needed in order to make their project financially feasible.

The Commissioners reviewed the summaries presented by staff concerning the inclusionary affordable housing policies of the Cities of Evanston, Highland Park, Lake Forest and St. Charles. Ms. Boyer pointed out that these cities have approved their programs as ordinances and included the requirement in their city codes, which is not the case with Arlington Heights, where the guidelines are policies of the Village.

The Commission found it interesting that Evanston has different requirements for its transit-oriented and non-transit-oriented development areas. The Commissioners pointed out that Arlington Heights transit-oriented downtown is different from other areas of the Village and different criteria for development. It was pointed out that the downtown location is particularly desirable for affordable housing since households can have lower transportation costs. However, land costs are higher in the downtown area.

Commissioner Hellner suggested that the proposed Block 425 project is an opportunity to rethink the 1.5 parking spaces per unit requirement for developments in the downtown. He said that Evanston is different from Arlington Heights in that housing is far more dense, and he wondered how density impacts the application of their ability to have affordable units included in developments.

Ms. Boyer said that the City of Evanston held a workshop on affordable housing financing. She said that she would forward the website address to the Commissioners where the recorded workshop can be found as well as the minutes for Evanston's meetings where they have been discussing amendments to their inclusionary housing ordinance.

Ms Boyer said that she has provided the other cities' requirements, but she does not know if developers have been held to the requirements. She is working on getting information from the Cities of Evanston, Highland Park, Lake Forest and St. Charles on the actual numbers of units and fees they have approved and/or received. She also commented that the programs in Illinois are all fairly new (since the 1990s), and that most inclusionary housing programs are located in three States (New Jersey, Massachusetts and California) which have State laws requiring or supporting these types of requirements.

The members of the Housing Commission stated that the background on this topic was helpful and will be useful when evaluating future affordable housing proposals under the guidelines.

(See below under Other New Business for further discussion)

D. Timber Court

Ms. Boyer said that she has been contacted again by the owner of an affordable unit at Timber Court asking if the Village would remove the affordable housing restrictions from the unit so that he can sell his unit without the restrictions of the affordable housing program. He has repeatedly made this request which was last discussed by the Housing Commission in June 2018. The units at Timber Court are hindered from sale because the high percentage of rental units and pending litigation make the units ineligible for standard mortgages. A local lender was identified in 2016 that was willing to provide a mortgage despite the high percentage of rentals but not until the pending litigation is resolved. Ms. Boyer said that the trial was held in December 2018 with regard to the litigation and that the court decision is expected in March 2019.

The Commission pointed out that the buyer knew of the unit's restrictions and was able to purchase at a below market price when he purchased the unit. It was stated that removing the restrictions from this unit would set a bad precedent that could lead to removing the affordability restriction from all of the affordable units.

Ms. Boyer will send information regarding the lawsuit to Commissioners Hellner and Tripp.

A motion was made by Commissioner Hellner, seconded by Commissioner Hageli to take no action at this time on the request of the affordable condominium unit owner at Timber Court to remove the affordability restrictions on his unit and to review the matter again in March 2019 when it is expected that the outcome of the trial will be available.

V. NEW BUSINESS

A. Topics for 2019

The following were presented for possible topics for the Housing Commission for 2019. The inclusionary housing policies are being discussed in connection with proposed developments, to include Block 425 in the near future. The Housing Commission's CDBG request for the 2019-2020 program year will be due in mid-April. Other topics can follow.

Inclusionary Housing Policies.

- Discuss the Village's requirements under its inclusionary housing policies. Are the percentages of affordable housing and fees in lieu of affordable housing as presented in the guidelines reasonable and appropriate for meeting the Village's affordable housing goals?

Community Development Block Grant (CDBG) Budget.

- o Discuss funding requests for program year 2019-2020. Funding requests will be due in March 2019.

"Housing Needs and Trends in Arlington Heights Report" requested by the Village Board

- o Housing Commission review of the "housing strengths and weaknesses" section of this report. Scheduled for Housing Commission review in the 3rd quarter of 2019.

AH Percentage of Affordable Housing

- o Evaluation and discussion of IHDA's December 2018 calculation of the percentage of affordable housing in Arlington Heights

Affordable Housing Trust Fund

- o Annual review of balance in the Affordable Housing Trust Fund and discussion

Linkage to Senior Commission Age-Friendly Communities Initiative

- o Whether and how existing or future CDBG-funded or other programs or project should of could support aging-in-place

B. Illinois Housing Development Authority Affordability Calculation

Ms. Boyer reported that the Illinois Housing Development Authority (IHDA) has provided new calculations of percentages of affordable housing stock for communities throughout the state under the Illinois Affordable Housing Planning and Appeal Act. IHDA recalculates the percentages every 5 years. In 2013, IHDA's calculation of affordable housing stock for Arlington Heights was 13.1%. According to the 2018 IHDA calculation, the percentage of housing stock that is affordable in Arlington Heights is 19.1%.

The Commissioners and staff were surprised by this increase in the percentage. Ms. Boyer said that she heard from several other communities that were also surprised by increases in their percentages. The increase appears to be attributable to increases in the median income used for the area and the decrease in mortgage interest rates since the last calculation, both of which would increase the price of housing units that households are calculated as being able to afford. Ms. Boyer also pointed out that IHDA uses the same formula for its calculations across the State. The calculation does not include condominium association dues even though association dues are a housing cost. Therefore, condominium units are counted under the formula based on their estimated value that would not be considered affordable if the association dues were included as a housing cost. Ms. Boyer said that IHDA's calculation has been looked at by the Village as a measure of affordability, has always been considered flawed for the Village's housing market, and the goal under the Illinois Affordable Housing Planning and Appeals Act in a State goal under that law and is not the Village's affordable housing goal.

VII. OTHER NEW BUSINESS

Keith Moens, resident of Arlington Heights, was in attendance at the meeting. He said that he would like to see developers more fully comply with the inclusionary housing guidelines than they have been. Commissioner Hellner responded that the problem is that developers say that they will walk from their proposed development if the guidelines call for more units or fees than are economically feasible. He said that it has not happened that there has been more than one developer competing for a site, which could result in including more affordable housing. Commissioner Hellner pointed to the Arbor Lane townhome development as an example of a development that had location and other issues, and the developer was not sure he wanted to proceed with the development. Commissioner Hellner said that the Housing Commission considers profitability of proposals, but information is not complete or sometimes available during the process, and he said that the Village needs to be realistic. It is an imperfect balancing act. Commissioner Tripp said that the Housing Commission needs to dig deeper into developments to further its goals. Commissioner Hellner mentioned that younger people are driving fewer cars and that actions to reduce the number of cars associated with developments (such as in a transit oriented development) would reduce development costs (which could thereby permit more affordable units) and have environmental benefits.

VIII. ADJOURNMENT

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

NEXT MEETING: Tentatively Set for: Tuesday, March 12, 2019 7:00 pm

Additional Information:
Website locations of the information on the City of Evanston's inclusionary housing requirements referred to above:

Minutes of the Evanston Subcommittee that is looking into revising their inclusionary affordable housing program:
https://www.cityofevanston.org/government/agendas-minutes/inclusionary-housing-ordinance-subcommittee

Video of the Evanston Subcommittee housing finance workshop was held on May 30, 2018:
https://www.cityofevanston.org/government/departments/community-development/housing-grants-division/inclusionary-housing-ordinance

Housing Commission
4/29/2019

Item: Arlington 425 Response to Affordable Housing Guidelines

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Staff Report to Housing Commission - Arlington 425	Memorandum
Arlington 425 View	Exhibits
Arlington 425 Letters	Exhibits
Inclusionary Affordable Housing Table	Agreement

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:

   > *"<u>The construction of the affordable units is preferred</u>. 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.

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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).

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. Firsel

Michael D. Firsel

MDF/djm

Village of Arlington Heights

33 South Arlington Heights Road
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(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,

Nora A. Boyer

Nora A. Boyer
Housing Planner

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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

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,

Michael D. Firsel

Michael D. Firsel

MDF/djm

CCH LLC - AFFORDABLE HOUSING												
CASH FLOW AND VALUE COST												
									Annual Cash	Value loss		
I Unit	avg sf	rent sf	avg rent/mo	max for 2018	lost rent	# units	mo loss	loss/unit/yr	Flow 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

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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. Firsel

Michael D. Firsel

INCLUSIONARY AFFORDABLE HOUSING TABLE
Last updated: 4/24/2019

Year	**Development**	**Total Number of Units in the Development**	**Required Number of Affordable Units as per the Village guidelines**	**Number of Affordable Units included in the Approved 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 x .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 x .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 max total units in Phase II x .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 x .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 x .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 x .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 ADRII and fee in the amount of $25,000 each for 4 affordable units not provided (i.e. $100,000).