Village of Arlington Heights
Housing Commission
Commissions Room, 2nd Floor
Arlington Heights Village Hall
33 S. Arlington Heights Road
Arlington Heights, IL 60005
June 12, 2018
7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

A. Minutes - 5/8/18

IV. REPORTS

V. OLD BUSINESS

A. Single Family Rehab (SFR) Program Update
B. Group Home and Transitional Housing Program Update & letter from Little City Foundation
C. 2018-2019 Community Development Block Grant Requests

VI. NEW BUSINESS

A. Arlington Downs - Response to Affordable Housing Policy
B. Timber Court

VII. OTHER BUSINESS

VIII. ADJOURNMENT

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

Item: Minutes - 5/8/18

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Minutes	Minutes

DRAFT

MINUTES OF A MEETING OF
THE ARLINGTON HEIGHTS HOUSING COMMISSION
HELD AT ARLINGTON HEIGHTS VILLAGE HALL
VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
MAY 8, 2018

IN ATTENDANCE:

Commissioners Present:	Alex Hageli	Namrita Nelson	Mark Hellnew
	Will Delea	Andrea Johnson	Zach Creer
Commissioners Absent:	Andrew Tripp		
Staff Present:	Nora Boyer, Housing Planner/Staff Liaison		
Others Present:	Carrie Seida, Little City Foundation		
	Bill Brennan, Little City Foundation		
	Michael Dalton, Clearbrook		

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 Hellner, Tripp, Nelson, Delea, Johnson and Creer were in attendance.

A motion was made by Commissioner Hellner, seconded by Commissioner Johnson to approve the minutes of the April 17, 2018 with a few minor corrections. The motion was approved unanimously.

III. REPORTS

None

IV. OLD BUSINESS

A. Single Family Rehabilitation Loan Program

Ms. Boyer reported that there are no active projects at this time.

B. Group Home and Transitional Housing Rehab Program

A second round of applications for program year 2017-2018 CDBG-funded projects was issued earlier this year. The Village received two responses – one from Little City Foundation and one from Clearbrook. The representatives were from the agencies were asked to summarize their requests and their requests. The representatives were also asked to summarize their for 2018-2019 CDBG funds which will be presented to the Village Board at a Committee of the Whole meeting on May 14, 2018.

Clearbrook Reqests

Mr. Michael Dalton from Clearbrook thanked the Housing Commission for the prior grant that is being used for a bathroom renovation in the group home on Princeton Ave.

The second round request is also for a bathroom renovations, but for the home on Eastman. Ms. Dalton said that 8 adult men occupy the home on Eastman. Clearbrook has owned this home since 1995. The proposed remodeling would make the bathroom ADA compliant with an accessible sink and shower. The rest of the home is ADA compliant including a second bathroom. Having 2 accessible bathrooms would make it possible for more residents to be suitably placed in this home. At this time, the number of persons with mobility disability must be limited since there is only one ADA accessible bathroom. Mr. Dalton stated that the CDBG funding request is $13,000.

A motion was made by Commissioner Delea, seconded by Commission Creer to approve a $13,000 CDBG grant from the 2017-2018 CDBG budget for the renovation of the Clearbrook group home (CILA) on Eastman Street to renovation a bathroom including accessibility improvements and meeting ADA standards. The motion was approved. Commissioner Hellner recused himself from the voting.

Mr. Dalton stated that Clearbrook's request from the 2018-2019 CDBG program year budget is for the replacement of one of the two heating and air conditioning systems at Clearbrook's group home on Kennicott Avenue. The other system was replaced about 5 years ago. Eight male adult reside at this home. The home was purchased by Clearbrook in 2002. The request is for $13,750.

Little City Foundation Requests

Ms. Carrie Seida from Little City Foundation stated that the round two request from the 2017-2018 CDBG budget is for the replacement of the driveway at the agency's group home on Euclid Ave. There are 6 women, ages 49-67 living in the home. Mr. Brennan stated that the agency has done as much patching and filling as it can to prolong the life of the existing driveway, but it now needs to be replaced. It is presenting a trip hazard for residents and staff.

Commissioner Johnson aske Ms. Boyer if the concerns that Ms. Boyer expressed at the last meeting have been resolved. Ms. Boyer said that she reviewed the existing configuration of the driveway with the Village's Engineering Department, and the Engineering Department is okay with replacing the driveway in its existing configuration because of the mobility concerns of the residents, the size of vans that are sometimes used at the location, and the difficulty in backing out onto Euclid Avenue.

In response to a question, Commissioner Nelson stated that the group homes under discussion are exempt from property taxes.

A motion was made by Commissioner Hellner, seconded by Commissioner Delea to approve a grant for $13,398 to Little City Foundation for the replacement of the driveway at its Euclid Avenue group home. The motion was approved unanimously.

Ms. Seida explained that Little City's 2018-2019 CDBG grant request is for $50,000 toward the purchase and acquisition of a new group home in Arlington Heights. The agency plans to sell a group home in Palatine and move the six residents to the new group home. The layout of the Palatine group home is not longer suitable for the residents. Moving forward is contingent upon selling the Palatine home.

Ms. Seida stated that several possible homes in Arlington Heights have been identified. The residents of the Palatine home would be relocated to a home in Hoffman Estates until the Arlington Heights home is ready for their occupancy. Mr. Brennan stated that the agency plans to making some fix-up improvements to the Palatine home to ready it for sale, and will want to make some accessibility modifications to the home in Arlington Heights before the resident relocate to the Arlington Heights home.

In response to a question from Commissioner Hellner, Ms. Seida said that the agency is looking for a new home in Arlington Heights because Arlington Heights has always been welcoming and their residents in Arlington Heights feel like part of the comminty.

Commissioner Creer asked if Little City will be requesting additional funding from Arlington Heights. Ms. Seida responded that the agency is hoping to apply for funds from the Arlington Heights Affordable Housing Trust Fund if/when an application process is opened. Mr. Brennan stated that Little City also has a capital budget and some possible donors.

A motion was made by Commissioner Hellner, seconded by Commissioner Creer supporting the 2018-2019 CDBG funding requests from Clearbrook and Little City Foundation emphasizing that the requests are in keeping with the Village of Arlington Heights' mission to be an inclusive community.

Ms. Boyer stated that the title and description of the Group Home and Transitions Housing Rehabilitation Program were expanded to include the possibility of using funds for acquisition as well as rehab.

V. NEW BUSINESS

None

VII. OTHER NEW BUSINESS

None

VIII. ADJOURNMENT

A motion was made by Commissioner Creer, seconded by Commissioner Johnson, to adjourn the meeting. The meeting adjourned at 7:45 pm.

NEXT MEETING: Tuesday, June 14, 2018 7:00 pm in the Commissions Room – 2nd Floor of Village Hall

Item: Group Home and Transitional Housing Program Update & letter from Little City Foundation

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Letter	Correspondence

May 23, 2018

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

Dear Mr. Hageli,

Little City greatly appreciates our partnership with the Village of Arlington Heights. Over the years, the village has supported numerous projects that have truly benefited the individuals we serve.

As you are aware, Little City owns and operates two Community Integrated Living Arrangement (CILA) homes within the Village of Arlington Heights and is planning to purchase a third home. In order to accomplish this, we are exploring all possible funding opportunities and available resources. With that said, we were wondering when you believe the Affordable Housing Trust Fund will be opened to receive applications for funding? Should it be opened, Little City would be interested in applying for funds from this valuable resource.

We appreciate your support of Little City and thank you for your attention to this letter.

Best regards,

Shawn E. Jeffers
Executive Director

Bev Saiz
Director of Foundation and Government Relations

Item: Timber Court

Department: Planning & Community Development

ATTACHMENTS:

Description	Type
Staff Report	Report

Staff Report to the Housing Commission

To:	The Chairman and Members of the Housing Commission
From:	Nora Boyer, Housing Planner
Re:	Timber Court – Resale of Affordable Units
Report Prepared:	June 6, 2018
Meeting Date:	June 12, 2018

Background

Fourteen of the 72-units at Timber Court Condominiums (3400 & 3420 N Old Arlington Heights Road) are designated as permanently affordable, seven in each of the two 36-unit buildings.

In 2006 - 2008, 11 of these units were sold to income-eligible, low/moderate income buyers who signed Buyer's Occupancy and Resale Restriction Agreements. The agreements required that the buyers reside in the units as full-time owner-occupants and restricted future sales of the units to income-eligible buyers at affordable sale prices. The remaining 3 units were unsold.

Over several years, owners of some of the affordable units raised concerns that as a result of the recession, they were extremely limited in their ability to sell their units. Due to the decline in the housing market, the market-rate units were not selling and were being rented by the developer. The high proportion of units being rented in the development caused the units in the buildings to be ineligible for mortgage financing.

Further, a lawsuit was filed involving the unit owners and the developers and condominium board. The nature of this lawsuit also has a limiting effect on resale of the units. It is staff's understanding that a trial is being scheduled with respect to the lawsuit. It is not possible to know how long it may be before the lawsuit is resolved.

Village Response

In 2013, in response to owners' concerns, the Village provided the owners of the affordable units with the options to either:

1) rent their units to low/moderate income tenants at affordable rents, or
2) sell their units to investor-buyers who would then be required to rent the units to low/moderate income tenants at affordable rents.

These options enable the owners to cease being owner-occupants, but they retained the units' designation as affordable. The intention was that the units would return to owner-occupancy by low/moderate income owners after the housing market recovered.

Several owners of affordable units signed amendments to their Buyer's Occupancy and Resale Restriction Agreements allowing them to rent their units under the affordability guidelines established by the Village. One affordable unit (which was in foreclosure) was sold by the lender to an investor who signed an Agreement to rent the unit to low/moderate income tenants as required. However, at least one of the owners has stated that the maximum affordable rent for his unit, as calculated by the Village, does not cover his carrying costs (mortgage payment, association dues, taxes, insurance, etc.).

Status of Units
The status of the affordable units is as shown below:
Owner-Occupied by Low/Mod Income Owners: 6
Rented by Low/Mod Income Owners to Low/Mod Income Tenants: 4
Investor Owned and Rented to Low/Mod Income Tenants: 1
Owned by the Original Developer and Rented to Low/Mod Income Tenants or used as office space: 3
Total: 14

One of the four owners who is leasing his unit recently moved out of state. This has necessitated his hiring a local management company to manage his units. The owner is requesting that he be allowed to sell the unit on the open market in order to divest himself of the unit which is now costing him more to own per month than he can recoup in rent.

Affordable Units Resale Value
The affordable housing program provides that the resale value of the units shall be: 1) an indexed value tied to the percentage change in the HUD-determined area median income level up to 3.5% per year; 2) an Affordability Cap which is the price affordable at 30% of income for a household size appropriate to occupy the unit; or 3) the fair market value.

One-bedroom units originally sold for $132,800 - $134,100 and two-bedroom units sold for $143,900 - $145,300.

As shown in Attachment A, the current affordable resale value of a one-bedroom unit purchased at $132,800 is $140,720 (unless the fair market value is lower), and the current resale value of a two bedroom unit purchased at $143,900 is $152,534.

An appraisal performed recently one of the affordable 2-bedroom units yielded an fair market value of $175,000.

Research
In late 2016, the Village looked into whether there are any affordable mortgage programs available for the financing of the affordable units at Timber Court. The Village met with a local lender who reviewed the situation at Timber Court. The lender stated that they would be willing and are able to provide mortgage loans to purchasers of affordable units at Timber Court. They would need to keep them in the bank's own portfolio rather passing them on to the secondary market. However, they are not able to provide the mortgage loans until the pending lawsuits are resolved.

The Village also researched whether and how other communities have dealt with similar situations. The only action that the Village has found that was taken by another community (Dublin, CA) was to allow affordable unit owners to rent their units, which is an option that the Village of Arlington Heights has already provided. In Dublin, CA, they also permitted owners who have marketed their units for minimum periods of time to sell the units on the open market (with no maximum sale price and with the removal of all affordable housing requirements) with the proceeds being shared by the owner and the municipality. In most communities with similar program, the housing markets recovered sufficiently that no changes in their programs were necessary.

Goal and Options

It is the primary goal of the Village to retain the affordable units. Staff presents the following options for the Housing Commission to consider:

Options

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

Analysis of Options

It is the goal of the Village to retain the affordable units that were created, and the buyers agreed to the resale restrictions when they purchased the units at below market sale prices. The Village provided flexibility to the owners when the policies stated in Option 1 were put into place. Option 4 could fall within Option 1. Staff does not recommend Options 2 or 3 at this time.

Recommendation

Staff recommends Option 1:

Make no change in policy at this time. Continue to permit owners of the low/moderate income units to:

a. Lease their units to low/moderate income tenants at affordable rents; or
b. Sell their units to investment buyers who agree to lease the units to low/moderate income tenants at affordable rents.

Attachment A

Maximum Affordable Resale Prices
Lowest of Indexed Value, Affordability Cap or Fair Market Value

<u>One-Bedroom Purchased for $132,800</u>

<u>Indexed Value</u>
Percentage change in the median income for a household size of two persons from 2007 ($47,700) to 2017 ($50,600) = 6%.
$132,800 x .031 = $7,920
$132,800 + $7,920 = **$140,720**

<u>Affordability Cap</u>
80% AMI for a 2-person household: $50,600/yr or $4,215/mo.
$4,215 x .30 = $1,265 available for housing costs
Less monthly HOI of $130, property taxes of $110, PMI and insurance $150. Available for mortgage loan: $875
Sale price with mortgage, 30-year fixed at 4.44% interest at a payment of $880/mo plus 10% down payment of $19,500: **$195,000**.

<u>Fair Market Value</u>: unknown

<u>Two-Bedroom Purchased for $143,900</u>

<u>Indexed Value</u>
Percentage change in the median income for a household size of three persons from 2007 ($53,650) to 2017 ($56,900) = 6%.
$143,900 x .06 = $8,634
$143,900 + $8,634 = **$152,534**

<u>Affordability Cap</u>
80% AMI for a 3-person household: $56,900/yr or $4,740/mo.
$4,740 x .30 = $1,425 available for housing costs
Less monthly HOI of $148, property taxes of $125, PMI and insurance $160
Available for mortgage loan: $992
Sale price with mortgage, 30-year fixed at 4.44% interest at a payment of $992/mo plus 10% down payment of $22,000: **$220,000**.

<u>Fair Market Value</u>: **$175,000**

Maximum Rental Rates – 2018

One-Bedroom Unit – Year: 2018
Moderate income for a household size of 2 (80% of the Chicago area median income for a household size of 2): $50,600
Utility allowance: $50/month
$50,600 / 12 = $4,215 x .30 = $1,265
$1,265 - $50 utility allowance: $1,215
Maximum rent: $1,215

Two-Bedroom Unit – Year: 2018
Moderate income for a household size of 3 (80% of the Chicag0 area median income for a household size of 2): $56,900
Utility allowance: $50/month
$56,900 / 12 = $4,740 x .30 = $1,422
$1,422 - $50 utility allowance = $1,370
Maximum rent: $1,370
Fair market rent as per appraiser: $1,500