

MEMORANDUM

TO: Randy Recklaus, Village Manager

FROM: Charles Witherington-Perkins
Director of Planning and Community Development

DATE: August 28, 2018

SUBJECT: Status Update Arlington Downs Affordable Housing Proposed PUD Amendment
PC #18-010

Arlington Downs Development team has submitted a Planned Unit Development (PUD) Amendment, which has been reviewed and recommended for approval by the Plan Commission and the Housing Commission. A portion of the Planned Unit Development includes construction of a five story 263 residential apartment building in partnership with CA Ventures.

The Planned Unit Development petition, along with the Housing Commission recommendation on affordable housing was originally scheduled for review by the Village Board at an August meeting, however was deferred to allow additional discussions with the developer regarding the inclusion of affordable units. As a result of the Village Board's discussion during approval of the 4 North Hickory apartment building, Board members expressed a strong desire to have affordable units included in future developments or a combination of affordable units and fee in lieu of providing such units. As a result of this desire by the Village Board, Staff included a provision in the recommendation to the Housing Commission for Arlington Downs, that consideration be given to providing affordable units in their development.

Summary of Discussion with Arlington Downs Developer

After Plan Commission review of the Arlington Downs PUD Amendment, Staff requested the developer consider adding affordable units into the residential component of their plan. The developer has expressed concern over lost rental income in providing affordable units, which in turn impacts future market value of the development. As a result, the developer initially suggested including seven affordable units in the development, instead of providing the fee in lieu of. Staff felt this was too low and responded accordingly. The developer then responded that they would like to fall under the original Housing Commission recommendation for affordable units dating back to 2012 and provide 9 affordable units and if the Village wished to have the additional 4 units included, the Village could pay \$100,000 per unit. Staff met again with the developer and the developer has agreed to provide 9 affordable units within the development, plus pay a fee in lieu of at \$25,000 per unit for the 4 units, or \$100,000 into the Affordable Housing Trust Fund. This will then meet the 13 unit requirement from the original 2012 PUD.

Issues and Analysis

In the several meetings that we have had with the developer in analyzing this request, three major components have been evaluated:

1. The cost of providing an affordable unit.
2. The financial impact on the development project.
3. The amount of fee in lieu of.

Cost of providing an affordable unit:

In evaluating the cost of providing the actual affordable units, we evaluated the 4 N. Hickory project, Arlington Downs, and an existing apartment building that is currently for sale and listed on Loop Net. On average, the cost to build or acquire apartment unit ranges from \$157,000 to \$252,000 per unit.

The developer estimated cost to construct these units would be around \$166,000 per unit or \$1.49 million for 9 units.

Loss of Developer Income:

The developer provided a confidential analysis of projected lost income to their development by providing the nine affordable units. Their analysis results in lost income according to the developer of approximately \$140,000 annually for the nine units. They have indicated that this lost revenue results in a loss of value for potential future sale. It should be pointed out that there may be the opportunity for certain housing voucher programs through Cook County or others that would help reduce is gap slightly. The developer further has indicated that the total estimated lost revenue for providing the nine units over eight years is equal to paying the fee in lieu of upfront. Of course by providing the actual units, the lost revenue continues during the life of the project.

Fee in lieu of Amount:

Staff looked at the fee in lieu of for the remaining four units and feel that the \$25,000 fee that has been agreed upon with 4 N. Hickory and by the Housing Commission for the recent Arlington Downs amendment would be appropriate.

Prior Approvals

Condition/Motion	% and Number Required to be Affordable in ADR II	Fee-in-Lieu Per Affordable Unit Not Provided	Total Fee-in-lieu Amount if no Affordable Units are Provided
Original Conditions - 2012	5% or 13 units	\$100,000	\$1,300,000
Housing Commission Motion - June 2018	15% or 39 Units	\$25,000	\$975,000

Value of Revised Proposal

	% and Number Required to be Affordable in ADR II	Fee-in-Lieu/Value of Provided Units	Total Fee-in-lieu/ Value of Affordable Units Provided
Revised August 2018	9 units provided	\$1,490,000	\$1,490,000
	4 units in lieu	\$25,000	\$100,000
Total	5% or 13 units		\$1,590,000

Summary

In summary, Staff believes that providing nine affordable units in this development is a good approach and it would cost at least \$1.49 million or more to acquire or construct nine new units elsewhere in the community. In addition, obtaining the \$25,000 fee for 4 units to go into the affordable Housing Trust Fund provided an estimated projected value of this proposal \$1,590,000.

Recommendation

It is recommended that the Village Board accept from the developer's revised Affordable Housing proposal and amend the Plan Commission motion as attached.

Suggested Amended Plan Commission Motion

1. Final Plat of Subdivision approval is required.
2. A PUD amendment will be required for the ADR-III and ADR-IV development sites when a project for those properties has been proposed.
3. The previous approval ordinances shall be amended as outlined in **Exhibit I**.
4. Prior to Final Plat of Subdivision approval, the petitioner shall:
 - a. Modify the plans for ADR-II as necessary to comply with fire lane requirements as mandated by the Village.
 - b. The petitioner will revise the landscape plan to incorporate 12 additional evergreen trees along Euclid Avenue to screen the rear areas of retail buildings A and B.
 - c. Provide a revised site plan that shows the dumpster enclosures for retail buildings A and B as part of the building via a wing wall and the opening for these enclosures to be facing away from Euclid Ave.
 - d. Provide better screening for the mechanical and loading/delivery area at the rear of ADR-II. Such screening may require a screen wall.
5. The developer shall ~~work with staff to include a certain portion of the 39 required affordable units on-site and shall pay a fee in lieu for the difference, compliant with the Housing Commission motion from June 12, 2018~~ **provide in ADR II nine affordable units in perpetuity and pay a \$25,000 per unit fee in lieu of providing four additional affordable units (for a total of \$100,000) in accordance with Exhibit A – Arlington Downs Affordable Housing Conditions to reflect inclusion of affordable housing units.**
6. Prior to Building Permit issuance, the petitioner shall provide the Village with a copy of the amended Declarations, Covenants, and Restrictions for the PUD. To the satisfaction of the Village, this document shall provide for reciprocal access, parking, and shared maintenance amongst all developments within the PUD. The revised document must also contain language that addresses payment responsibility for water loss between the master meters and individual meters within the development to the satisfaction of the Public Works Department, or alternatively, the developer can enter into a separate onsite utility and maintenance agreement to address the concerns from Public Works (for review and approval by the Village).
7. Impact Fees for ADR-II shall be required at time of building permit issuance, compliant with Village Code.
8. The removal of any debris and dilapidated concrete/asphalt, and the replacement of any dead landscaping within each zone will be required if construction within any zone has not commenced within 12 months of approval of this PUD amendment. Additionally, if at any time during construction within any zone, said construction ceases for a period of 12 months, then that zone shall be cleared of debris, construction material, and landscaped to the satisfaction of the Village.
9. The petitioner shall explore construction of a landscaped median in the Euclid Avenue Right-of-Way, and shall construct said median if determined to be feasible by the City of Rolling Meadows and Cook County Department of Transportation. All maintenance costs for this landscaped median will be the responsibility of the property owner.
10. The AC units located in the front yard of the hotel building shall be screened with a screen wall that is architecturally compatible with the hotel building and provides complete screening of the units (3 sides). Alternatively, these units can be relocated to the roof of the building and appropriately screened.
11. Prior to zoning approval being granted for future development of ADR-III and ADR-IV, the petitioner will need to survey the existing parking within One Arlington and ADR-II to determine if the parking ratios for these developments adequately capture their parking demand.
12. The petitioner shall comply with all Federal, State, and Village Codes, Regulations, and Policies.

EXHIBIT A

Arlington Downs Affordable Housing Conditions Reflecting Inclusion of Affordable Housing Units

1. In accordance with the existing PUD and 2012 approval, the developer shall provide 5% of the units as affordable housing units. Require that 15% of the residential units (39 affordable units in ADR II) be allocated as affordable units in perpetuity. In ADR II, nine (9) units in the building shall be dedicated as affordable housing units in perpetuity. The bedroom mix of the affordable housing units shall be proportional to the bedroom mix of the building as a whole (i.e. 2 studio units, 4 one-bedroom units and 3 two-bedroom units). The affordable units shall be the same sizes for the bedroom types, same quality and have the same finishes as the market-rate units. The developer shall pay a fee-in-lieu of providing 4 additional may elect to pay a fee in lieu of providing the affordable housing units at a rate of \$25,000 per affordable unit not provided for a total of \$100,000; or may provide an equivalent combination of affordable units and fees in lieu of affordable units. However, developers are strongly encouraged to provide and maintain affordable units in the Arlington Downs development.

The motion was approved unanimously.

A second motion was made by Commissioner Hellner, seconded by Commissioner Hageli to include the following additional conditions for ADR II and future proposals at the Arlington Downs Development (all redevelopment except the redevelopment of the existing One Arlington tower building):

2. Prior to Plan Commission hearing, staff will work with the developer on an acceptable housing fee payment schedule. The Fee in lieu payments shall be made no later than the issuance of the first Certificate of Occupancy and incorporated as a condition of approval of the first building permit for the project.
3. If fees are paid and the developer later decides to provide one or more of the four affordable units for which fees have been paid instead, the developer may receive refunds of the fees paid for each of the affordable units included in the development in accordance with the following:
 - a) Refunds may only occur no more than 12 months from date of the issuance of the first certificate of occupancy building permit; and
 - b) If funds are available in the Trust Fund in the amount of the requested refund;
4. The base rental rate for affordable housing units shall be set at the HUD Fair Market Rent for Cook County as established annually by the U. S. Department of Housing and Urban Development (HUD), and income eligibility for the affordable units shall not exceed 60% of the area median income, adjusted for household size, for the Chicago area as determined by HUD. If the developer is participating in an affordable housing program that is approved by the Village (such as a government-sponsored program, program for veterans, etc.), the eligibility guidelines and rent structure of the approved affordable housing program would apply.
5. If affordable units are provided, 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.

The motion was approved unanimously.