

Staff Report to the Housing Commission

To: The Chairman and Members of the Housing Commission
From: Nora Boyer, Housing Planner
Re: Sigwalt 16 – Response to Affordable Housing Policy
Report Prepared: June 4, 2019
Meeting Date: June 11, 2019

Background

Sigwalt 16 is a residential, rowhomes development proposed for the southern quarter 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 is just south of the proposed Arlington 425 project.

The proposed development would involve the construction of a total of sixteen rowhomes on the site, in three buildings. The first building, located at the northeast corner of Chestnut Street and Sigwalt Street would contain six rowhomes. The second building, located at the northwest corner of Highland Avenue and Sigwalt Street would contain five rowhomes. The third building, located between the other two buildings along Sigwalt Street would contain five rowhomes. An exhibit is provided showing the site plan and a rendering in order to provide context and general understanding of the development to the Housing Commission, but site and design considerations do not fall under the purview of the Housing Commission.

Affordable Housing Guidelines

The Village's affordable housing guidelines call for a percentage of units in multi-family developments to be set aside as affordable housing. The guidelines suggest the inclusion of affordable units as a percentage of the total units. A fee in lieu of providing the affordable units in the amount of \$75,000 per required affordable unit is allowed. However, the guidelines stipulate that there is a preference for actual affordable units over the payment of fees. According to the guidelines, Sigwalt 16 with its 16 townhomes would either need to provide 10% of its units as affordable (i.e. 2 affordable units, rounded up from 1.6 units) or \$75,000 for each of the affordable unit not provided for a total of \$150,000.

Developer Proposal

The developer originally proposed to provide a fee for two units of \$25,000 per unit for a total of \$50,000. After discussions with Staff the developer has agreed to a fee in lieu of \$75,000 multiplied by 1.6 (10%) for a total of \$120,000.

Analysis

Recently, the Village Board has been requiring the inclusion of affordable units in new multi-family developments, and has permitted a combination of actual affordable units to the extent feasible in the development with the fees in lieu of units at \$25,000/unit for affordable units not provided. However, it is not recommended that actual affordable units be included "for sale" developments at this time for the following reasons:

1. The only for-sale development that included affordable, deed-restricted units to date is Timber Court condominium. Difficulties have been experienced with respect to the resale of these units due to fluctuation in values and the high proportion of rental units that resulted from the recession and decline in the suburban condominium market. Staff continues to work on these challenges, and is reluctant to recommend the inclusion of affordable for-sale units until solutions are found that resolve the difficulties at Timber Court.
2. The anticipated costs of the Sigwalt 16 units are expected to be in excess of \$600,000 per unit. Therefore, it is unrealistic to expect an affordable unit to be incorporated within this small development.

Since the Multi-Family Affordable Housing Guidelines for For-Sale developments has been implemented, units and fees have been approved for developments as follows:

Affordable Housing Guidelines Applied to For-Sale Developments							
<u>Year</u>	<u>Development</u>	<u>Guideline Requirement</u>	<u>Units Provided</u>	<u>Fee per Affordable Unit</u>	<u>Total Fee</u>	<u>Fee Across All Units</u>	<u>Public Assistance Provided</u>
2004	Timber Court Condos Total: 72 Units	20% - 14 units	14 Deed Restricted	0	0	0	VAH \$100,000
2012	Arbor Lane Townhomes Total: 16 Units	12% - 2 units	0	\$15,189/unit	\$30,378	\$1,898/unit	\$0
2016	Lexington Townhomes 48 townhomes	15% - 7 units	0	\$17,142/unit	\$120,000	\$2,500/unit	\$0
2019 Original Proposal	Sigwalt 16	10% - 2 units	0	\$25,000/unit	\$50,000	\$3,125/unit	\$0
Guideline Requirement	Sigwalt 16 Rounded Up	10% - 2 units	0	\$75,000	\$150,000	\$9,375/unit	\$0
	Sigwalt 16 Not Rounded	10% - 1.6 units	0	\$75,000	\$120,000	\$7,500/unit	\$0

If the Housing Commission concurs with the recommendation that this for-sale development not be required to include actual affordable housing units, the Housing Commission will need to determine the appropriate fee.

In the majority of suburban Chicago communities with inclusionary housing programs (i.e. the communities of Highland Park, St. Charles, and Lake Forest), when the calculation number of required affordable units includes a fractional number, that number is rounded up or down for the number of affordable units required. However, the whole number and (non-rounded) fractional number are used when calculating the fee-in-lieu amount. It is recommended that Arlington Heights calculate the fee-in-lieu amount in this manner. The non-rounded requirement for Sigwalt 16 (10% of 16 units) of 1.6 units multiplied by the \$75,000 fee per affordable units not provided totals \$120,000.

Recommendation

It is recommended that the Housing Commission recommend to the Village Board that a fee-in-lieu of providing affordable be accepted for the Sigwalt 16 project in the amount of \$120,000 (1.6 units x \$75,000) to be paid upon the issuance of the first building permit.