

**MINUTES
COMMITTEE-OF-THE-WHOLE
PRESIDENT AND BOARD OF TRUSTEES
VILLAGE OF ARLINGTON HEIGHTS BOARD ROOM
MONDAY, SEPTEMBER 9, 2019 7:30 P.M.**

BOARD MEMBERS PRESENT: President Hayes; Trustees: LaBedz, Rosenberg, Tinaglia, Canty, Padovani, Schwingbeck

BOARD MEMBERS ABSENT: Baldino, Scaletta

STAFF MEMBERS PRESENT: Randy Recklaus, Village Manager; Steven Touloumis, Director of Building & Life Safety; Charles Perkins, Director of Planning and Community Development; Nora Boyer, Housing Planner; Kim Peterson, Recording Secretary

SUBJECTS:

- A. Refining Arlington Heights Affordable Housing Guidelines
 - B. Building Code Update Briefing
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Other Business

Adjournment

President Hayes called the meeting to order at 7:30 PM. The Pledge of Allegiance was recited.

A. Refining Arlington Heights Affordable Housing Guidelines

Mr. Recklaus advised Staff would be presenting a report regarding the potential update to the Village's Affordable Housing guidelines. Mr. Recklaus explained how Arlington Heights is one of a small number of communities in the Chicagoland area that has a formal program that encourages housing that is affordable. The current program only provides guidelines for developers; it does not present a true policy that could be applied to all developments. Mr. Recklaus went on to explain how Staff, with direction from the Board, wrote a report *Refining Arlington Heights Affordable Housing Guidelines*, which contains a series of broad recommendations for the Village Board's consideration. The Staff recommendations aimed to balance the need for affordable housing in the community with the recognition of the requirements of private developers so that they will continue to invest here. The Housing Commission reviewed this report during their last two meetings and provided some alternative recommendations for the Board's consideration. Staff will be presenting the findings of this report, including the Housing Commission's recommendations. The Board can then direct Staff to further refine the

recommendations or research some other aspects of this issue. Mr. Recklaus advised the Board would not be making any final decisions at tonight's meeting. Mr. Recklaus introduced Charles Perkins, Director of Planning and Community Development, and Nora Boyer, Housing Planner, who would be presenting their report, *Refining Arlington Heights Affordable Housing Guidelines*.

Mr. Perkins believes the Village of Arlington Heights should be proud of its accomplishments towards affordable housing. Mr. Perkins explained how tonight's discussion will focus on finding the right balance for the affordable housing requirements without stifling residential development in the community. Mr. Perkins advised that Arlington Heights is one of six communities, out of the 284 in the Northeastern Illinois region, that has an affordable housing program.

Ms. Boyer began her presentation by first defining "Affordable Housing," which is housing occupied by low-and moderate-income households with a total cost that does not exceed 30 percent of their income, thereby leaving sufficient income to afford other necessities such as food, clothing, transportation and medical care. Ms. Boyer went on to explain what the terms low-and moderate-income mean, which according to the HUD for the Community Development Block Grant (CDBG) program, Extremely-Low Income is at or below 30% of Area Median Income, Low-Income is at or below 60% of Area Median Income and Moderate-Income is at or below 80% of Area Median Income. Ms. Boyer discussed the Low/Moderate-Income Levels and provided some examples of jobs with wages in the Low/Moderate-Income range. Ms. Boyer explained how the mean rent of an apartment in Arlington Heights is \$1,260 and the household income required for this rent to be affordable is \$50,400. The estimated number of current Arlington Heights households paying 30% or more of their income for housing costs, and are renters, is 2,811. The median owner occupied home value in Arlington Heights is \$340,300 and the estimated number of current Arlington Heights owners paying 30% or more of their annual income for housing costs is 5,971. This makes the total number of households in Arlington Heights currently paying more than 30% of their annual income for their housing costs is 8,782 or 28% of the population.

Ms. Boyer briefly discussed the history of affordable housing in Arlington Heights, as well as the State of Illinois Affordable Housing Planning and Appeal Act, which requires municipalities in the State of Illinois have at least 10% of their housing stock as affordable or they are required to have an affordable housing plan to reach that goal. In 2013, the percentage of affordable housing in Arlington Heights was 13.1% and in 2018, it increased to 19.1%. Ms. Boyer advised that the State does not include association dues as housing costs, therefore there may be more households that appear to be affordable than there actually are.

Ms. Boyer explained how the requirements have changed over time since the Village first formalized a request to have affordable units included in developments, including the decrease in the percentages of required affordable units and the "fee in lieu" from \$100,000 to \$75,000 per unit. Ms. Boyer next discussed how the affordable housing guidelines have been applied to the various new construction projects since the program was implemented, as well as how the requirements in

Arlington Heights compare to the other five communities in Northeastern Illinois that have affordable housing guidelines.

Ms. Boyer next discussed the purpose of the Arlington Heights Affordable Housing Trust Fund, which is to create and preserve affordable housing, and how the “fees in lieu” are the biggest source of funding for this Trust Fund. The Housing Commission occasionally discusses the Trust Fund and ideally would like to use these funds to create permanent affordable units. The Trust Fund’s balance is currently \$188,872.82.

Mr. Perkins explained how Staff decided to review the affordable housing guidelines after negotiating the last few agreements with various developers, and developed a five-step process, starting with discussions with market-rate housing developers. Following these discussions, Staff sent a link to a survey to these developers, as well as non-profit affordable housing developers and developers of senior housing, to complete. In addition, Staff conducted research on other communities nationwide, looking for trends and issues. Staff then prepared a detailed written report titled *Refining Arlington Heights Affordable Housing Guidelines* in early August. The Housing Commission then met once in August and once in September to discuss the report.

Mr. Perkins next discussed the results of the 2019 developer survey, which was sent to 23 developers, both for-profit and non-profit. Of these 23 developers, 13 responded, with six of them being for-profit residential developers, two non-profit developers, two affordable housing developers and three non-profit/interested groups or senior for-profit developers. Mr. Perkins highlighted some of the survey results, including how the majority of developers believe affordable housing is important. The biggest challenge developers’ face when they include affordable units is loss of revenue. When asked what an agreeable percentage of actual affordable units a developer could provide in a development, the majority of developers did not think they could provide any. The developers were also asked if a lower percent of units was required to be included in a development, would they provide an annual reimbursement percent of total gross rent each year, which a majority said no. In addition, the developers were asked if a fee in lieu is allowed, what is an acceptable amount per unit, which most indicated a willingness to contribute to the need for affordable housing, but with varying answers. The majority of the developers agreed that having higher densities would help in providing affordable units. When asked which type of incentives would be most meaningful in assisting them with providing affordable units in a development, the answer with the most responses was a fee reduction, with the second being density bonuses. When asked what the developers believe is the most likely way to reduce rents and provide some affordable units within developments, the majority answered government incentives.

Mr. Perkins advised that covered projects in which the new guidelines or ordinance, if the Board chooses to adopt one, would apply to, is new construction that requires a zoning variation. Staff and the Housing Commission recommend that the new guidelines or ordinance apply only to new construction, multi-family, rental and for-

sale developments at this time, using a tiered approach based on location, with the possibility of expanding to other types of projects in the future.

Mr. Perkins explained how the current guidelines require a development of 0 – 5 units to have 0% affordable, 6 – 25 units to have 10% affordable and 26+ to have 15% affordable. Staff is recommending five and fewer units should have 0% affordable and consider a small linkage fee, adjusted annually to the CPI, and six or more units to require affordable units or fee in lieu using a tiered approach. The Housing Commission is recommending nine or fewer units having 0% units and charge a small linkage fee at an amount to be recommended by Staff, and 10 or more units to require affordable units and fees using a tiered approach.

Mr. Perkins advised that Staff is recommending the elimination of the requirement of 15% of affordable units in developments of 26+ units, for rental units, which the Housing Commission concurred. Mr. Perkins discussed the tiered approach Staff is recommending, as well as the tiered approach the Housing Commission is recommending.

Mr. Perkins advised that Staff's recommendation for owner occupied units is to not require actual affordable units at this time, but require 10% affordability in the form of fees in lieu at \$75,000/unit. The Housing Commission mostly concurs with this recommendation; however, they suggest requiring 10% affordability using a fee based on a method to be devised by staff that results in fees that are proportional to the value of the development or market-rate units in the development.

Mr. Perkins advised that Staff and the Housing Commission recommend maintaining income eligibility for rental units at 60% AMI and further evaluate income eligibility for for-sale projects in the future, if affordable units are included in for-sale projects.

Mr. Perkins advised that Staff is recommending maintaining the "in perpetuity" affordability period, which the Housing Commission concurs with, however they are recommending considering other defined terms if more affordable units are provided in a development.

Mr. Perkins advised that Staff and the Housing Commission concur with the recommendation to include local preferences in the affordable housing guidelines for current Arlington Heights residents, employees of Arlington Heights businesses or organization and/or veterans. The Housing Commission added emphasis on long-term current Arlington Heights residents and adding persons with disabilities.

Mr. Perkins discussed the idea of developers receiving cost offsets or incentives for developing affordable units. Staff recommendations are to explore offering a density bonus for affordable housing developments in certain districts, evaluate a percentage permit fee reduction and research and discuss with Cook County tax abatements for developments with 5 to 10% affordable units at 60% AMI. Mr. Perkins noted there were several comments from developers in the survey that

indicated real estate taxes on a per unit basis and lost revenue from lower rents would make providing more affordable units in a development cost prohibitive. The Housing Commission concurred with most of Staff's recommendations, and in addition, their recommendation is to consider contacting other taxing bodies about reducing impact fees for affordable units. The Housing Commission did not discuss tax abatement.

Mr. Perkins discussed alternative developer contributions and if developers should be permitted to contribute to the Village's affordable housing supply in other ways, which Staff's recommendation is to allow alternative contributions, such as comparable off-site affordable units, to be reviewed on a case-by-case basis. The Housing Commission concurred, with some additional caveats.

Mr. Perkins advised it is up to the Board at this point to keep the Village's affordable housing strategy as guidelines or create an ordinance. If the Board decides to adopt an ordinance, Staff is recommending that it include some type of relief mechanism to allow the Board to adjust requirements based on unique circumstances of developments. In addition, there should be periodic reviews of the guidelines or ordinance. The Housing Commission concurred with Staff's recommendations.

Mr. Perkins explained how it is very difficult to develop a specific set of standards that will fit all developments. It is unrealistic to expect that there would not be any dialogue or not to have negotiations on a case-by-case basis. However, a clearer refined affordable housing policy will help in these discussions. Mr. Perkins advised that Staff is seeking feedback from the Committee of the Whole and asking for direction to prepare a more detailed draft of either guidelines or an ordinance to bring back to the Board.

President Hayes thanked Mr. Perkins and Ms. Boyer for their report and also thanked the Housing Commission for all of their hard work. President Hayes asked Mr. Perkins to highlight the major differences between Staff's recommendations and those of the Housing Commission, and what suggestions he has to get both groups to agree. Mr. Perkins, referring to the development size application, advised that Staff would be willing to accept the Housing Commission's recommendation of a development having nine or fewer units not being required to provide any affordable housing units if developers were charged a more modest linkage fee. In regards to the tiered approach, Mr. Perkins is concerned with scaring off developers by making the fee in lieu charge too high. Mr. Perkins referred to the owner occupied developments and explained how Staff would have to come up with a formula to address the Housing Commission's recommendations, although it does make sense that a higher priced unit should have a higher fee and a lower priced unit should have a lower fee. Staff will have to do some more research on this issue. In regards to the term of affordability, Staff stands by their recommendation that the units should be maintained "in perpetuity." In regards to the recommendations made by the Housing Commission for local preferences, Staff is fine accepting these, although the need to define what a long-term Arlington Heights resident means exists. Mr. Perkins, referring to the developer cost offsets/incentives, advised that

Staff would accept the Housing Commission's recommendation to waive the parking requirement, as long as there is available parking in the downtown area, and to consider contacting other taxing bodies to see if they are willing to get additional affordable units in the community. Lastly, the Housing Commission recommends adoption of an ordinance, which Staff agrees with.

President Hayes stated the Board could modify either the Staff recommendation or Housing Commission recommendation, or come up with his or her own recommendation.

Trustee LaBedz asked Staff to explain what a linkage fee is. Mr. Perkins explained that a linkage fee is a one-time fee that is similar to an impact fee, and covers items such as libraries, parks and schools.

Trustee LaBedz asked if these recommendations only apply to new construction, which Mr. Perkins stated that it does.

Trustee LaBedz asked if sports gambling would be a source of revenue for the Affordable Housing Trust Fund, which Mr. Recklaus indicated that it would not.

Lastly, Trustee LaBedz believes an ordinance would be cleaner and easier to apply.

Trustee Tinaglia acknowledged the importance of affordable housing, as well as the financial difficulty it creates for developers. Trustee Tinaglia asked if the other communities that have written affordable housing policies have guidelines or ordinances, which Ms. Boyer stated they are all ordinances. Trustee Tinaglia is in favor of making this policy more specific and not just a set of guidelines.

Trustee Tinaglia asked if he is correct in thinking that Arlington Heights has nearly double the amount of affordable housing than what the State requires, which Ms. Boyer stated that is correct. Trustee Tinaglia asked why Staff is proposing to maintain the household income eligibility for rental units at 60% of area median income, which Ms. Boyer indicated there are fewer affordable units available at this income level and 60% of area median income is what the State uses to define low income. Trustee Tinaglia believes that with the high costs involved in constructing new developments, 60% of area median income is very hard to attain for developers.

Trustee Canty asked Staff to explain what exactly the parking requirement waiver is. Mr. Perkins stated that the parking requirement waiver would allow renters of affordable units, affordable parking, or parking at a reduced rate, on a case-by-case basis. Trustee Canty asked what would happen if there was not enough available parking to accommodate these renters, which Mr. Perkins indicated that Staff would have to go back to the developer to reevaluate this incentive. Mr. Perkins stated that this incentive would always be based on the availability of parking.

Trustee Canty asked about the permit fee waiver and when in the building process would developers receive these waivers. Mr. Perkins stated that he does not have

an answer to this question, as Staff has yet to work out these details.

Trustee Canty asked about the alternative developer contributions, and more specifically, the staff recommendation to allow the ability of alternative contributions, such as comparable off-site affordable units, to be reviewed on a case-by-case basis. Trustee Canty asked if this means that instead of having integrated affordable housing in the development, the developer has the ability to select another location to place an individual with a low-income housing requirement need, to live. Mr. Perkins stated that some other communities allow this and the way Trustee Canty described this alternative contribution is not accurate. Mr. Perkins explained how this concept would allow a developer to build an additional building in a different location that would be cheaper and have more affordable units. Mr. Recklaus stated that this would allow a developer to get a waiver on their automatic requirements if they came up with an alternative contribution that was acceptable to the Village.

Trustee Rosenberg acknowledged the challenge with trying to be developer friendly and at the same time create affordable housing.

Trustee Rosenberg asked what the original intention of the Housing Trust Fund was, which Ms. Boyer indicated it was established for the purpose of creating and preserving permanent affordable housing. Trustee Rosenberg asked what amount does the Trust Fund need to reach in order for it be spent, and how will it be spent. The Housing Commission discussed this matter and would like to see the Trust Fund reach \$500,000 before they determined how the money would be spent. Trustee Rosenberg asked if any other community uses a Trust Fund to subsidize rent for those living in affordable housing units. Ms. Boyer has not heard of this happening; however, she is aware of communities assisting buyers with down payments. Ms. Boyer advised that a number of communities are using their Trust Fund money to purchase more modest housing, rehab it and then sell it to low and moderate income buyers. Mr. Recklaus indicated that the problem with using the funds towards rent assistance is that once our community is built out, that money will be gone. Mr. Perkins does not recommend that the Village get in to the housing management business.

Trustee Schwingbeck commended Mr. Perkins, Ms. Boyer and the Housing Commission for the fine job they did in preparing this report. Trustee Schwingbeck asked if he read the report correctly, where it indicates that 28% of the population in Arlington Heights falls in the moderate to low-income level. Ms. Boyer stated that the statistic Trustee Schwingbeck is referencing is 28% of residents are spending 30% or more of their income for housing.

Trustee Schwingbeck does not have any issue with adopting an Affordable Housing ordinance, however it needs to be written in a way that allows for negotiations and it should be kept simple. Mr. Perkins advised that once the ordinance is actually laid out, it should be simpler. Trustee Schwingbeck would like the math to be clear and consistent as well.

Trustee Padovani thanked everyone who is involved with this project and stated how proud he is to live in a town that has a written affordable housing policy.

Trustee Padovani referred to the local preferences portion of the report and asked if "veterans" refers only to Arlington Heights veterans, which Mr. Perkins indicated it is not exclusive to just Arlington Heights residents. Trustee Padovani also asked if "persons with disabilities" refers only to those who live in Arlington Heights, which Mr. Perkins advised this issue would probably require more discussion. Trustee Padovani would like written clarification of these items if the Board chooses to adopt an ordinance.

Trustee Padovani indicated he favors some of the recommendations from Staff and some from the Housing Commission.

President Hayes believes the Board has given Staff enough direction to move forward with drafting an Affordable Housing Ordinance. The Board has reached a consensus on some of the items, including adopting an ordinance instead of establishing new guidelines, eliminate the required percentage of affordable units from 15%, adopt a tiered approach and decide at a future meeting what those numbers will be.

Mr. Perkins asked the Board to let Staff know if there is something on the list they do not want included. Staff will take this information, along with what they have gathered after defining some specific details, and draft an ordinance to present to the Board at a future meeting.

Peg Lane, Arlington Heights resident, asked if any end user input was sought for their opinion. President Hayes stated that all of the meetings were open and any interest groups were invited to offer their opinion. Mr. Perkins explained that not all of the developers that were included in the survey were for-profit, some of them were non-profit, affordable housing and senior housing developers. Mr. Recklaus advised that Ms. Boyer is the administrator of the Community Development Block Grant program and works closely with all of the agencies that work with the populations that are in need of affordable housing. In addition, the Village's Health and Human Services Department works directly with those that are in need of affordable housing. Ms. Lane asked how many people in the community are in need of affordable housing, which Ms. Boyer advised that these numbers were provided in her presentation. Ms. Lane stated that PADS, Journey to the Road Home, indicated there are 3,400 individuals on the wait list. Lastly, Ms. Lane asked what the Village could do to provide more simple buildings for people who meet the criteria, which Mr. Recklaus stated that they currently do not have all of the answers, yet are willing to be creative in their thought process to try to come up with some solutions. Ms. Lane thanked the Board and Staff for their work, as she is happy to live in a town that considers the needs of everyone.

Galvin Flentall, believes 60% of Area Median Income is too high, as many people cannot afford this much. Mr. Flenthall thinks 30% is a better number.

Geri Wasserman, Arlington Heights resident, likes Trustee Schwingbeck's idea of

keeping the terms of the ordinance simple. Ms. Wasserman went through the tiers one at a time and provided the numbers she would like to see in each of them. Ms. Wasserman believes it is a misguided fear that developers will walk away from projects in the community if there are too many rules and the fees are too high. Ms. Wasserman asked if there would be more development outside of the downtown area, which Mr. Perkins indicated there would be. Ms. Wasserman believes the fee in lieu should be higher across the board. Ms. Wasserman is happy that this discussion is occurring.

Mr. Moens, discussed a chart the Housing Commission created that indicated the demand for housing in 2040 for those making under \$50,000 is going to increase significantly, therefore the need for more affordable housing will be greater. Mr. Moens believes the number of households that spend more than 30% of their income on housing is going to increase as well. Mr. Moens would like to see as many affordable housing units included in this ordinance as possible.

Trustee Tinaglia believes developers will run away if the Village makes it too hard, too expensive and too difficult. Trustee Tinaglia believes there needs to be a balance, as this is a community wide investment, and everyone needs to work together to make this happen. Trustee Tinaglia thinks there could be more affordable units if the density could be increased.

President Hayes asked Staff if they have enough direction to move forward, which Mr. Perkins indicated that he believes they do, they just need to work on clarifying some issues. Mr. Recklaus stated there were a number of questions identified that Staff understands they need to refine further.

Trustee LaBedz asked if Staff could gather some additional information from other communities that have affordable housing ordinances.

B. Building Code Update Briefing

Mr. Recklaus advised Staff would be providing a briefing on the process to update the building codes. This is a significant project for Staff and the Building Code Review Board (BCRB). Mr. Recklaus explained that Staff is not looking for the Board to take any action, they simply want to make sure that the Staff's, and the Board's expectations, are fully in alignment.

Mr. Touloumis began his presentation by first stating his two goals for the evening, which are to solidify an efficient process to get through updating the codes and to provide some examples of high profile items that have come up in the past and suggestions if they come up in the future. Mr. Touloumis would like to get the Village on a regular three-year code cycle update process, as this will keep the Village current with the modern codes, make it easier to transition and will allow a consistent review of the permit fees.

Mr. Touloumis discussed the two main code groups, which are International Code Council and International Fire Protection Association. These two code groups are

the most widely used both here in the United States and internationally, and have been around for a long time. Mr. Touloumis explained how there are many different codes to cover many aspects of construction and in order to be consistent the Village should follow the Model Code organizations.

Mr. Touloumis advised the task of getting through the process for Staff is quite daunting, as the standard codes alone comprise over 7,000 pages of technically complex information. In addition, the new codes involve new technologies, which takes time to understand. There will be some new amendment recommendations that will be made, which will take to write. Some of the language is not clear and needs to be cleaned up so that it carries across all the codes and code references. The amended model codes will then need to properly reference the State codes.

Mr. Touloumis discussed the thickness of the new codebooks and explained the reason why this is happening is because of the need to elaborate and provide additional details, and not just list the codes themselves. By providing this additional information, building things should be easier and less complicated.

Mr. Touloumis acknowledged that getting through this process will be a team effort and recognized some of the individuals who are assisting with looking at the codes and making code recommendations, including Pete Ahlman and Mark Aleckson from the Fire Department and Mark Fink from the Building Department. These individuals are experts in their fields and possess a great deal of knowledge, which will help ensure that all the amendments are written correctly and the building codes align with the zoning and fire codes.

Mr. Touloumis explained how once all of the recommendations are made and everything is put together, it would go before the BCRB, who will look at the recommendations and make any necessary comments. Any changes made will be presented to the Board at the next meeting. Mr. Touloumis is anticipating meeting with the BCRB approximately 8 – 10 times to go through all of the codes. Mr. Touloumis would like to have this process completed and presented to the Board by the end of this year, but may need additional time.

Mr. Recklaus explained how there has been ongoing technical work by Staff and the BCRB and any policy level changes that are identified during this process will be brought to the Board for further discussion. Mr. Recklaus is hopeful that this presentation provided the necessary information to help clarify the process.

President Hayes understands that the need existed to go through this process; however, he was hoping to hear more about the timeline. President Hayes asked if Staff has met with the BCRB yet, which Mr. Touloumis stated there has been one meeting. President Hayes then asked Staff when they anticipate the series of meetings with the BCRB to be completed and when will the process itself be completed so the businesses and residents can see some improvement. Mr. Touloumis stated the goal is to complete the process and present it to the Board for discussion and approval by the end of this year or very early next year.

Trustee Rosenberg asked if the technical issues would identified and then discussed by the Board, which Mr. Recklaus stated the issues would be identified with options, and sometimes recommendations offered, followed by discussion.

Trustee Tinaglia acknowledged the complexity of this process and commended Mr. Touloumis and his Staff for the work they have done thus far. Trustee Tinaglia explained how some of the codes that are written on a National or State level cannot be amended, however there are other codes that can be modified, which is the focus of this project. Trustee Tinaglia believes the less changes and less amendments, the better.

Trustee Tinaglia expressed his concern with the substantial permit fees and asked Staff to look at the fee schedule. Trustee Tinaglia believes individuals would accept higher fees if the return was quicker. Mr. Recklaus advised that the Finance Department is already reviewing the fee structure.

Other Business

None

Adjournment

Trustee Canty moved, seconded by Trustee Rosenberg to adjourn the meeting at 10:02 p.m. Upon a voice vote, the motion passed unanimously.