

REPORT TO THE HOUSING COMMISSION

To: Housing Commission
Prepared By: Nora Boyer, Housing Planner
Meeting Date: September 6, 2016
Date Prepared: August 30, 2016
Project Title: Lexington Heritage Rowhomes
Address: 3216-3240 N. Old Arlington Heights Rd.

BACKGROUND INFORMATION

Petitioner: Bill Rotolo, Lexington Homes
Address: 1731 North Marcey Street, Suite 200,
Chicago, IL 60614

BACKGROUND

The subject site consists of five land parcels that have a combined area of approximately 4.59 acres (200,000 square feet). At this time, four of the five lots are developed with single family homes, while the fifth lot is vacant. The underlying zoning classification is M-1, Research, Development and Manufacturing and the property has direct frontage along Country Lane to the north and Old Arlington Heights Road to the east. The proposed action, if approved, would allow the Petitioner to demolish the existing structures and construct nine, two-story rowhomes buildings that have a total of 49 attached row home units.

MULTI-FAMILY AFFORDABLE HOUSING TOOLKIT

The Village's *Multi-Family Affordable Housing Toolkit* calls for affordable units to be included in developments at the following rates:

Number of Units in the Development	Percentage to be Affordable
5 or fewer	0%
6 – 25	10%
26 or more	15%

For any affordable units not provided, a fee-in-lieu may be paid into to Arlington Heights Affordable Housing Trust Fund in the amount of \$75,000 per affordable unit not provided.

Therefore, the Toolkit calls for the following with respect to this 49-unit development:

- 8 affordable units (15% of the total) or
- \$75,000 for each affordable unit not provided. If none are provided the fee is \$600,000 ($\$75,000 \times 8 = \$600,000$)

LEXINGTON HERITAGE RESPONSE TO THE MULTI-FAMILY AFFORDABLE HOUSING POLICY

In June 2016, Lexington Homes submitted the attached *Project Review and Affordable Housing Analysis for Lexington Heritage Project in Arlington Heights, Illinois*. Lexington Homes requested a meeting with Village staff, and on August 30, 2016 proposed:

- Paying a fee-in-lieu of providing 8 affordable units of \$73,500
- This calculates as \$9,187.50 per each of the 8 affordable units not provided or \$1,500 per unit spread across all 49 units. (See attached email of August 30 2016).

ANALYSIS:

When drafting the *Multi-Family Affordable Housing Toolkit*, it was expected that affordable housing contributions would be made in conjunction with zoning actions that would support the creation of the affordable units. Initially, the fee-in-lieu of providing affordable units was \$100,000 per unit. In March 2014, the Housing Commission recommended reducing the fee-in-lieu to \$75,000 per unit in light of market conditions (See attached Staff Report dated September 9, 2013 and Housing Commission minutes dated March 12, 2014).

This fee level was determined to be comparable to other affordable housing programs of this type in the Chicago area. Nationally, these fees are based on either the difference in price between market rate and affordable units or the amount that it would take to produce an affordable unit. \$75,000 would not be sufficient to build or acquire a unit. Since the recession, there have been 2 development proposals to which the guidelines in the *Toolkit* have applied. These projects are Parkview Apartments and 13 E. Miner, both of which complied with the guidelines with respect to the number of units required by the *Toolkit* (7 units in the case of Parkview and 1 unit in the case of 13 E. Miner).

The Village has applied its affordable housing policy to developments of various types (i.e. multi-story condominium buildings and townhomes) in various locations. This project most closely resembles the Arbor Lane Townhomes project approved immediately after the recession in a still suspect economy.

In the analysis provided by the developer, it is stated that the Village already meets the minimum State standard of having a minimum of 10% of its housing stock as affordable. This project would add housing units to the Village's housing stock that do not meet the State's affordability standards. Therefore, as a minimum, at least 10% of the units in the development should be affordable so that the project is not detrimental to the Village's ability to retain an affordability level above the State minimum requirement of 10%.

OPTIONS

Based on the developer's response and the Village's affordable housing goals, the following options have been developed by staff for consideration by the Housing Commission:

Option 1: In accordance with the *Toolkit*, require 8 affordable units in this development or a payment in-lieu of not providing the 8 affordable units at a rate of \$75,000 per affordable unit not provided or a combination of units and fees per unit (8 affordable units x \$75,000 = \$600,000).

Option 2: Require 8 affordable units or a fee of \$16,000 per affordable unit not provided in the development which is consistent with the fee approved in 2012 (adjusted for inflation) with respect to the Arbor Lane Townhomes development (see attached “Chart of Multi-Family Affordable Housing Policy Projects”) for a total fee-in-lieu amount of \$128,000 (i.e. 8 units x \$16,000 per affordable unit = \$128,000 or \$2,612 per unit when spread across all 49 units).

Option 3: Require 5 affordable housing units, which is 10% of the total units in the development and is consistent with the minimum State affordability requirement, or a fee-in-lieu of \$75,000 for each of 5 affordable units not provided, which would total of \$375,000 (10% of 49 units = 5 affordable units x \$75,000 = \$375,000 or \$7,653/unit when spread across all 49 units).

Option 4: Require the fee-in-lieu payment being proposed by the developer of \$1,500 per unit in the development for a total of \$73,500 (49 units x \$1,500 per unit = \$73,500) which equates to \$9,187 per affordable unit not provided (8 units x \$9,187 = \$73,500).

RECOMMENDATION

It is recommended that the Housing Commission adhere to the recently amended *Multi-Family Affordable Housing Toolkit* requirement in Option 1. However, if the Housing Commission feels that further adjustments are warranted for this project, Option 3 is recommended.

Attachments:

1. 8-30-16 email from Bill Rotolo – Lexington-Heritage response to affordable housing policy
2. *Project Review and Affordable Housing Analysis for Lexington Heritage Project in Arlington Heights, Illinois Arbor Lane*, June 2016
3. Staff Report to the Housing Commission 9-9-13
4. Housing Commission minutes 3-12-14
5. Chart of Multi Family Affordable Housing Policy Projects

c: Bill Rotolo, petitioner
Charles Witherington-Perkins, Director of Planning and Community Development
Bill Enright, Deputy Director of Planning and Community Development
Sam Hubbard, Development Planner