

APPROVED

Planning & Development Committee Meeting
Minutes of February 22, 2010
City Council Chambers – 6:45 p.m
(15 minutes after the end of Administration Public Works (A&PW))
Lorraine H. Morton Civic Center

Alderman Present: D. Holmes, L. Jean-Baptiste, A. Rainey, D. Wilson, M. Wynne

STAFF PRESENT: B. Dunkley, A. Logan, D. Marino, D. Spicuzza, L. Walker

PRESIDING OFFICIAL: Ald. Wynne, Chair

DECLARATION OF QUORUM

Chair Wynne called the meeting to order at 6:45 pm on February 22, 2010.

APPROVAL OF THE FEBRUARY 8, 2010 MEETING MINUTES

Ald. Rainey moved approval, seconded by Ald. Jean-Baptiste. The minutes were approved unanimously.

ITEMS FOR CONSIDERATION

P1)* Request from Citizens' Lighthouse Community Land Trust for an Additional \$20,000 Subsidy for the Rehab and Sale of 2212 Washington Property

**Approval for this item is recommended by the Housing Commission.
Approval is not recommended by staff.**

Ald. Rainey moved the recommendation from our staff that we not fund the Citizens' Lighthouse organization. Ald. Wilson, seconded. Open for discussion.

Winfred Gadsen, of Citizens' Lighthouse Community Land Trust gave an overview of the purpose of making this request. He explained the partnership with this project with the City of Evanston. City staff reviewed a number of proposals and it was agreed that we would move forward with this project. We would like to close out our books on this project.

The home was purchased in deed-in-lieu. The conditions of the house were problematic. Citizens' Lighthouse members have contributed \$ 25,000 direct cash to this project. Gadsen noted that the amount of the request to what has already been received is below the HUD limits and guidelines. The background is the financial situation that confronted our nation. He does not expect that this situation will occur again. We have revised our operations. We had situations where buyer's loans were not approved. Many buyers were frightened by the market conditions. We note that assistance has been given of this

type to affordable projects. The main goal is to allow us to complete this project. Our request is within the guidelines of HUD and these funds are already reserved for CHDO'S.

Ald. Jean-Baptiste requested the Director of Community Development to address the staff basis of not recommending and his understanding of the broad issue of home funds.

Mr. Walker, Director of Community Development stated that the City has provided substantial funding in the past and that the subsidy of 95% is high. There should not be any incentive or reward for not managing the project appropriately. We want to work more closely with these types of organizations; however a better framework is needed. Funding this project again would raise the subsidy too high from the City's point of view.

Ald. Holmes posed the questions of what are the normal ranges for subsidies.

Donna Spicuzza, Housing Planner, stated this project was higher than others. Reba was about \$60,000 a unit and prices did vary.

Ald. Rainey reminded the committee that six months ago we extended additional money to all the CHDO'S for advertising, commissions and interest on some of the loans they were paying back. What did we do with Lighthouse? Didn't we subsidize?

Ms. Spicuzza reported that \$3600 was spent for interest payments for about 50% of their carrying cost for that period. Additional funds were given where joint advertising was conducted.

Ald. Rainey requested if the total development cost of \$335,980 included everything. What did the property sell for?

Ms. Spicuzza reported that the house sold for \$169,000. Ald. Rainey felt that this is a big part of the problem. She does not see how she can support this request.

Spicuzza clarified the selling price and so that's why it did require a subsidy for the development.

Ald. Rainey reminded the committee that nobody can say they were stingy on this project. Ald. Holmes said that is what we are supposed to be doing, to make these homes affordable. If the land had been included in the sale price what would be the value?

Mr. Gadsen reported that the house is mortgaged by the owner with a 30 yr fixed loan. The land does have value. That is a changing target now. It is less than when the land trust sold the house in July and the land is owned in trust by our organization. If our organization fails the land reverts back to the City of Evanston who has a lien on the land, not the owner. The investment should be thought of as a permanent investment in the land. The entire financing of this did not anticipate the current market conditions. This should not be compared to assistance that will go away.

Ald. Wynne wanted explanation on the new policies of the land trust.

Mr. Gadsen reported that one of the new policies is that they match buyer and seller. They work to make sure buyer is qualified. We currently have 2 families and 2 properties which eliminates the marketing period. Once the project is completed we can close on the house. We find out if the buyer is interested in the house. We research to find out if the seller would accept the amount of funds to purchase the house. We make no requirements to the seller. The seller may have the property on the open market.

Ald. Jean-Baptiste asked once the marketing is eliminated does it impede the ability to sell the property.

Mr. Gadsen stated that it does not prevent the seller from selling the home. Buyers will come to us and if there is not a match, we move on. This is how the marketing is eliminated. Lighthouse will submit a budget for acquisitions and it is then reviewed by staff. They make a recommendation and if the funding is approved, we move forward with the project.

Ald. Jean-Baptiste questioned why would Citizens' Lighthouse engage in so much work to pursue funds and then buy down or improve the property and sell it at a lower price with the assumption that additional home funds would be obtained to make up the difference. He questioned the committee as to what we are doing with the CHDO'S when they come to us for funds that the federal government provides for such a project. Do we need to continue to be in this business at this point in time? He understands what they are trying to do. It sounded like it was a good idea when the market was good, but housing prices have gone down very low. To continue to invest in these types of projects seems to be an exercise in futility.

Ald. Wilson agrees with Ald. Jean-Baptiste that we need to have limits to our responsibilities. We have honored our commitment. There have to be limits to what is reasonable and what is not. We cannot dump an endless stream of money into a project when the numbers are out of balance. He does not think he can support the project.

Ald. Rainey stated it was not too long ago that the committee approved this organization as a CHDO. At that time it was discussed that we don't have to fund them. She stated that Citizens' Lighthouse claims they did not know about the market conditions when they bought the home, however, the home was a foreclosed house. We need to examine the concept of a land trust in this market, meaning the eight square miles in Evanston. We do not have many projects that would fall under this concept. She stated the committee has a fiduciary responsibility. The federal government funds are not pennies from heaven. We send these funds to Washington and the return we get is low and we should spend them responsibly.

Ald. Jean-Baptiste posed the question of how to balance this issue. We are obligated to be good stewards of the funds and does it make a difference if we decide to give the money back, or fail to get a high return on a project? He asked Dennis Marino to comment.

Mr. Marino, explained that we in fact do have a fiduciary responsibility with home funds to the federal government. In this particular case we have provided four tiers of assistance, ranging from the initial grant of \$99,500, to additional rehab funds of \$8500.00 (\$15,000 was requested), \$3600.00 in interest payment, and \$30,000 of home funds down payment assistance for the buyer. We were happy to help this finish this project beyond approved funding. Staff feels that Lighthouse made decisions on their own to continue to invest in the project. The City is funding 84% today, but not comfortable funding 95%. The existing five CHDO'S have different levels of capacity and experience and we need some outside technical assistance from HUD to assess the future strategy for CHDO activity.

Ald. Wynne asked if the government analyzes how effectively home funds are used.

Mr. Marino reported that HUD looks at the home portfolio and the performance to make sure we are creating affordable housing. They look at timeliness to home funds. HUD is interacting with us on a regular basis and is a partner for us.

Ald. Wynne questions when making a deal that is questionable how does that impact our on-going relationship with HUD.

Marino stated it depends on the context of the project, but it can lead to less confidence in how the funds are there is less confidence in how the funds are invested.

Ald. Holmes wanted to remind the committee that there was a presentation from the Affordable Housing Task Force and that one of their recommendations was to consolidate the CHDO'S.

Ald. Jean-Baptiste asks that if the request is denied, what will this do to the organization.

Mr. Gadsen reported they would have to go back to the bank and renegotiate which impedes our ability to operate, but it doesn't kill us. It would cause a lot of trouble in that it is a one time request. This project was selected by staff and staff decided this was a project that we ought to go forward with. We want to mitigate foreclosures. The neighbors on the block were so impressed that they came to us to buy other homes to be included in the Land trust portfolio. We want to maintain permanent affordability in Evanston, which makes us unique.

Ald. Holmes questions if you had to sell the land would it be a lot of problems.

Mr. Gadsen said they would have to find a buyer and assume the land lease. Any alternative is a great difficulty and an unknown.

Ald. Holmes mentioned that promises were made to the homeowner that more improvements would be made in the spring. How much is that cost?

Mr. Gadsen reported that funds have been allocated for replacing the sidewalk and that the next door neighbor wanted to replace theirs too, so they are working together to complete this work. He reminded the committee that four projects were submitted to staff and they were reviewed and decided this project was the most feasible or best suited for the program at that time. Reba Place and ECDA are based on what the city wanted. Our projects range from condos and single family homes.

Ald. Rainey requested clarity on why we were stuck with this property

Ms. Spicuzza explained that the land trust came with three to four projects and wanted to do a number of them at one time. We suggested they start with one project. There were various types of properties, one was a condo. One was for sale on the open market and didn't need any rehab and we shared the land trust idea of addressing abandoned and vacant properties. We came to an agreement that this would be a feasible project. There was a lot of deferred maintenance that was not seen until construction began.

Ald. Wilson wanted confirmation that the loan balance is \$20,800 and that the land lease is with the homeowner.

Mr. Gadsen confirmed the loan balance. A board member mentioned personal guarantees for the loan. Mr. Gadsen explained that \$25.00 per month is paid by the homeowner to remind everyone of the relationship. This is not a source of income. You can sell the land, but it would be complicated and it would be difficult to find a buyer with out an encumbrance.

Ald. Jean-Baptiste expressed that because of the personal risk citizens have undertaken and the low consequences to the City, he suggest the we support the grant, however recommended not going forward with any new projects by the Citizens' Lighthouse until the Director comes back with a recommendation. How we balance all the issues, the benefits for the people, our fiduciary responsibility and to set forth basic principles that guide what we do with the CHDO'S. He strongly suggested that the issue of personal guarantee stop. He will not support any new proposals without guidelines.

Ald. Rainey would like to see the personal guarantees and the amounts. Who signed and what did they sign for. What rights does the committee have and if in fact it is personal loan. Suggest they go back to the bank before we give them the money and report back their efforts to renegotiate.

Ald. Wilson stated it sounds like an unsecured loan, not a mortgage. The committee needs the whole story with back up documentation. Ald. Rainey, suggested holding in committee.

Chair Wynne is skeptical looking at the cost list. The construction cost was under estimated by 100%. There are cost overruns. This is a pattern of folks not acting in a sophisticated way by not getting things in writing. It appears no one was watching every penny on this project. Agrees to hold in committee.

(P2)* Ordinance 10-O-10: To Grant Major Variations to Facilitate the Conveyance of Land to the Chiaravalle Montessori School at 425 Dempster Street

The Zoning Board of Appeals (ZBA) recommends to the City Council approval of the application by the Chiaravalle Montessori School for Major Variances to the Zoning Ordinance. This item was introduced at the February 8, 2010 Council meeting and referred back to committee for ZBA transcript.

Ald. Rainey moved to recommend approval to City Council. Ald. Wilson, seconded. No discussion. The committee voted unanimously, 5-0.

(P3)* Consideration of a Proposed Plat of Subdivision for the Chiaravalle Montessori School Property at 425 Dempster Street

Staff recommends that the City Council approve the attached plat of subdivision. The applicant and contract purchaser, Chiaravalle Montessori School, is applying to subdivide lots 10 through 15 at 425 Dempster into two lots, for the purposes of facilitating the conveyance of the school property to Chiaravalle and permitting the demolition of the existing northern addition of the school and constructing a new 10,000 square foot school addition.

Ald. Rainey moved approval and recommended City Council concur. Ald. Wilson seconded. Committee voted unanimously, 5-0.

II. ITEMS FOR DISCUSSION

III. COMMUNICATIONS

(PD1) Update on Foreclosures in Evanston

Mr. Walker announced that each month there will be report of the number of foreclosures in the City of Evanston. He summarized and reviewed the information distributed to the Planning and Development Committee from the Woodstock Institute.

There were 336 foreclosures filings in 2009, up from 267 in 2008, a significant increase of about 30% increase. The names of the lenders accounting for the majority of foreclosures filings in Evanston. Dortch Bank, BAC Home Loans, JP Morgan Chase, Wells Fargo Bank, US Bank, Citibank, National City Bank, New York Bank, HSBC Bank, National City Bank, Bank of America, Fifth Third Mortgage Company, GMAC Mortgage, Countrywide Bank and Aurora Loan Bank.

Ald. Jean-Baptiste requested that the report include how many went to judgment, how many redemptions and the number of possible work out plans.

Ald. Rainey questioned if these are only residential properties. She believes there are some commercial properties currently in foreclosure. Mr. Walker will get back to committee with the requested information.

Ald. Rainey moves to adjourn meeting, committee concurred. Chair Wynne adjourned.

VI. ADJOURNMENT

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The meeting was adjourned at 7:49 p.m. City Council will begin at 8:05 pm.

Respectfully submitted,

Annette Logan

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