Planning & Development Committee
Minutes of October 8, 2007
Room 2200 – 7:30 p.m.
Evanston Civic Center


Presiding Official: Alderman Hansen

DECLARATION OF QUORUM

Chair Hansen called the meeting to order at 7:33 p.m.

APPROVAL OF THE SEPTEMBER 24, 2007 MEETING MINUTES

Ald. Tisdahl moved approval, seconded by Ald. Wollin. The minutes were approved with a vote of 8-0 (Ald. Moran not yet present).

ITEMS FOR CONSIDERATION

(P1) Request for HOME Funds from HODC for $194,396 to Rehab 1929 Jackson into Two Affordable Home Ownership Units

Chair Hansen noted that this request, approved by the Housing Commission, is from Housing Opportunity Development Corporation (HODC) for HOME funds in the amount stated above to convert the said property into two condominium units for sale to qualified low/moderate income homebuyers for less than $140,000 per unit. She reminded that this item was held by the Committee at the September 10th meeting requesting additional information which is addressed in the attached memorandum from staff included in Council’s packet. Chair Hansen requested staff further elaborate on the additional information provided.

Mr. Wolinski acknowledged the presence of Ms. Mary Ellen Tamasy, Executive Director of HODC, and Ms. Donna Spicuzza, COE Housing Planner. Both can address this matter in further detail.

Ms. Spicuzza informed the Committee that she wished to address the revisions that were made to the Project Development Cost spreadsheet which a revised copy was distributed to the P&D Committee members this evening. She explained that the developer submitted this revised development budget at the request of the Committee from the September 10th meeting. She also noted her hand-written revisions/comments on the copy included in Council’s packet that she felt needed clarification were actually staff’s comments. Ms. Spicuzza noted that she tried to show a match everything up on this development budget with the sources and uses. Therefore, what is shown are hard cost of $198,500 plus $19,500 for contingencies; this amount was up from the original budget of $182,000. She pointed out that these changes are both in the hard and estimated construction costs based on the estimates that the developer received from contractors. She informed that the developer will be receiving additional bids from the contractors once they have architects drawings to get a better scope of the actual work involved. However, this was a cost that was not incurred originally. Ms. Spicuzza noted that the City’s Rehab Construction
Specialist from the Property Standards Division has also visited the property to go over the scope of work anticipated upon inspection of the building and the required rehab and construction needs to get a better estimated cost for this rehab project. In view of this, staff feels confident that the proposed budget with the contingency should cover the cost that will be needed for the rehab construction of this property.

Ms. Spicuzza further explained that with the soft cost noted, she tried to lump the figures together so that it would be clearer regarding the $6,024 is for financing on the existing mortgage, which is the money the developer will be paying for principal and interest during the construction period. She continued explaining the $15,000 HODC developer fee is also separated out on the sources and uses statement which represents approximately 5.8% of the development budget. Therefore, the rest of the soft costs total $32,372; including the financing and the developer fee, this amount comes to $53,396 as shown in this proposal.

Ald. Moran arrived at 7:39 p.m.

Ald. Rainey questioned if HODC actually submitted these cost revisions to staff. Ms. Spicuzza assured that all revisions came from HODC and directed staff to do any hand-written changes. She confirmed that the proposed spreadsheet was prepared and submitted from HODC. Ald. Rainey still questioned what was formally submitted by HODC and where this actual documentation is because she would be interested in reviewing the original papers. Ms. Tamasy responded that the original paper work and documentation was submitted to the Committee at the September 10th meeting and she reminded at that time the Committee requested HODC to come back with “better” and more detailed numbers. She stated that this revised Project Development Costs spreadsheet is in response to P&D’s request with more clearly defined and actual costs as best estimated until architectural drawings are done. Ald. Rainey noted that these revisions are higher numbers than what was presented originally. Ms. Tamasy agreed and pointed out that they also had to increase the cost to the homebuyer as a result of this. Ms. Spicuzza added that they also wanted to make sure that there is enough money committed to this project, however the funds will be only be disbursed as cost are incurred and sworn statements are received.

Ald. Rainey said in her opinion, after this project Council needs to look at a different approach and staff needs to seriously consider other ways to spend and use the City’s affordable housing funds. She clarified in looking at this type of proposals in providing affordable housing for purchase, it appears to offer no options for the qualifying low/moderate income homebuyer to make any choices with locations other than where the not-for-profit organizations have the opportunity to purchase these buildings in refined areas at low costs. She strongly supports the idea and concept of subsidizing the individual qualifying low/moderate income homebuyer specific funds to allow then the opportunity and option to find other possible affordable housing for sale throughout Evanston versus being limited to certain areas. She noted that there are only a very limited number of not-for-profit organizations that receive funding to build affordable housing that all seem to purchase buildings in the same opportune areas of the City where acquisition of properties are beneficial to the developer. She insists that the current approach is confining and bias as to where people can purchase any affordable housing in Evanston.

Ald. Bernstein stated that he can support this proposal in view of the Housing Commission’s approval as well as staff support. However, he raised question regarding the stated $15,000 developer’s fee as the real amount in what they are profiting from this not-for-profit rehab project. He pointed out where the City is actually paying the developer’s financing charges, the cost of insurance during the rehab construction period, and also paying for the property taxes
during this period as well. He summed up that in actuality; the developer is netting approximately $25,000 in funds and cost they do not have to pay. Ald. Bernstein also is very troubled by the proposed legal fees stated at $6,000. He insists that this amount is excessive for any acquisition fees for a property of this type, which he questions how the funds for this fee will be disbursed.

Ald. Rainey agreed with Ald. Bernstein’s concerns which also support the argument and point she is trying to make with the current provisions for affordable housing. She clarified that it appears the middle man in affordable housing is the reason and cause that makes these affordable housing projects not so affordable. She reiterated her opinion that in consideration of the excessive cost and fees associated in paying the middle man, that the seems the affordable housing funds are being misused and abused by the not-for-profit organization which she reminded are very limited in Evanston. She again concluded that a new approach in utilizing the city’s affordable housing funds might benefit in subsidizing the qualifying homebuyer individually upon needs rather than giving out these excessive amounts/dollars to the not-for-profit developer.

Ald. Moran stated that it is obvious of the hardship in providing and developing any affordable housing here in Evanston. He further noted that most people qualifying for first-time homeownership in the low to moderate income bracket are in need of the not-for-profit organization that offer their expertise, support, education, and follow-up abilities and assistance to purchase their first home. These organizations are very valuable in what they offer and provide for such assistance to people qualifying for affordable housing. Therefore, his response to the notion of giving out individual subsidies could be detrimental and result in more harm and misuse of affordable housing funds. Ald. Moran strongly feels the developer’s fees stated/requested and any other soft cost associated with assisting the not-for-profit organization with acquisition of the property is not excessive in view of what their mission and objective is in the outcome of their efforts in providing any affordable housing anywhere in Evanston. In fact, Ald. Moran said that he views these developer’s fees as a way of saying “thank you” and showing appreciation for their efforts instead of considering these cost as some form of taking or abusing City funds. He feels those limited number of not-for-profit organizations that have stride in providing affordable housing for purchase should be commended for doing a remarkable job for their relentless efforts. He also recognized these organizations have the expertise to purchase properties, convert to affordable housing and the ability to oversee the projects from beginning to end.

Ald. Holmes recalled Committee discussion several months ago regarding different ways of looking at different ways for affordable housing. Her understanding from this discussion was that they were going to look at different ways in which to assist citizens and individuals that qualify for affordable housing. She thought staff was going to come back with a list of options that the P&D Committee could review and consider. She agrees with Ald. Rainey’s opinion and also feels there are other options for assistance such as down payment assistance, closing costs, etc. especially for working families qualifying for affordable housing. Mr. Wolinski recalled that several meetings ago Council passed a Down Payment Assistance Program, which is one of the extensions of affordable housing. He also recalled that the vacant building issue at that time which staff is currently working on and reformulating. He stated that the CHDO’s provide a certain amount of expertise in the field of purchasing, building and providing education and assistance on affordable housing. Even though it may be possible to provide personal assistance individually and allow them the option to go out and find their own affordable housing, however in most cases the qualifying affordable housing client are not in the position nor possess the knowledge to handle the purchase or the undertaking of any rehab work that may be needed. Mr.
Wolinski stated that one of the positive things about working with the CHDO is that the affordable housing client is moving into rehabbed units where maintenance issues are something the homebuyer will not have to face for some time after purchase. He realizes the arguments made regarding the cost of developer fees with affordable housing, however what the CHDO’s do provide is the oversight and expertise necessary for the rehab construction project. Also, except for the City’s subsidy, the CHDO is taking the risk on these units because their organization is also getting private financing to do the majority of these affordable housing purchases whereas the City is more or less providing the gap financing. Ald. Bernstein said that he disagrees with the risk mentioned because the CHDO acquired the property with IHDA Funds and with $263,000 in additional funds. Ms. Tamasy clarified that HODC is proposing to apply for an additional $60,000 of IHDA Funds to bring into this project. Ald. Rainey said that she understands that HODC already owns this property; so the Committee questioned what the actual acquisition is. Ms. Tamasy explained that HODC assumed a mortgage from a private owner; the property was not in foreclosure. Therefore, Ald. Bernstein noted that HODC’s actual cash out of pocket is zero so far. Ms. Tamasy responded that HODC has been owning and managing this property now for a number of years. She informed the Committee that the tenants are at 60% median income so they have been breaking even with the rents they are collecting.

Ald. Bernstein suggested that maybe the City should be providing the expertise for people to assist them in acquiring property because they are looking at giving $97,500 per unit. He recently looking in the newspaper and witnessed listings for 3-bedroom condos for around $165,000+, although it does not state the condition of the property. It would be more economical for the City to give $97,500 subsidy per unit directly to the qualifying homebuyer to purchase the property versus this subsidy plus the excessive cost to the developer. Ald. Bernstein clarified that he does not want to take away from the CHDO’s rank and status; however his biggest concern is providing the biggest profit and usefulness of for the City’s affordable housing dollars. Ald. Rainey agreed and reiterated that this all relates to the point she was making earlier to lean towards subsidizing the individual homebuyer rather than paying the high cost to the middleman. She also reiterated her view on their system of providing affordable housing and why it is not actually affordable at all. She stated that the City needs to become more “active” in the process of assisting qualifying affordable housing clients, versus being less involved in the entire process. Ald. Jean-Baptiste also agreed with Ald. Bernstein in that there is other available affordable housing for purchase in other areas of Evanston. He informed the Committee that he was just involved in the closing of a property on Fowler that was purchased at an affordable price. He also agrees with Ald. Rainey in that they need to become more creative in ways to provide assistance directly to the affordable housing client. He requested to Ms. Tamasy that local businesses be hired to assist in the rehab construction project for this property. Ms. Tamasy responded that they will hire as many local subcontractors as possible, however they need to have certain lead qualifications in order to work on these HUD projects.

After further discussion, Ald. Rainey requested that staff provide in the form of a survey on City supported affordable housing units including how many units are vacant and the number of applicants that have applied for assistance. The Committee also requested that information be provided regarding what contractors have performed the rehabilitations of these affordable housing projects.

Ald. Wynne moved approval, seconded by Ald. Holmes. The vote was 9-0 in favor of the motion.
(P2) Plat of Subdivision for 1613 Church Street/Church Street Village
Ald. Bernstein moved approval, seconded by Ald. Jean-Baptiste.

Mr. Wolinski informed the Committee that this Plat meets all City standards and the approval of the plat is just a ministerial act on behalf of the Council. Ald. Bernstein reiterated his opinion on these ministerial decisions that are brought before Council for their approval. As long as the item meets all City standards by the involved City Departments, then he views these cases as a waste of the Committee’s time. He suggests that staff look into the possibility of eliminating this step in the future if possible.

Ald. Tisdahl recalled the original intent stated from the applicant was to try and give first option and special alternatives to employees of the two school districts. She asked the applicant the status of what types of buyers they have for the “sold” units. Mr. Fleckman responded that they have sold two units to District #202 school teachers.

The vote was 9-0 in favor of the motion.

ADJOURNMENT

With no further business, the meeting was adjourned at 8:09 p.m.

Respectfully submitted,

Jacqueline E. Brownlee