

**Evanston Housing Commission  
Thursday, June 16, 2005**

**Minutes**

**Present:** Carol Balkcom, Eric Beauchamp, Sara Ashmore Diggs, Judith Hurwich, Robin Snyderman Pratt, Chair

**Absent:** Susan Munro, Genevieve O'Toole

**Staff:** Donna Spicuzza, Housing Planner

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**I. Minutes of May 19, 2005 were approved as written.**

**II. HOME Proposal from Evanston Community Development Association.**

Keith Banks, Executive Director of Evanston Community Development Association (ECDA) and David Janzen of Reba Place Development Corporation, discussed their request for HOME funds.

Mr. Banks said that ECDA is a faith-based organization with the goal of maintaining affordable housing in Evanston. He said their first affordable project at 1717 McDaniel which received HOME funds was successful and now they hope to purchase a 6-unit rental building at 736-738 Dobson. They will again partner with Reba Place Development Corporation on the rehab process.

He said the building is for sale by the Evanston Mennonite Church which would like to see the building remain affordable. ECDA has a purchase contract for \$750,000 with a 20% downpayment deferred until project completion. They will rehab and sell two of the 1,425 square foot, three bedroom condos for \$90,000 to households under 60% of area median income (AMI), and sell four at \$155,000 to households under 80% AMI. He said originally they were going to sell two units at \$100,000 to families below 50% of Area Median Income, and four units at \$150,000 each to families between 50-80% of Area Median Income but thought they should reduce the \$100,000 to make it more affordable to very low income households. At the HOME Loan Committee's suggestion they expanded the buyer pool to 60% of median with a \$90,000 sale price and raised the price by \$5,000 for households between 60 and 80% of median.

Mr. Janzen then went over the sources and uses of the \$1.3 million project. Sources include \$360,000 in HOME funds, \$120,000 from other grants or contributions, interim rental income and sale proceeds of \$800,000. ECDA has been approved by First Bank and Trust of Evanston for bridge loans of \$290,000 for purchase and \$450,000 for the construction phase. Financing costs are estimated at \$53,600. Construction, including contingency, is estimated at around \$280,000. Soft costs total \$108,798 and the Developer's Fees, to be split between the two organizations, total \$113,732.

Resale price will be restricted for 15 years to maintain affordability. The project includes relocation expense, job training, and homebuyer education. The rehab will convert the large 2 bedroom apartments into 3 bedrooms by eliminating the dining room and upgrading and reconfiguring the long galley kitchen to include a dining area. They will install individual heat and air conditioning units.

Committee members asked if all the units and the homeowner's assessments will be the same and Mr. Janzen responded that they would. They asked about the targeted household size and Mr. Janzen said their buyer financing scenario used a household of 5 but the units should be affordable to a household of 4 and could also fit a household of 6.

They discussed monthly housing costs. Owners would pay their own heat and electricity and the assessments would include water and insurance for the whole building. The budget currently has a management fee, but it could eventually be self-managed and reduce some costs. Mr. Janzen said that ECDA wanted to provide project supervision for the condominium's first year of operation at least. He noted that there are replacement reserves in the budget, which will be initially funded at closing with two months' assessments from buyers.

Carol Balkcom asked for clarification on soft costs and were told they include professional fees, construction interest and insurance, and taxes. The developers were asked about relocation plans and said they hoped that some occupants would purchase their units but the relocation budget allows for relocation costs for five tenants, including moving expense and rent differential of no more than \$100 per month, and they are receiving assistance from Donna Spicuzza on meeting all the requirements of the Uniform Relocation Act.

Sara Ashmore Diggs asked about the buyer financing scenario and expressed concerns that the units would continue to be affordable. The scenario used mortgage financing through Evanston Housing Corporation's First Time Homebuyer's Program which qualifies buyers based on 80% of the mortgage financing because payments on the other 20% of financing are deferred for five years. Ms. Ashmore Diggs was concerned about affordability when those payments began, as well as if taxes, budgeted at around \$3,000 a year, increased. She said the Commission wants to make sure buyers are successful homeowners and don't get in a situation which they can't continue to afford. Mr. Janzen said that they estimated the taxes at a slight increase on current taxes, but they could be reduced if the building is eventually reassessed as a condominium. He thought total monthly housing costs of \$1,000 to \$1,200 was affordable to households between \$42,000 and \$49,000 and noted that continuing affordability is a challenge for many households in Evanston. He said that the reality is that the projected housing costs are not unusual and many renters pay \$1,000 or more. Ms. Hurwich asked if the garages were included in the sales price, which they are, and said the pricing and monthly housing costs seemed like a good deal for the buyers.

Ms. Snyderman Pratt asked about long term affordability and Mr. Janzen explained they would use a resale restriction similar to that used on ECDA's McDaniel townhome project and RPDC's Elmwood condo project. The resale price is limited to 3% appreciation plus allowable capital improvements over the base price for 10 years and then gradually ramps up to near market rate over the next five years. He said it would be nice if the units could stay affordable and still allow owners to realize greater equity but it is hard to accomplish both at the same time. Ms. Snyderman Pratt suggested perhaps they could get more grant funds from IHDA or the Federal Home Loan Bank's Affordable Housing Program if they wanted to make it more affordable initially.

Mr. Beauchamp asked what mechanism they would use when units were resold during the affordability period. Ms. Spicuzza asked him if he thought the units couldn't be listed through realtors and he said they could but realtors usually are not involved in determining buyer's income eligibility. Ms. Spicuzza said a Deed Restriction explaining the Resale restrictions would be placed on the property and the City would verify income eligibility of potential buyers. Ms. Snyderman Pratt said this is an increasingly common question throughout the region and there are different tools in use. She suggested the Commission hear a presentation next month on some of those tools. Mr. Janzen said the HOME application didn't ask for details on that, but on RPDC's Elmwood project, they will oversee the resale process, finding and qualifying buyers, and receive ½ percentage point of the sale for their role. Mr. Banks said that ECDA planned to be involved in the resale with marketing and assisting new buyers.

Ms. Balkcom asked for reassurance that ECDA would follow fair marketing practices in their marketing and buyer selection, without tying it to an organization or religion. Mr. Banks assured the Commission that they were committed to fair marketing and in fact the buyers for their first

project were Evanston residents but didn't belong to any of the member churches in ECDA's network. He said the opportunity would be open to all persons in the City of Evanston.

Ms. Snyderman asked Ms. Spicuzza about the Assessor's special assessment program for affordable housing and whether this would apply. Ms. Spicuzza said she spoke about it with someone at the Assessor's Office and sent him information on Evanston's affordable home ownership projects. She hopes to meet with him soon to discuss whether the County can assess these projects at the affordable price rather than market price.

Ms. Balkcom moved that the Commission recommend HOME funding for this project to the Planning and Development Committee, seconded by Ms. Hurwich. **The motion passed 5-0.**

### **III. Inclusionary Housing Program Status**

Robin Snyderman Pratt said that she and Judith Hurwich and Carol Balkcom attended the May 23 Planning and Development Committee meeting at which the Commission's proposed Inclusionary Housing ordinance was discussed. She said the Committee was made up of the Council as a whole so all the aldermen heard the discussion as Corporation Counsel Jack Siegel walked through his memo commenting on the ordinance. She said that Sue Carlson presented petitions signed by supporters for inclusionary housing program. Ms. Snyderman Pratt said she felt the meeting opened the doors to the realization that the City can require affordable units for Planned Developments and possibly condominium conversions, so they can move forward. City Manager Julia Carroll said that staff would move forward on some type of City policy and try to have a proposal in 90 days. Ms. Snyderman Pratt said she and Nick Brunick from BPI are meeting with the City Manager on July 23, and Ms. Spicuzza said that staff is scheduled to meet on it next Tuesday. Ms. Snyderman Pratt noted that the proposed Tear Down Tax did not get discussed, and asked Commissioners if they still wanted to pursue that issue as a funding source. Members agreed they would like to pursue it.

### **IV. Update on Employer Assisted Housing Program.**

Donna Spicuzza reported that staff met to discuss the Commission's recommendations for continuing the program and will do an analysis to decide whether to expand the target population from 80% of median to either 100% or 120% of median. Staff suggested increasing the amount of the City downpayment grant to \$8,000 from \$5,000, for six employees. Borrowers between 50 - 80% AMI would get \$11,000 with the addition of IHDA match funds.

She said staff also met with representatives from Metropolitan Planning Council (MPC), the program coordinator, and Housing Opportunity Development Corporation (HODC), the non-profit administrator and housing counseling provider. They discussed HODC taking an expanded roll in marketing and reaching out to other Evanston employers. Initial administrative cost estimates were around \$10,000 for basic services to around \$16,000 for an expanded role. They will get a written proposal from HODC and discuss the services and costs in more depth. Ms. Snyderman Pratt noted that the federal tax credit to employer assisted housing will be introduced soon and asked what the timeline was for the program. Ms. Spicuzza said a program recommendation for the Planning and Development Committee could possibly be ready in July.

Members asked about the pilot program results and Ms. Spicuzza noted that about four employees went to a homebuyer education class, four received one-on-one follow-up and two employees bought homes in Evanston and received downpayment grants.

Ms. Snyderman Pratt said that since the Evanston Housing Corporation is talking about a celebration for their program, she hoped it could be combined with a message on Employer Assisted Housing.

### **V. Discussion on Vacant Building Ordinance**

Members received a copy of the recent Vacant Building Ordinance after looking at the Vacant Building list at the last meeting. Ms. Spicuzza said she talked to Stan Janusz, Property Standards Director, who said the list they received last month represents all buildings he has declared vacant in accordance with the ordinance, although only about half of the owners have registered so far, as required. He said the goals of the ordinance are to stem developers from buying vacant or foreclosed buildings, doing little to improve them, and then selling them to unsuspecting buyers who could also go into foreclosure. Buildings on the list do not receive any City services including water, occupancy permits or transfer tax stamps, until the building has been inspected and meets all the required codes. Members asked if interns or university students could help with the time consuming tasks of finding owners and following up with them.

Ms. Ashmore Diggs said that looking at notices of judicial sales she sees many buildings with large debt and said those people probably lose their property not through disrepair but because they can't afford them. She likes the idea though that the City is checking the condition of these properties. She wondered if there was some way the City could push banks if the foreclosed property goes back to them. Ms. Spicuzza said they would also have to register the building and comply with ordinance timelines. Ms. Ashmore Diggs discussed instances where developers buy a troubled building demolish it in such a way that it damages the foundations of the adjoining buildings and then they purchased them as well.

Betty Ester from the audience asked whether the ordinance applied to people who leave their homes vacant for 18 months but keep them maintained. Members discussed whether the requirements applied to secured buildings that owners leave vacant because they have another home out of state or want to keep the property for their children. The ordinance also states that the director can determine not to regulate a building that meets the criteria if the regulation would not serve the public health, welfare and safety.

Judith Hurwich asked where vacant buildings were located. Ms. Spicuzza said the majority were on the west side, some in the south portion and a few in the middle. Ms. Hurwich asked if aldermen were aware and could help getting owners registered. She also asked ongoing updates on the ordinance's success in tracking vacant buildings and eliminating public nuisances.

#### **VI. Discussion of State's Rental Housing Support Bill**

Ms. Snyderman Pratt said that the bill was recently passed and is expected to be signed by the governor. It is the first time for a long time in Illinois that new revenue was created to support rental housing. The program will create \$30 million in revenue and will help 5500 households around the state, and will be allocated by population with 30% used in Chicago and 21% in Cook and collar counties. Eligible applicants include non-profits, municipalities, and housing authorities. The funds go directly to the landlord.

They are currently putting together the rules regulations and she thinks that knowing the need for rental assistance in Evanston and among nearby towns, we should think about whether it would be best for non-profits to apply individually, if they City wants to get a new pool of resources internally, or reach out more broadly and do something together. This is an opportunity to provide input on the rules. Ms. Ashmore Diggs wondered if it could apply to current tenants, and the answer was not known. She thought it would be good if it applied to a variety of buildings, not just large buildings.

Donna suggested discussing it with other departments that might have an interest in it, such as Health and Human Services Department and Human Relations.

#### **Public Comment:**

Richard Girard observed that nonprofit entities apply for HOME funds to help finance affordable housing projects usually have to pay full market price for the property they are developing. He said that an affordable housing amendment to the Condominium regulations would give the non-

profit housing provider a way to lower the cost to acquire property for affordable housing if it gives them a right of first refusal option to purchase up to 1/3 of the set-aside units in a condominium conversion project at the affordable price in stead of full market price.

The larger the condo conversion project, the more units would be set aside for affordable housing (10% for 12-24 units, 15% for 25 – 99 units.) Thus, the more condo units that are set aside as affordable, the greater are the opportunities for initial sales to housing providers at the affordable sale price rather than the full market price. Units acquired through initial sale to housing providers may then be resold or leased. The target group for those units might be the extremely low-income, 30% of area median income. He thinks that's a good reason for Evanston to get an inclusionary housing program on the books as soon as possible.

Betty Ester commented that it would be nice if there were monthly or quarterly meetings of groups interested in housing. She said housing organizations don't do that. Members noted that agencies in the Continuum of Care meet monthly, although the focus is on providing shelter to homeless persons.

**Adjournment:** The meeting was adjourned at 8:30 p.m.