

**EVANSTON HOUSING COMMISSION
MINUTES
November 16, 2006**

Present: Susan Munro, Acting Chair, Carol Balkcom, Eric Beauchamp, Jean Keleher, Sue Sinnamon, Judith Hurwich

Absent: Sara Ashmore Diggs, Robin Snyderman Pratt

Staff: Donna Spicuzza, Housing Planner

I. Call to Order

The meeting was called to order at 7:10 p.m. and the Minutes of the September 21 and October 19, 2006 meetings were approved with minor corrections.

II. Discussion of Inclusionary Housing Ordinance and Referendum to Increase the Real Estate Transfer Tax to be used for Affordable Housing and Inclusionary Housing Policy

Members discussed the Inclusionary Housing Policy which was passed by City Council October 23 with 90 days for internal review. Carol Balkcom reported on the changes made at the October 23 Planning and Development Committee Meeting, which eliminated all references to on-site affordable units. At the November 13th Planning and Development Committee meeting, Ald. Hansen proposed an amendment to address that issue which would make the ordinance vulnerable to a constitutional challenge since the effect is an impact fee or an exaction. She proposed an amendment requiring on-site units and the Committee voted to require 30% of the set-aside requirement be on-site. This will be reviewed at the 11/27 P&D Committee.

Susan Munro reported that the Real Estate Transfer Tax Referendum was defeated 52% to 48%. She said various people are talking about trying it again at a later election, and people feel with better wording and more time to educate voters it will have a chance of passing.

III. Discussion of Affordable Housing Programs and or policies for the Affordable Housing Tax Fund

Members discussed ways to develop programs to use the money in the affordable housing fund. Ms. Munro suggested they go through a process of looking at the various programs that exist and determine whether they want to supplement those, encourage their use, or come up with different kinds of programs. She said they should also discuss how they can get input from the people that would be most affected by this.

Ms. Balkcom asked about the report about the Families in Transition Program. Ms. Spicuzza said the Commission looked at that in January, but she included it to re-familiarize the Commission with the program and some issues that were brought up in the analysis, since they were reviewing existing programs. The FIT, funded by the Mayor's Special Housing Fund (MSHF), is a rental subsidy program for very low income persons with support from a non-profit sponsor during their transition towards self-sufficiency. Ms. Balkcom asked if there had been discussion about whether the MSHF will remain separate from the affordable trust fund. Ms. Spicuzza said there hadn't been discussion, but it could be one of the Commission's recommendations and clarified that money from developments in the future will go into the affordable housing trust fund.

She imagines that the money contributed to date would be transferred to the Affordable Housing Tax Fund, which was created because there was no clear legislative history on the origin of the MSHF.

Ms. Munro said one of the parameters they need to talk about is the income targeting, noting that the FIT program is for much lower income, whereas the inclusionary ordinance is geared to affordability for workforce housing, up to 100% of median. She also pointed to the September staff memo they received concerning recommended uses for contributions from fees in lieu of set aside units, which suggested financing the production of owner occupied affordable housing. She said that would preclude rental subsidies. They discussed whether money from fees in lieu should or could be spent for rental and how to distribute funds. They noted that while the ordinance applies to on-site requirements of only to owner-occupied buildings, it does not specify how the fee in lieu contributions must be spent.

Ms. Spicuzza said that the staff memo was given as a starting point for consideration, and the thinking behind the recommendations was that since the money resulted from fees in lieu of creating an owner occupied unit, the funds would be used for owner-occupied housing. Ms. Sinnamon asked where money for FIT would come from. It now comes from MSHF, but if funds were combined that would be an issue. Ms. Munro said she thinks it's hard to use FIT, it hasn't helped enough families, with 23 families in 15 years, using \$150,000. Members wondered if there would be objections to using the affordable housing tax fund to support construction or rehab of rental property.

Judith Hurwich asked if the demolition tax funds were included in the fund, and they are. She asked how much was expected from that. Ms. Munro said they would need a projection of how many units are expected to be built in Evanston, and how many tear downs. Ms. Spicuzza said she would get that number, estimating around 5 – 10 a year, and that she would also get estimates from Jim Wolinski about planned developments in the pipeline.

Mr. Beauchamp said it may make sense to look at all different aspects and put together a business plan, which would detail how much we anticipate to generate, how much we want to dedicate to developments, etc. There could be different buckets for areas like development of housing, senior needs, special needs, education, homeownership, or rental. He wondered about coming up with a mortgage program that helps buy down rates. He said an article in the Evanston Review about the referendum had someone suggesting that one of the reasons the Referendum was defeated was that people didn't know what we'd spending money on.

Ms. Hurwich thought it would best be accomplished if all the money from different sources was pooled.

Ms. Balkcom said that one of the intents of the inclusionary ordinance was to make sure there is affordable ownership for the long term. She would not want to focus on something that would go away and noted that the memo did not contemplate any use of a land trust when it talked about loans to housing developers to construct housing. It also mentioned an affordability period of 40 years, and thinks it should be at least 40 years and the concept of a land trust is perpetuity. She noted it focused only on new construction and omitted rehab.

Ms. Munro said that was something Ald. Rainey raised, feeling there were several houses in her ward that could be sold affordable if there was some subsidy.

Sue Sinnamon suggested that helping turn renters into owners, especially in areas being redeveloped, is another objective.

Ms. Balkcom returned to the point about education and asked what resources were out there. Ms. Spicuzza said the City funded \$10,000 to HODC for housing counseling, and they have a regular schedule of homebuyer education. She said CEDA /Neighbors at Work provides individual

education and occasionally offers a seminar, with funding from their organization or other grants. In addition, sometimes lenders or realtors will occasionally offer seminars, but nothing else is provided in the area on a regular basis. Ms. Balkcom said she thinks homebuyer education should be a component.

Mr. Beauchamp then asked about how HODC used the funds provided. Ms. Spicuzza said they will submit a report on what they've done for the year. Ms. Munro asked if they provide information to people in the workshops about city-assisted affordable developments and Ms. Spicuzza said they do. She said the City maintains a homeownership interest list that is provided to the affordable housing developers when they are marketing their homes. It has probably 100 names on list, mostly as a result of articles in the City's Highlights newsletter.

Members discussed the possibility of surveying people on the list to get a better idea of what they're looking for, their income levels, etc. They also mentioned some of the difficulties projects have had finding buyers who could afford the affordable units and thought a survey could help pinpoint the issues. They discussed the challenge of finding buyers for 1710-12 Dodge and were told that the sale of one unit will close next week, and the other is still available after the purchase contract fell through.

Ms. Munro said that also brings up the issue of how to define affordable. She said for people under 80% of median, they can't afford to buy unless subsidies are substantial. Ms. Balkcom noted that issue was discussed at P&D in terms of downpayment assistance and how much was needed and whether people could continue to afford it later on as taxes increased. Mr. Beauchamp asked if they know why people are not able to buy. When we know what the problems are, he said, then we can create a program to help buyers.

Ms. Sinnamon said groups, whether single young professionals, young families, or seniors, are going to have different traits and will need different kinds of subsidies. She said that's why she liked the idea of different buckets, so you can look at how to subsidize different groups as well as different kinds of housing.

Members again discussed getting more information to learn about the demand. In addition to surveying interested homebuyers on the City's list, it was suggested that they talk to the developer partners to see what issues they identified. Ms. Spicuzza said that the experience with the HOME- assisted units is that it's difficult if the affordable price is very close to being affordable to the 80% cap and that is why the inclusionary ordinance suggested using lower income levels for pricing. However, she said that affordability also depends on variables such as interest rates and how much the household has for downpayment. While the formula suggests 5%, that can still be a substantial amount of cash. She also said that even using the current interest rates, many people in the targeted income categories don't have the best credit or even any credit, so they won't get current A-paper rates.

Mr. Beauchamp said if we know the obstacles are credit issues, we can provide credit counseling and education, or if we know it's a downpayment issue, we can create no-interest loans to bridge that gap. Ms. Munro mentioned the federal IDA (Individual Development Accounts) program models which provide a match for individual savings.

Ms. Hurwich said that the education component needs just to be a portion of the program uses, because it will be useless if there are not houses they can afford.

Ms. Munro agreed and said she felt they need to go through a period of information gathering to see what the demands and issues are locally. She said BPI data provided a big picture on the loss of affordable units, but they did not have enough knowledge about specific potential homebuyers.

Mr. Beauchamp said they should also look at how much we're spending on developing one or two units, and what we could do to bring the market rate down for people to buy anywhere in the City. He said members should consider if that is a more economic use of the City's money than to develop one or two units.

Ms. Balkcom noted that they talked about construction costs at the P&D meeting, and said they had been using a figure of \$125, but now it's suggested it's more like \$225. Ms. Spicuzza said that you have to be clear whether you're talking about hard construction costs only or total development costs, including land, but that staff is trying to get some information on typical costs. Mr. Beauchamp noted that material costs, such as copper, lumber have gone up considerably.

They discussed the survey and if there are resources to help develop one. They get information on past City surveys and the Northwestern Survey lab and will consider the items they want to learn and what they want to ask. Ms. Keleher said they could perhaps do the survey themselves, and they discussed whether it would be more effective to mail or telephone people and issues of internet surveys. Ms. Spicuzza also suggested looking at local lender's HMDA data to see if they can find reasons people did not qualify for loans and Ms. Balkcom said she would ask a lender she knows about that.

It was also suggested to do research on sale prices and housing characteristics to get a handle on the amount of subsidy required to make market prices affordable. Mr. Beauchamp said he could get that information through the MLS, with information on the number of bedrooms and bathrooms, for any specific time period.

Ms. Hurwich noted that this approach is focusing on helping individuals, rather than creating affordable stock that would be available in perpetuity. Mr. Beauchamp said they need to consider the best use of money. While stock wouldn't be continually affordable, the subsidy would be recaptured after the unit sold at market rate and so would recirculate, helping to subsidize another property. Ms. Hurwich said she had a problem with the rising cost of real estate and how much money the City will be getting back, if the properties aren't there to begin with.

Ms. Munro noted that the September staff memo talked about providing the funds through low interest loans to developers and wondered if that would be enough incentive and subsidy to enable developers to do affordable units. Ms. Balkcom said she thought they would be grants. Others noted that rehab should also be an eligible use, not just new construction.

They also discussed administration of programs. Ms. Spicuzza said some of the fund could be used for administration. While the preference was for in-house administration, no specifics had been discussed and it would also depend on the types of programs. Members also said they would contact BPI to talk about steps for making recommendations, as they indicated they were committed to continue to work with the City. They said that the charts with all the different housing programs of the City and details of assisted projects, was very informative and helpful. They agreed to continue the discussion at the December Housing Commission meeting.

IV. Public Comment

Suzanne Carlson asked if people wanted to look at information on the Highland Park Trust Fund and members said they had received one. She provided information about the Citizen's Lighthouse Community Land Trust (CLCLT) which included a job description for part time executive director

Fran Seidman said that everything members said was worthwhile but suggested they're out of the mainstream in terms of what else is going on. She talked about the last Council meeting where she made a citizen comment about the Referendum, saying she thought it did amazingly well for something dropped on the community for an additional tax without anything to get them excited

about why we should do something like this. In her comments she suggested that we have to do something to catch the imagination of people and use our wonderful resources. Ms. Seidman said that at the end of the meeting during the Call of the Wards, Ald. Rainey also suggested that we need to do something to put excitement into the whole affordable housing issue, and suggested they get a blue ribbon committee to deal with it. Ms. Seidman said that Ald. Rainey said that we're not going to give this to the Housing Commission.

Ms. Seidman said that now the Commission wants to go back to BPI, who she felt led them up the garden path with the inclusionary housing deal which was doomed from the start. She recommended they come up with something new and different, take hold of the issue, and give this community something to chew on.

Ms. Seidman then observed that no one from the Commission was going to the west side TIF meetings. She said there's been a team of consultants working on plans, even though the City is starving for money and can't hire staff but they can afford consultants. She said they are planning for every inch of this TIF area, with housing everywhere, but not one word about affordable housing. She said this is the area where there's land, on abandoned industrial properties. She felt that somewhere in the planning there should be a piece of land for the land trust.

Ms. Balkcom said she sent a letter about that to Dennis Marino about that issue but didn't get a reply. Ms. Seidman said her heart breaks for Betty Ester, president of the CLCLT, imagining her frustration that nothing has yet happened for the land trust. She thinks this planning area is something real that the Commission could get its teeth into and suggested they are too quiet. She said she was not minimizing the work on the task force, but feels they should put it behind them and listen to what people on the City Council are saying. For instance, she agreed with Ald. Rainey's desire to look for opportunities to existing single family homes in her ward.

Ms. Balkcom responded that they know how many years the inclusionary housing effort was underway and just the other night was still being argued about. However, she said, in the end it will be implemented and will accomplish something. The Commission has learned that this body is advisory, with no authority, and could spend hours and weeks to come up with the perfect plan and have it easily shot apart. Ms. Balkcom said that while members may not attend Council meetings because of their work schedules, it doesn't mean that they're not going to work on the issues or that they don't take it seriously. Ms. Munro said that perhaps a blue ribbon committee would have more credibility with the Council.

Ms. Seidman said their approach about finding out more about the people looking for housing is a good idea, they just have to be more plugged in to what is going on in the bigger picture.

Julie Ganey, Director of Outreach for Next Theatre, talked about a project starting in February, where community members will meet to create an original theatre piece about their community. The production will be about the changing community, gentrification, and balanced development and will focus on how and why communities change. She is looking for people to be part of the forum and is particularly interested in an affordable housing developer. She said if anyone is interested or knows someone who would be good, to contract her.

VI. Adjournment

The meeting was adjourned at 8:50 p.m.

Respectfully submitted,

Donna Spicuzza, Housing Planner