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MEETING MINUTES

INCLUSIONARY HOUSING ORDINANCE SUBCOMMITTEE

Wednesday, January 17, 2018, 7:00 P.M.
Lorraine H. Morton Civic Center, Aldermanic Library

Present: Ald. Fiske, Ald. Rainey, Ald. Revelle, Ald. Wilson, Rob Anthony, Lynn Robinson, Jolene Saul, Kent Swanson, Stacie Young

Absent: N/A

Staff: Johanna Leonard, Community Development Director; Sarah Flax, Housing and Grants Administrator; Savannah Clement, Housing Policy and Planning Analyst

Call to order

Chair Alderman Wilson called the meeting to order at 7:08 PM with a quorum present.

First order of business: nominating a chair. Ald. Rainey moved for Ald. Wilson to Chair the Subcommittee, Ald. Fiske seconded, and the motion was approved unanimously.

Mayor Hagerty stopped in to thank the Subcommittee for their time and work on this important issue.

Public comment

Douglas Sharp, of Reclaim Evanston, stated that he supports the City Council goal of expanding affordable housing. He provided three recommendations for consideration: Hold off any new developments; raise the fee in lieu of affordable units in the Inclusionary Housing Ordinance; and, develop a comprehensive affordable housing plan.

Sue Loellbach, of Joining Forces for Affordable Housing and Connections for the Homeless, said that she would like to see a broader housing plan. She also mentioned *The Color of Law* book which illustrates the systemic patterns of segregation over the years. Ms. Loellbach asked the Subcommittee to be bold with its revisions to the IHO.

Ray Friedman, of the Second Ward, thinks the fee in lieu is too low and would like to see a mandatory onsite unit requirement.

John Lionberger, of the 1700 block of Hinman, is concerned about a developer that is buying buildings and creating more bedrooms in existing units. Mr. Lionberger is worried this will create more density, parking shortages, and negatively affect property values.

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Chris Krueger is concerned that high rents downtown will radiate outward and displace others. He is in favor of affordable housing, and noted that incomes have gone down.

New business

Ald. Fiske recommends having someone from Northwestern University come speak to the group.

Ald. Wilson noted the current IHO was well intentioned, but is not getting the impact that City Council had hoped.

Ald. Wilson asked what impacts the Subcommittee would like to see the new ordinance have. How are we currently making an impact and how are we not?

Sarah Flax provided an overview of developments that have been approved since the ordinance went into effect Jan. 1, 2016.

Ald. Fiske asked about cash balance of Affordable Housing Fund. Sarah said it is about \$800,000 of uncommitted cash. Ald. Fiske asked about past expenditures in the Affordable Housing Fund. Sarah explained the AHF has funded programs such as the Handyman Program, Landlord-Tenant Program, HMIS, Senior Bridge Housing, Hotel Voucher Program, Geometry in Construction, and an acquisition and rehab of two units by Community Partners for Affordable Housing.

Ald. Wilson explained that providing affordable units onsite does cost developers money because they are not able to charge the same rents as the market rate units. He feels the fees in lieu are appealing to City Council, but onsite units have become a priority. In order to achieve the goal of having more onsite units, Ald. Wilson said we need a better ordinance.

Ald. Rainey mentioned the development at Chicago and Howard. The use of Affordable Housing Funds to provide four onsite affordable units in the project was denied.

Ald. Revelle asked about the financial infeasibility clause in the IHO. Kent Swanson explained that financial feasibility means that certain numbers, such as the yield on cost percentage, show whether a project will get financed. He said there isn't one objective formula, so it is hard to establish a legal standard for financial infeasibility. Mr. Swanson said it's a market-based formula that is constantly changing.

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Ald. Fiske asked about how people determine what to charge when selling land for developments. Kent Swanson said a prudent buyer would not make price determination based on what they hope would happen with potential zoning variances. He said most people would take into consideration what is currently allowed in the zoning ordinance. Mr. Swanson explained that there is usually a partnership with the land owner and developer to reach a deal on the land price depending on what the developer can get approved by City Council. Ald. Fiske said that not knowing the land price makes it hard to make decision and assess whether or not it's really economically feasible. Ald. Wilson noted most developers don't just purchase the land; it's contingent on approval of a project.

Jolene Saul said developers factor cost of land into project costs and costs per unit. Ms. Saul suggested removing the financial infeasibility paragraph from the ordinance, altogether. Ald. Wilson said that the City could require more details from developer to evaluate the financial feasibility. Ald. Rainey noted that the original intent of the paragraph was supposed to be for the developer to show economic hardship in order to provide a basis for negotiation.

Ald. Rainey asked for a workshop on affordable housing development and wants all the affordable housing advocates to be invited. Ald. Wilson said it would also be useful to hear how nonprofit developers develop housing and run rental buildings. Staff will put some structure together for next meeting.

Ald. Rainey noted Albion land cost was \$7 million. Stacie said Alternative Equivalent Proposal section negates the need for a section on financial feasibility.

Ald. Wilson brought up his concern about who is bearing the cost of affordable housing. He feels renters of market rate units will bear the cost. Kent Swanson says not true because market only allows what it allows with regard to rent prices. Mr. Swanson noted that the bigger impact is on land value, and providing affordable units onsite does increase risk when looking at the long-term financial viability of a project.

Kent Swanson explained that renting affordable units is a different operation than renting market rate units, so it is best partner with nonprofit for the rental of affordable units. Sarah noted that the City has a contract with Community Partners for Affordable Housing (CPAH) for management of the IHO waitlist and income certifications.

A resident asked the Subcommittee if having affordable units onsite affects the property value of the project, and the ability for a developer to receive financing. Kent Swanson said yes because it affects project's profit and bottom line. He also said that typically the

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land is not the most expensive part of development; it's the steel, labor, windows, etc. All of those combined expenses are greater than the cost of land.

Ald. Rainey noted that the current ordinance provides an either/or option with regard to providing onsite affordable units or paying a fee in lieu. The City could change the ordinance to have a mandatory onsite unit requirement for developments getting a benefit from City, such as a zoning variance or funding.

Ald. Rainey also mentioned that the City could change the timing of when the fee-in-lieu is paid to 50% when getting building permit and 50% when getting first temporary certificate of occupancy (TCO). TCOs are issued once building is essentially complete, minus some cosmetic changes like landscaping. The building has to be move-in ready in order to receive a TCO.

Kent Swanson said could use money from developments for a different way, such as building cheaper housing. Jolene Saul noted that land in more desirable, transit oriented development areas is more expensive. She doesn't want the City to not build affordable housing in those areas because that could perpetuate segregation. Stacie Young also suggested looking into providing operating subsidies in existing buildings to get affordable units. She noted this would be less expensive for the City, and could also get units in TOD areas close to amenities.

Ald. Rainey said there are not a lot of places to build new buildings in Evanston, and people aren't knocking buildings down to build. Kent Swanson disagreed and said things do get knocked down to build new housing.

Ald. Fiske said would be great to have affordable housing spread throughout city. She is also interested in a partnership with the Housing Authority of Cook County to help subsidize and provide more affordable units.

Ald. Wilson mentioned that people should read the book *Friends Disappear: The Battle for Racial Equality in Evanston*, by Mary Barr. He said the book provides a well-researched discussion on segregation in Evanston. Ald. Rainey also mentioned people should read *Evicted: Poverty and Profit in the American City*, by Matthew Desmond.

Next steps: Staff will work to provide a workshop on housing development. Subcommittee members will email comments, questions, and redlining of current Inclusionary Housing Ordinance to Savannah Clement, and she will compile the comments for next meeting. The Subcommittee requested a map of new construction since ordinance went into effect, and overlay with TOD areas. Staff will also look into any legislation in other communities that affects current rentals and expanding the

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number of bedrooms in a unit. Staff will also check with the Law Department to see if the City has any recourse in these types of situations. Staff will send a Doodle poll to establish a third meeting date and time.

Adjournment

Alderman Fiske motioned for adjournment, Stacie Young seconded, and the motion was unanimously approved. The meeting was adjourned at 8:51 p.m.

The next scheduled meeting of the Subcommittee is Wednesday, February 7, at 6:00 p.m. in the Aldermanic Library.

Respectfully submitted,
Savannah Clement, Housing Policy and Planning Analyst