



**APPROVED**

## **MEETING MINUTES**

### **INCLUSIONARY HOUSING ORDINANCE SUBCOMMITTEE**

Wednesday, February 7, 2018, 6:00 P.M.

Lorraine H. Morton Civic Center, room 2404, Glacier Conference Room

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

**Absent:** Ald. Fiske, Ald. Revelle

Presiding Member: Ald. Wilson

**Staff:** Sarah Flax, Housing and Grants Administrator; Savannah Clement, Housing Policy and Planning Analyst

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#### **Call to order**

Chair Wilson called the meeting to order at 6:10 PM with a quorum present.

#### **Approval of meeting minutes**

Kent Swanson made a revision in the second line, on page 5 of packet, change “seller” to “buyer,” then moved approval as revised, Lynn Robinson seconded and the motion was approved unanimously.

#### **Public comment**

Ray Friedman, 2<sup>nd</sup> Ward, requested follow up on how many affordable units have been made available through IHO. There will be four units in the 824-828 Noyes building and 15 units in the Albion building, totaling 19 affordable units approved since the amended IHO went into effect on January 1, 2016.

Sue Loellbach, of Joining Forces for Affordable Housing and Connections for the Homeless, stated it’s hard to figure out how to update ordinance without an overall plan. She said there are other affordable housing tools to consider outside of the IHO.

Clare Kelly, resident, thinks it’s important to examine Albion and why they were not required to provide all units onsite. She wants to hear why everyone wants to be on Subcommittee.

Doug Sharp, Reclaim Evanston and 9<sup>th</sup> Ward, wants the fee in lieu raised to \$300,000. He also thinks there needs to be a broader plan with established goals. Mr. Sharp said there should be a moratorium on consideration of any new planned developments until a plan is in place.

**Discuss affordable housing and inclusionary housing ordinance goals**

Chair Wilson asked Sarah Flax to clarify what is meant by the term internal rate of return (IRR). She explained it is not the anticipated profit on a development project; it is a formula used by investors to evaluate a potential investment and compare against other investments. Ald. Rainey stressed the importance of a workshop on housing development with experts to explain all of the financing definitions. Kent Swanson explained that IRR is a calculation of risk and returns over the course of the time an investor anticipates owning a project.

Ald. Wilson solicited feedback on the affordable housing and inclusionary housing ordinance goals in the packet.

Kent Swanson asked about the goal of creating more affordable units. He asked if the City wants to affect more people and provide more units, or provide fewer but new units in expensive buildings. He asked if there is a way to incentivize or bring down the cost of building units.

Stacie Young discussed the possibility of using project-based subsidies for units in existing buildings in TOD and downtown areas as a way to get more units at a lower cost than units in the new construction. Kent noted the rents would likely be much cheaper in these buildings. Ald. Rainey said there are many beautiful units in Evanston that are much less expensive than the units in the brand new developments and cited some in her ward.

Rob Anthony said there is a misconception around how much a unit costs, because the cost to build a unit isn't the whole picture. The revenue generated by the unit needs to be considered as well. He feels inclusionary housing should be considered as zoning/building code to reflect community value, or public policy. New housing development should incorporate a range of income levels.

Ald. Rainey said the ordinance doesn't cover smaller developments. She thinks the current development boom in Evanston might be ending, particularly downtown. The City needs to look at other ways to generate revenue for affordable housing that would spread the cost to more than just residential developers.

Ald. Wilson asked Rob Anthony if he's had any success with acquiring condos as affordable housing. Rob explained there are challenges with the assessments and property taxes and ensuring all of the collective costs are affordable to buyer.

Stacie Young reiterated that the City could increase the IHO fee-in-lieu, and then use the revenue for project-based rental assistance in buildings that are in strong markets but have lower rents than new construction buildings.

Rob Anthony stated the IHO should be used to get affordable units onsite, and other fees, like impact fees, could be used for project- and tenant-based rental assistance.

Ald. Rainey and Ald. Wilson noted it is unlikely that will be many more planned development projects proposed to the City in the near future because of opposition to recently proposed projects. However, Ald. Wilson said smaller projects such as condo conversions will still be happening and those could provide opportunities for more rental and inclusionary units.

Kent Swanson noted the market is focused on rental due to higher demand and declining homeownership rates. Rental absorption rates have been strong and residential rental developments are economically viable.

Ald. Wilson suggested evaluating the demolition tax and the impact of teardowns on the housing supply.

Ald. Rainey raised the possibility of a Real Estate Transfer Tax (RETT) referendum to increase the tax for affordable housing. She said this could also be used to assess the community's commitment to and buy-in for funding affordable housing. In the past, the RETT increase referendum to fund pensions did not pass but more people may support it for affordable housing, as a human right and community value. She noted then everyone could share the burden of funding affordable housing. The RETT applies to all real estate transfers: residential, commercial, etc. Sarah Flax said staff would provide information on RETT revenues for the past several years. Ald. Rainey noted a referendum could not be on the March ballot but could be on the November ballot.

**Discuss revisions to inclusionary housing ordinance**

Rob Anthony brought up the IHO's impact on land value. He said the City could look at ways to offset costs for developers. Height and density bonuses have not been viewed favorably by the community. Kent Swanson noted that Evanston used to have more people in the 1960s and 1970s, so the infrastructure could handle more people.

Stacie Young said there needs to be more transparency and predictability in the ordinance. That would be fairer to developers and City staff. Kent agreed more certainty is a good thing.

Ald. Wilson said he is open to hearing ideas about other ways to incentivize onsite units. He also mentioned leveraging City-owned lots for affordable housing development.

Rob Anthony said the City should consider standardizing income restrictions on inclusionary units and fees-in-lieu across the city instead of having different requirements and thresholds in TOD vs non-TOD areas that have the effect of limiting

new housing for low income residents in TOD areas. Ald. Wilson said he would like to see the ordinance more equitably applied across the city. Sarah Flax explained the rationale for the different requirements in TOD and non-TOD areas was to provide opportunity for lower income people to live in higher income areas and avoid concentrating low income residents in areas that already have more low income residents.

**Staff report: housing development finance workshop planning**

Sarah Flax provided an update on the housing development financing workshop, recommending having a separate meeting open to the public. The workshop would cover both market rate development and affordable housing development financing, and would be video recorded and posted on the City's YouTube channel. Experts in market rate financing could be from the Urban Land Institute and/or development finance intermediaries; Enterprise and LISC are possible sources for experts in affordable housing finance. Ald. Wilson said we should also include a lender in the workshop. Kent suggested inviting Wintrust and Byline/First Bank and Trust to participate. The goal is to schedule the workshop before the March 7 IHO Subcommittee meeting.

Ald. Wilson said he envisions having a maximum of two more Subcommittee meetings.

Rob Anthony asked about timing of other affordable housing activities. Staff will send the City Council packet and actions from January 29<sup>th</sup> meeting, as well as dates of when items will be going to committees. Rob asked about a broader affordable housing plan. Ald. Wilson and Ald. Rainey said they would like to have a plan, but also want to accomplish some short-term affordable housing goals in the interim.

**Adjournment**

Jolene Saul motioned for adjournment, Rob Anthony seconded, and the motion was unanimously approved. The meeting was adjourned at 7:25 p.m.

The next scheduled meeting of the commission is Wednesday, March 7, at 6:00 p.m. in room 2404.

Respectfully submitted,  
Savannah Clement, Housing Policy and Planning Analyst