

# MEMORANDUM

TO: Randy Recklaus, Village Manager

FROM: Charles Witherington-Perkins  
Director of Planning and Community Development

DATE: January 8, 2020

SUBJECT: *Refining Arlington Heights Affordable Housing Guidelines/Inclusionary Housing Ordinance – Committee of the Whole January 13, 2020*

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## Background

In September 2019, the Village Board Committee of the Whole discussed at great length a detailed report, data and a series of recommendations regarding refining Arlington Heights Affordable Guidelines. At the conclusion of the Committee of the Whole meeting, the Board directed Staff to prepare an Inclusionary Housing Ordinance. Since then, Staff has conducted extensive research on other communities that have Inclusionary Housing Ordinances, as well as gathering additional data and preparing the attached Inclusionary Housing Ordinance. In December 2019, a draft ordinance was provided to the Village Board for early review and feedback.

## Village Board Feedback on Draft Ordinance

At the January 2020 Committee of the Whole meeting, a presentation will be made of the key elements of the draft ordinance. Staff is seeking Village Board feedback on a number of areas relative to the draft Inclusionary Housing Ordinance at the meeting.

1. Staff and Housing Commission recommendations. Staff and the Housing Commission were generally in agreement with the series of recommendations contained in the September report. However, there were a few areas where there were different recommendations that Staff is seeking feedback from the Village Board.
  - a. Development size application: Staff had recommended maintaining the existing criteria for development size of application of the Inclusionary Housing Ordinance at five or fewer units being exempt but providing a small linkage fee. The Housing Commission had recommended nine or fewer being exempt, but also concurred with a small linkage fee. The draft ordinance includes a small linkage fee of \$7,500 per market rate multi family unit for developments falling under the minimum threshold. If this linkage fee remains in the draft ordinance and the percentages of fee in lieu of providing units for larger developments remain as a proposed, then there is no difference or impact on revenue that might be received that would go into the trust fund. Therefore, based upon the attached draft Inclusionary Housing Ordinances, Staff does not object to exempting developments of 9 or fewer units and requiring a linkage fee.

**Does the Board concur with the development threshold of nine or fewer units being exempt and requiring the linkage fee?**

- b. Multi-family developments within the Downtown B-5 district: Staff had recommended application of a formula consistent with what was negotiated with Arlington 425. This required affordability of 7.5% of the development units as affordable with a minimum 5% of actual units and a maximum of 2.5% as a fee in lieu of, calculated at \$25,000. If no units were to be provided a 10% affordability fee is proposed at \$75,000 per unit. The Housing Commission recommended higher percentages (12.5% required with 7.5% actual units and 5% fee) and increasing the fee from \$75,000 to \$100,000 if no units are included. Since application of the current Village affordable housing guidelines, this year was the first time that a fee in the amount of \$75,000

per unit was actually agreed upon and most likely to be followed through by a developer which was relative to the Sigwalt 16 for sale product. Therefore, Staff is concerned about the higher fee and higher percentages potentially stifling development. Feedback from the Village Board is needed regarding Staff and Housing Commission differences detailed in Section 7-1707 b.1.

**Does the Board prefer the requirement be 7.5% required units (5% actual and 2.5% fee)?**

**or**

**Does the Board prefer the requirement be 12.5% required units (7.5% actual and 5% fee)?**

**If no units are provided does the Board prefer a fee in lieu of \$75,000 or \$100,000?**

- c. With respect to multi-family for sale developments, both Staff and the Housing Commission recommended that no actual units be provided at this time and that a fee be provided. Staff recommended a fee of \$75,000 per market rate unit for 10% of the total number of units in the development. The Housing Commission suggested using a proportional method where the fee changes, based upon the sale price or other computed valuation of the units. While a proportional sliding scale fee appears more equitable, it is also significantly more challenging to implement. As proposed, the flat rate fee would be collected at the time of issuance of a building permit, but a percentage fee based upon the sale price or other valuation of the units would be difficult to accurately compute or would need to be collected at a later date. While Staff could develop an alternate formula, before doing so, we are seeking feedback from the Village Board regarding this item.

**Does the Board prefer a flat fee or a proportional fee based upon unit estimated value or sale price?**

2. Proposed linkage fee for multi-family developments: The draft Inclusionary Housing Ordinance includes a proposed linkage fee of \$7,500 per market rate unit due as part of a building permit fee for developments under the minimum threshold. Without a linkage fee, a multi-family development of nine or fewer units have no requirement, while a ten unit development would be required to pay a fee in lieu of \$75,000 (\$7,500 pro-rated across all 10 units). Therefore, a \$7,500 linkage fee per market rate unit is more equitable.
3. A small linkage fee has also been proposed for new single family dwelling units or expansion/additions to existing family dwelling units, where a dwelling unit increases by 50% or more. The fee proposed is \$3,500 per unit and would be applied to teardowns, new homes and additions or expansions as noted. In 2018 there were 26 teardowns, 16 new homes, and 20 additions of 50% or more reviewed through the design review process. At \$3,500 per unit, this would have provided \$217,000 towards the affordable housing trust fund. Staff also evaluated six single family teardowns looking at previous sale prices and post teardown list sale prices. The six teardowns looked at the homes sold from 2016 - 2019, with sales prices ranging from, \$187,000 to \$275,000. The new homes after the teardown were listed for sale ranging between \$775,000 and \$989,000. This data illustrates that the homes being torn down and being replaced are substantially less affordable then pre-teardown. As a result, a small linkage fee as proposed would be appropriate. Staff is seeking preliminary feedback from the Village Board regarding this proposed linkage fee as well.

**Does the Board concur with this proposed linkage fee of \$3,500 for single family dwelling units as described?**

4. A section within the draft ordinance has been created to deal with Senior Residential Communities such as Lutheran Home/Village and Moorings and other proposed new developments. As proposed no affordable units or fee in lieu of would be required for memory care units, assisted living, or nursing home units, as these often include extensive medical and insurance components. It is proposed that independent living units provide some units or a fee in lieu of providing units. This is still being vetted, due to the fact that many senior residential communities that provide independent living also included many amenities such as food service, housekeeping, etc. Many rents are in the \$3,200 - \$4,200 per month range on new developments and an affordable unit would only be able to pay approximately \$1,000 rent for a one bedroom unit, yet part of the cost also includes other components. Staff has included this provision in the draft ordinance for feedback from the Village Board, but is continuing to evaluate how this may be applied, which may necessitate negotiations on a case by case basis.

**Does the Board concur with including this for continued discussion or is it preferred to defer this concept for future consideration?**

### **Village Board Feedback on Process/Next Steps**

The Housing Commission has requested at their meetings to review the draft Inclusionary Housing Ordinance. As both Staff and the Housing Commission have made their recommendations to the Village Board, this topic is typically discussed further at the Village Board level. However, the Village Board could refer back to the Housing Commission or direct Staff to make necessary changes to the ordinance as a result of discussion at the Committee of the Whole meeting. The Housing Commission, for profit and non-profit developers who participated in the survey last year were invited to attend the Committee of the Whole meeting to provide further input. Additionally, the September 2019 meeting was televised and general public were available to attend these meetings.

In conclusion, once an ordinance is adopted, Staff will prepare guidelines to implement the Inclusionary Housing Ordinance and then develop detailed criteria for utilizing Affordable Housing Trust Funds. Also, it will be important to continually monitor how implementation impacts proposed developments, and the Village should be prepared to make adjustments as necessary.

### **Recommendation**

It is recommended that the Committee of the Whole provide feedback, direction and recommend any desired changes to the draft ordinance and authorize Staff to make such changes for Village Board review and/or refer to the Housing Commission.

### **Attachments:**

Additional data

Draft Inclusionary Housing Ordinance

Draft Inclusionary Housing Guidelines Table of Contents

Comparison Chart of Staff and Housing Commission Recommendations (re-issued)

Report - Refining Arlington Heights Affordable Housing Guidelines (Previously distributed & available upon request)

C: Robin Ward, In-House Counsel  
Nora Boyer: Housing Planner