

The development team intends to support affordable housing by including four on-site affordable apartments—2 one-bedroom and 2 two-bedroom—and create a \$1.5 million housing fund to provide rental assistance and homelessness prevention programs. The support is projected to provide assistance for up to 80 Evanston families per year over the next five years. The on-site affordable units will be restricted to tenants with incomes no greater than 50-60% of AMI.

The on-site, rent-restricted units will be spread throughout the project's market-rate units. In fact, we will not assign specific units to be rent restricted but rather will provide qualifying renters access to the project's market rate units at lower rents. The units will thus have the same exterior appearance, interior appearance and finishes, and energy efficiency features as the market rate units. Tenants in rent-restricted units will access their units via the same lobby as other tenants and will have access to the same common area amenities. We will agree to restrict rents on these units for 50 years, double the City's requirement.

Further, the development team proposes to work with the City and St. Vincent de Paul to create and administer the McKinney-Vento Rental Assistance Program, which will assist families with children in the Evanston school system. The team will also partner with the City and St. Vincent de Paul to administer a new Evanston homelessness prevention program. The team projects that these programs can provide support for approximately 80 families per year over 5 years. Both programs are detailed in the attached narrative.

As City staff knows, the project's initial planned development application was submitted in December 2015, and thus our development team believes the City of Evanston's inclusionary housing ordinance ("IHO") (effective January 1, 2016) does not apply. However, the monetary value of four on-site units and a \$1.5 million Evanston family housing fund is approximately equivalent to the in-lieu of fee prescribed by the IHO for this development.

To derive the value of the on-site units, one calculates the value of the apartments leased at market rents and the value leased at rent restricted rates. The differential between these two numbers represents the value of the developer's contribution to the City's affordable housing stock. As shown by the calculation below, it amounts to over \$1.6 million.

#### **Fair Market Value**

<b>Unit Type</b>	<b>Annual Rent</b>
1 Bedroom	\$20,412
1 Bedroom	\$20,412
2 Bedroom	\$39,690
2 Bedroom	\$40,635
Total	\$121,149
Capitalized Value (at 5% cap. rate)	\$2,422,980

**Rent Restricted (50% AMI)**

Unit Type	Annual Rent
1 Bedroom	\$8,880
1 Bedroom	\$8,880
2 Bedroom	\$10,656
2 Bedroom	\$10,656
Total	\$39,072

Capitalized Value (at 5% cap. rate)                      \$781,440

**Value of Developer Contribution**

Value of market rate units	\$2,422,980
Value of rent restricted units	\$781,440
Differential	\$1,641,540

**Value of Developer Contribution                      \$1,641,540**

Thus, the value of on-site units is in fact far greater than \$100,000 per unit “in lieu” fee.

As the table below indicates, the combination of cash contributions and on-site units equals \$3,141,000 in value. This amount is approximately equivalent to the in-lieu of fees the project would pay the City if the IHO were applicable. In meeting with City staff and its outside advisors, we have also demonstrated that additional contributions to affordable housing would render the project financially infeasible.

**Total Contributions**

Value of on-site Units	\$1,641,540
Value of not for profit contribution	\$1,500,000
<b>Total</b>	<b>\$3,141,540</b>

As important as its economic equivalency to the IHO requirements, this proposal appropriately combines the delivery of new affordable housing units with monetary assistance for the homeless and homelessness prevention. It will serve dozens of families, not just a handful. Further, it will serve a much broader spectrum of individuals than the IHO units, as they target a relatively small range of income levels (and certainly don’t aid the community’s poorest residents). Should the City insist that the project provide the maximum number of on-site units, we could provide 10 on-site units at 50-60% of AMI and eliminate the rental assistance/homelessness prevention program. However, our baseline proposal serves far more people, across a greater income range, and thus we strongly urge the City to adopt it.

## **McKinney-Vento Rental Assistance Program and the Evanston Homelessness Prevention Program**

Vermilion Development is one of the Midwest's largest developers of affordable housing with support services. Our projects serve a variety of populations, including the elderly, disabled, and homeless. Today, we have 230 units of affordable housing in operation and almost 600 units in construction. We understand the importance of affordable housing, and we embrace the mission of serving those who need housing with services.

When the 601 Davis project originated in 2014, the Evanston city code did not require affordable housing to be included in for-rent, multi-family projects. Instead, in negotiating their planned development ordinances, several developers had agreed to provide modest affordable housing contributions to the city. A few had also agreed to provide on-site units. Understanding the importance of affordable housing, we met with then Mayor Tisdahl in June 2015, several months before the inclusionary housing ordinance's passage, and requested her input on how best to contribute to affordable housing in Evanston. As her top priority, she identified housing for homeless families with children in the Evanston school system. With that guidance, we evaluated several options for providing assistance to these families. We met with not-for-profits that serve this population, and we received ideas on how dollars should be allocated to serve them.

As a result of these conversations, we propose to provide \$1.5 million to aid homeless or near homeless families in Evanston. These funds will be spent over a 5-year period at \$300,000 annually. They will complement the 4 on-site affordable units we propose to provide, magnifying their impact by offering significant resources for rental assistance and homelessness prevention. In particular, the program will serve approximately 10 families per year through a tenant based rental assistance program. This initiative will roughly double the number of families served through the city's existing program. Additionally, the program will provide homelessness prevention dollars to families at risk of homelessness. Unlike existing programs funded with federal/state dollars, however, this program will not have the significant restrictions that government grant sources impose, restrictions which make prevention much more difficult. The program will work with various social service and not-for profit organizations in the community to provide wraparound services for families that receive these funds. The program will also provide case management services.

Vermilion proposes to partner with St. Vincent de Paul to administer these programs. Vermilion proposes the following program parameters:

- Upon closing the project's financing (expected in Q3 2018), Vermilion or an affiliate will deposit \$1,500,000 in an interest bearing account in the name of St. Vincent de Paul. The funds will be drawn down over 5 years at \$300,000 per year.
- St. Vincent de Paul will utilize the funds for rental assistance, case management, and homelessness prevention. Rental assistance will account for approximately \$125,000 per year; case management, \$50,000 per year; and homelessness prevention, \$125,000.

- Families on the McKinney-Vento list from the Evanston school districts 65 and 202 will be eligible for the rental assistance program. Families will receive rental assistance, case management, and other wraparound services to enable them to transition out of rental assistance and progress up the socioeconomic ladder. Families will be eligible for multiple years of rental assistance.
- Based on current utilization and costs of rental assistance programs in Evanston, it is estimated that up to 10 families per year may receive rental assistance this program.
- Homelessness prevention funds may be granted to both renters and homeowners to prevent homelessness. Permissible uses include, but are not limited to, short-term rent/mortgage assistance and payments for utilities.
- Based on current utilization and costs of homelessness prevention programs in Evanston, it is estimated that up to 70 families per year will benefit from this program.
- A case manager will be employed to assist families in the rental assistance and homelessness prevention program.
- These parameters will be memorialized in a grant agreement between Vermilion (or its affiliate) and St. Vincent de Paul. The grant agreement shall be subject to the City of Evanston's approval.
- Prior to expending funds, St. Vincent de Paul will develop program guidelines for expenditure of the money and submit those guidelines to the City of Evanston for its approval.
- St. Vincent de Paul will annually submit a report to the City of Evanston on the expenditure of the funds.

Along with 4 on-site units, the rental assistance and homelessness prevention programs will impact far more families per year than would be served if the money were solely directed to constructing affordable housing units. We estimate that the program will serve 80 families annually. **Further, it will serve a population whose needs are not being met by the on-site units that the City is requiring.** To date, these on-site units serve those with incomes in the \$32,000 to \$43,000 range. They are not designed to serve people of very low income, eliminating many homeless families from accessing the units. This program will broaden the reach of the city's efforts, providing assistance to the most vulnerable citizens in the community. Further, they will assist children in the Evanston school system. Finally, it will deliver assistance far more quickly than on-site units, which require years to construct. In sum, the program will benefit significantly more families than on-site units, and it will provide assistance to those that do not benefit from the on-site units currently being constructed.