



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Administrative Division

m e m o r a n d u m

TO: Laurel Lunt Prussing, Mayor

FROM: Elizabeth H. Tyler, FAICP, Director

DATE: June 4, 2009

SUBJECT: TENANT RELOCATION ASSISTANCE DISCUSSION

Introduction & Background

Recent apartment/motel building closures in the City of Champaign (i.e., Gateway Studios) and the Village of Rantoul (Autumn Glen Apartments) due to the failure of the owners to pay their electric utility bills have resulted in a crisis for tenants who were faced with immediate relocation needs even though they had paid their unit rent and utility bills. In both situations, the municipalities and various social service agencies worked hard to provide services and locate alternative housing for the tenants, but many questions were raised about the need to prevent these situations and to plan ahead to provide an improved safety net for the tenants and to avoid an increase in homelessness.

Due to the national economic crisis and strains on the real estate market, Champaign County is seeing an increase in real estate foreclosures which can result in negative impacts on tenants, neighborhoods, and the community as a whole. Urbana-Champaign has been fortunate in that we have experienced relatively few foreclosures and bankruptcies, but there is a much greater need to monitor the status of properties and to intervene to protect the communities' interests than we have seen previously.

Representatives from the CU Citizens for Peace and Justice and the People's Housing Authority attended the City Council meeting on May 18, 2009 and asked to City to address this issue by establishing a tenant relocation fund similar to that previously proposed by House Bill 5170 (summary attached) and to consider amending the City's Rental Registration Program to include any long-term stay motels so that proper tenant notification provisions can be ensured.

Council members directed staff to work with the City of Champaign to develop regional solutions to this concern, to explore legal remedies, and to begin to develop an action plan for the City to follow in the event of a similar situation occurring in Urbana.

Coordinated Efforts

Community Development staff met with staff from the City of Champaign Neighborhood Services Department to discuss joint approaches to this problem. Staff members agreed to work together with representatives from Rantoul, Champaign County/RPC, and the Council of Service Providers to the

Homeless to develop a **unified Action Plan** for response to residential and hotel condemnations which result in displaced occupants. The Action Plan will include a resource guide for basic needs, such as social services, legal assistance, and emergency aid, along with a listing and contacts for short- and long-term housing. In compiling the Resource Guide, staff will work with relevant social service agencies, legal assistance groups, the tenant unions, the local Hotel/Motel association, and the Central Illinois Apartment Association to identify resources. The goal for completion of the unified action plan is Fall 2009.

Staff also discussed the need to jointly review the ability of the municipalities to assist tenants in protecting their rights when utility bills are paid by the tenant, but not to the utility provider and to work together to request utility companies to provide early warning to the community for nonpayment situations that might result in emergency relocation needs.

City staff will continue to meet with and coordinate with relevant staff from other jurisdictions and will report on the results of the development of these joint efforts as they progress.

Code Regulations, Enforcement and Monitoring

One of the concerns raised in the Gateway Studios case in Champaign was that the utility company did not provide the minimum 10-day tenant notice for residential utility shut-off because they considered the property to be commercial rather than residential. CU Citizens for Peace Justice suggest that the City of Urbana avoid the issue of insufficient notice for motel residents by amending its rental registration program to include motels.

Such an amendment would be problematic, however, because from a zoning and building safety code perspective, the City of Urbana makes a clear distinction between hotels/motels, which are considered a form of *commercial* use, and multi-family dwelling units (including dormitories, apartments, single room occupancies, etc), which are considered to be a form of *residential* use. The Urbana Zoning Ordinance defines a Hotel or Motel, as follows:

A building in which lodging, or lodging and meals, is regularly provided and offered to the public for a period of less than 30 consecutive days for compensation, and which is customarily open to transient guests. An establishment that is subject to state hotel/motel tax and is required to have a Certificate of Registration from the Department of Revenue shall be considered a hotel or motel.

In Urbana, a hotel/motel having the leasing arrangements similar to those at Gateway Studios and use as a primary residence by the occupants would have caused the zoning administrator/building inspector to **classify it as a residential use**. This type of use would require specific code upgrades for conversion from a hotel, including: provision of electric panels in each unit, with appropriate circuits: adequate space for combined kitchen/living area: sprinklering; smoke/CO2 detection: proper fire separation: adequate laundry facilities; and sufficient off-street parking. These upgrades would ensure a safer, more suitable arrangement for affordable housing and would provide the tenants with the protections offered by the Tenant-Landlord Relationships Ordinance and Rental Registration Program, including adequate notice of utility nonpayment.

The City of Urbana conducts **systematic inspections** of both rental residential and commercial properties within the City, including local motels and hotels, to ensure the safety of residents and customers. Since the closure of Gateway Studios, City staff have reviewed the hotels and motels in Urbana to verify that they are being used as commercial rather than residential facilities. Local hotels and motels are monitored frequently by Urbana Fire Rescue Services, working in conjunction with Building Safety staff, to ensure safe, code compliant conditions.

In recent years, City staff have worked together in a coordinated fashion to address the concerns caused by **“Problem Properties”**. These coordinated efforts combine staff from Legal, Police, Fire, Community Development/Building Safety, Human Relations, and Public Works to tackle properties which result in excessive neighborhood complaints, fire and police calls, and property maintenance/nuisance code violations. As part of our Problem Properties efforts, staff review warning signs of property owner stress, such as increased vacancy rates, bankruptcy/foreclosure notices, and nonpayment of City fees and sewer/water bills. Staff works to resolve code compliance issues with the owners and managers of problem properties prior to emergency situations and vigorously pursues legal action in the event of noncompliance. By staying informed about these properties, it is hoped that we can provide safe housing for tenants and prevent precipitous condemnations resulting in a loss of housing.

Relocation Assistance

In 2008, as a part of the Consolidated Social Service Funding (CSSF) process, the City Council allocated a total of \$2,000 to be used by the City in event of the need to assist tenants with relocation needs in the event of a building condemnation or other emergency. These funds remain available for use. The concept here was to provide for some assistance to tenants on an emergency needs-basis for those who are struggling to find alternative housing arrangements and who can not be adequately assisted through the emergency programs of Cunningham Township and Champaign County Regional Planning Commission. Staff recommends that the City continue to fund this program as social service funds become available (i.e., using remaining funds from CSSF grants that are not fully expended) and, potentially, through fines that may be collected under the proposed Chronic Criminal Nuisance Property Ordinance.

The concept promoted by Housing Bill 5170 and advocated by C-U Citizens for Peace and Justice differs from the City’s approach, in that it would *guarantee* a minimum of \$2,000 plus the return of any deposits to *each* dislocated tenant regardless of need and circumstance, and would further require that the municipality provide these funds upfront should the property owner be unwilling or unable to provide the funds. In situations where buildings are closed due to code noncompliance or nonpayment of utility bills, there is a high likelihood that this cost will fall onto the municipality rather the property owner and that the municipality would never be able to recoup the costs due to the protections of bankruptcy. For example, closure of a 100-unit apartment building would result in an immediate cost to the municipality of over \$200,000. Under generally accepted accounting principles, the City would have to expense these amounts as they are paid out to the tenants and would have to identify these funds in advance before they could be paid out. Such a program would

result in an immediate and ongoing financial strain on the municipality and could result in situations where a City could potentially be unable to afford to apply its life safety codes.

Entitlement of relocation costs to all residents, regardless of actual need or status of alternative housing arrangements, could also lead to abuse and lack of equity in that families with the most need may not be sufficiently aided, while those with lesser need could benefit out of proportion to their actual costs of relocation.

Affordable Housing Needs and Supply

One of the concerns raised by the closure of Gateway Studios and Autumn Glen is the supply of decent, safe affordable housing in the Urbana-Champaign area. Having an adequate supply of affordable housing opportunities can reduce the need to provide less than ideal housing options (such as converted hotels that charge a high monthly rate) and provide ample relocation options in the event of an emergency. Provision of affordable rental housing in the Urbana-Champaign area is also complicated by the high demand for student housing, which tends to drive rental costs up.

Information for an area Housing Needs Study is being compiled by staff from the City of Urbana, City of Champaign, Champaign County, Village of Rantoul, and the Housing Authority of Champaign County with a draft of the report expected to be available February, 2010. The City of Urbana will also be re-evaluating its affordable housing programs as a part of the upcoming Five-Year Consolidated Plan required by the U.S. Department of Housing and Urban Development (HUD). Recent increases in HUD funding to participating jurisdictions in the County (including Urbana, Champaign, and Rantoul) and to the Housing Authority of Champaign County can help to improve our ability to provide safe, decent affordable housing to our residents.

In the short term, Urbana is planning for additions to our affordable rental housing stock through construction of Crystal View Townhomes (70 units) at the former Lakeside Terrace site, planned expansion of Dunbar Court by the Housing Authority, and proposed improvements to the Woodstone Apartments and Scottswood Manor Apartments by the owners which will allow for full occupancy of these properties. Ongoing efforts to provide affordable housing opportunities through our Community Housing Development Organizations (CHDO's) and Habitat for Humanity also continue. The City is also continuing its predevelopment activities for the Kerr Avenue development site.

Recommendations

Staff has the following preliminary recommendations for dealing with this issue:

1. Continue to work with the City of Champaign and other agencies on a coordinated action plan for completion by Fall 2009.
2. Continue to explore legal remedies to address the issues of tenant rights with respect to utility nonpayment by property owners and to request sufficient notification by Ameren of possible multi-family and hotel building closures.

3. Continue to pursue commercial and residential inspection programs as they are now established.
4. Continue to fund the City's own tenant relocation assistance program as funds become available through nonexpenditure of CSSF grants, and potentially, through fines that may be accrued under the proposed Chronic Criminal Nuisance Property Ordinance, with such assistance to be administered on an emergency needs-basis only.
5. Continue to study affordable housing needs and to recommend improvements of the stock of affordable rental housing through the HUD consolidated plan and funding process.

Staff does not recommend inclusion of hotels and motels in our rental registration program as this would be contrary to our zoning and building safety codes. Staff also does not recommend the adoption of a relocation assistance program such as put forward in HB 5170 due to the substantial potential financial burden on the municipality, lack of a considered needs basis for the tenants, and potential for unintended consequences.

Attachment: Proposed Text of HB5170

Cc: Kevin Jackson, City of Champaign
Darlene Kloepfel, Champaign County RPC
Daniel Culkin, Village of Rantoul
Danielle Chynoweth, C-U Citizens for Peace and Justice



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB5170

by Rep. Harry Osterman

SYNOPSIS AS INTRODUCED:

New Act

Creates the Relocation Assistance Act. Provides that if a governmental entity notifies a landlord that a dwelling unit will be condemned or will be unlawful to occupy due to conditions that violate applicable codes, statutes, or ordinances, a landlord shall pay relocation assistance to a displaced tenant, unless the condemnation action or no occupancy order results from a natural disaster, a tenant's illegal conduct, or eminent domain. Provides that the landlord shall pay relocation assistance to a displaced tenant of \$2,000 per dwelling unit or 3 times the monthly rent, whichever is greater, plus the deposit, interest, and prepaid rent by certified check within 7 days after the governmental entity sent the notice to the landlord. Provides that if the landlord fails to timely complete these payments, a municipality or a county may advance the payments to a displaced tenant and assess a civil penalty of \$50 per day against the landlord for each tenant to whom the municipality or county advanced a payment. Provides that the municipality or county may sue to recover the assistance paid, interest, penalties, attorney's fees, and costs. Provides that in an action against a landlord to recover unpaid obligations, a displaced tenant shall recover costs and attorney's fees. Effective immediately.

LRB095 17845 AJO 43924 b

1 AN ACT in relation to civil law.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Relocation Assistance Act.

6 Section 5. Relocation assistance. If a municipality or
7 government agency responsible for the enforcement of building,
8 housing, health and safety, or other appropriate codes,
9 statutes, or ordinances, has notified the landlord that a
10 dwelling unit will be condemned or will be unlawful to occupy
11 due to conditions that violate applicable codes, statutes, or
12 ordinances, a landlord shall pay relocation assistance to the
13 displaced tenants of the dwelling unit.

14 Section 10. Exceptions to relocation assistance. A
15 landlord is not required to pay relocation assistance to a
16 displaced tenant if the condemnation action or no occupancy
17 order directly results from conditions arising from a natural
18 disaster, conditions caused by a tenant's illegal conduct
19 without the landlord's prior knowledge, or the acquisition of
20 the property by eminent domain.

21 Section 15. Relocation assistance; timing and form of

1 payment.

2 (a) Relocation assistance provided to a displaced tenant
3 under this Act shall be \$2,000 per dwelling unit or 3 times the
4 monthly rent, whichever is greater. In addition to relocation
5 assistance, the landlord shall pay to a displaced tenant the
6 entire amount of any deposit paid by the tenant, any interest
7 due on the security deposit, and all prepaid rent.

8 (b) The landlord shall pay relocation assistance and any
9 paid security deposit, any interest due on the security
10 deposit, and any prepaid rent to a displaced tenant within 7
11 days after the landlord receives notice from the governmental
12 agency under Section 5. The landlord shall pay relocation
13 assistance and any prepaid deposit and prepaid rent either by
14 making individual payments by certified check to a displaced
15 tenant or by providing a certified check to the governmental
16 agency or municipality for distribution to a displaced tenant.

17 Section 20. Local government action.

18 (a) If a landlord fails to complete payment of relocation
19 assistance as required under Section 15, a municipality or
20 county in which the dwelling unit is located may advance the
21 cost of the relocation assistance to a displaced tenant.

22 (b) If a municipality or county advances the cost of
23 relocation assistance funds to a displaced tenant and a
24 landlord fails to repay the amount of relocation assistance
25 advanced by the municipality or county, the municipality or

1 county shall assess a civil penalty against the landlord in the
2 amount of \$50 per day for each tenant to whom the municipality
3 or county has advanced a relocation assistance payment. In
4 addition, interest shall accrue on the amount of relocation
5 assistance paid by the municipality or county for which the
6 landlord has not reimbursed the municipality or county.

7 (c) If a municipality or county must initiate legal action
8 to recover the amount of relocation assistance payments that it
9 has advanced to a tenant, including any interest and penalties
10 under this Section, a municipality or county is entitled to
11 attorney's fees and costs arising from its legal action.

12 Section 25. Tenant recovery. In any action brought by a
13 displaced tenant to recover any payments or damages required or
14 authorized by this Act that are not paid by the landlord or
15 advanced by a municipality or county, the displaced tenant is
16 also entitled to recover the tenant's costs of suit and
17 reasonable attorney's fees.

18 Section 99. Effective date. This Act takes effect upon
19 becoming law.