



MINUTES
COMMUNITY DEVELOPMENT COMMISSION
Tuesday, October 22, 2002, City Council Chambers

Call to Order: Chairperson Cobb called the meeting to order at 7:12 p.m.

Roll Call: Connie Eldridge called the roll. A quorum was present.

Commission Members Present: Fred Cobb, Chris Diana, Alice Englebretsen, Robert Lewis, Joanna Shisler, Anne Heinze Silvis, Dennis Vidoni

Commission Members Absent: None

Others Present: Bob Grewe, Connie Eldridge, Mike Loschen, and Elizabeth Tyler, Community Development Services; Jim Rose, Homestead Corporation; Jerry White, Champaign Community Advocacy and Mentoring Resources; Bob Leach, United Citizens and Neighbors; John L. Johnson, Eads Street Development Corporation.

Approval of Minutes: *Chairperson Cobb asked for approval or corrections to the September 24, 2002 minutes. Commissioner Silvis moved to approve the minutes, and Commissioner Lewis seconded the motion. The motion carried unanimously.*

Petitions and Communications: John L. Johnson commented on the King Park Neighborhood Center. He requested that the Community Development (CD) Commission not participate if they are being asked to fund a center at King School. However, if the CD Commission is asked to be a partner for construction of a neighborhood gym, which would also benefit the Urbana School District 116, he suggested supporting it. Mr. Johnson summarized the long struggle to find funds for a neighborhood center and mentioned past efforts by Jettie Rhodes and Ethel Bridgewater. He stated the ultimate funding solution was not found among the residents. Mr. Johnson stressed that people need to understand the funding. The end result will be a facility to serve the neighborhood. Mr. Johnson stated the CD Commission should be responsible to see that low-income persons first benefit from this project and then the Urbana School District. He noted in the past the school district had chosen not to support a neighborhood center.

Staff Report: Mr. Grewe announced that Councilperson James Hayes is calling a special meeting on the King Park Neighborhood Center on Monday, October 28, 2002, at 6:00 p.m. in the Urbana City Council Chambers. Ms. Tyler distributed the meeting notice.

Commissioner Diana, who has been following this issue as it was presented to Urbana City Council, was concerned about the timing and the direction. Commissioner Diana stated the Urbana School District has spent substantial funds on other schools while ignoring the needs at King School for a long time. He questioned using city funds as part of a school remodeling project and added this was a slippery slope. Commissioner Diana remembered past discussions about using general funds versus Community Development Block Grant (CDBG) and HOME

funds in target areas. He mentioned the Department of Housing and Urban Development's (HUD) concerns and funding requirements. Commissioner Diana asked if the City of Urbana was bailing out a school remodeling project and cautioned all parties about appropriate use of funds. He stated a neighborhood center was a fantastic idea; however, he was not sure if it should be attached to a school remodeling project. He mentioned appropriate uses of the facility, priorities of uses, potential of closing the facility, who has the authority, etc.

Referencing the October 10, 2002 memo, Ms. Tyler stated the City Council was not interested in funding this project only to benefit the Urbana School District. She noted there was no cost estimate for a stand alone center and clarified there was no basis for the building to cost over \$1,000,000. Also, Mr. Hayes had information on Morton Building design that was not included.

Ms. Tyler indicated that CDBG funds may be used as only as seed money. The City of Urbana is considering using TIF 3 funds since the King Park Plan included the concept of improvements to King Park and King School. A neighborhood center fits within the whole purpose of the King Park Plan, which has been in existence for many years. Ms. Tyler felt the proposal was an efficient opportunity to achieve the goal of a neighborhood center as part of another project. The school district's project is attractive when considering the adaptability of the small gym, which has a stage and an attached kitchen. Architectural review indicates the small gym could function as a neighborhood center. However, the school district would need to build another gym that could house school and community athletics.

The Urbana School Board was interested in a partnership with the City of Urbana to make a joint project possible. Ms. Tyler stated there are many obstacles to a stand alone neighborhood center, and she saw this as a mutually beneficial opportunity. She noted the City of Urbana would not participate at the expense of capital improvements in the area or other CDBG and HOME projects. Ms. Tyler noted that grant funds from the State of Illinois are now available to build four classrooms. Now is the time to consider other options for a new gym, which will cost another \$800,000. There are many things to be determined: operating needs, appropriate uses, who is in charge, and user and intergovernmental agreements. Ms. Tyler felt the project was doable with a united, can-do approach. She felt the offer was worth closer examination.

Commissioner Diana asked what leverage the Urbana School District brought to the grant opportunities. Ms. Tyler replied it was an in-kind offer: the four classrooms, the land, the structure's shell, existing adaptable space, willingness to have joint use, maintenance, cleaning, insurance coverage, some operational staffing during the day, and construction efficiencies. She added it was not much in cold cash but was a significant offer.

Commissioner Diana stated he was not disparaging this offer; however, it did not convey ownership of anything from the school district to the city or the community. He speculated that if the City had not participated, there would not be four new classrooms and a gym. Commissioner Diana commented that some persons felt this was a requirement for some time. He urged caution and asked, "Who is doing what for whom?"

Chairperson Cobb inquired about staff interaction with the community group outside of formal meetings. Mr. Grewe replied staff interaction has been mostly at the monthly meetings of the

King Adopt-a-Park Committee. Staff had created and summarized a survey, provided neighborhood maps, etc. Chairperson Cobb asked if this was a cordial relationship. Mr. Grewe believed so. Remembering an earlier Committee of the Whole meeting, Commissioner Vidoni noted that Councilperson Hayes had indicated the relationship was not good between city staff and the community group. Councilperson Hayes had mentioned that requests were not completed. Mr. Grewe replied that some things could not be done for other reasons; for example, it was difficult to use city funds for excursions. Also the community group would ask about property acquisition; but staff had to balance this request with other needs. Mr. Grewe said there had not been much headway on every request. Noting there are many neighborhood groups, Ms. Tyler explained that city staff's work plan is geared to serving the City's official boards and commissions. Staff attends a number of neighborhood meetings and provides support. However, at some point there is not funding to backup every project. City staff has been attending the community group's meetings, and information should have been provided earlier on the pros and cons of a stand alone center versus a combined center. Staff has been concerned how a stand alone center could be funded and maintained.

Commissioner Vidoni understood the concern about shifting the burden from the Urbana School District to the Community Development (CD) Commission. Noting that \$100,000 in CDBG funds had been carried over for many years, Commissioner Vidoni felt the CD Commission should be included in discussions concerning a neighborhood center.

Ms. Tyler distributed a memorandum on the King Park Neighborhood Center.

Mr. Grewe continued with staff report. He mentioned identifying long and short term solutions to keep Homestead Apartments viable. Other activities were neighborhood cleanup, Federal Home Loan Bank funding, Illinois Center for Citizen Involvement's transition, HUD monitoring, the Consolidated Annual Performance and Evaluation Report (CAPER), and Get the Lead Out (GLO) grant. Mr. Grewe had mentioned to the banks that bond cap allocation might be used for Lakeside Terrace Redevelopment Project rather than the first time homebuyer programs.

Commissioner Vidoni questioned the HOME termination agreements with subrecipients. Mr. Grewe answered that ICF Consulting did discuss that issue, and it would be addressed in future agreements. There should be provisions in the agreements if non-profit agencies are not able to continue. Also, how the HOME Consortium interacts with other entities should be considered. Mr. Grewe stated the HOME Consortium renewal is due June 2003, and the housing partners will be invited to comment. Noting that HUD was concerned about Community Housing Development Organizations (CHDOs) capacity, Commissioner Lewis felt the CHDOs would benefit from administrative training. Mr. Grewe agreed.

Chairperson Cobb inquired about the additional cost of lead paint abatement on housing rehabilitation projects. Mr. Grewe said that would vary with each unit. The main cost of the current project is having licensed lead contractors replace the windows. He added that Kankakee has two housing units available for participants while their homes are being remodeled. Commissioner Lewis asked if one factor was children under a certain age. Mr. Grewe replied yes. Chairperson Cobb has talked with staff from the City of Champaign, and he remarked that the lead paint programs had a negative impact on the City of Champaign's rehabilitation

programs. Mr. Grewe said the GLO projects are stand alone right now, but they still benefit the neighborhood.

Old Business: **Redevelopment of Lakeside Terrace Apartments** – Mr. Grewe referenced the October 14 presentation to the Urbana City Council. Brinshore-Michaels Development Partner, which is a Chicago-based developer, submitted the only proposal. City staff was involved with the interview process and conferences. The memorandum discussed the CD Commission’s concerns about density. Staff preferred the D1 option and felt it was important to consider the Don Moyer Boys & Girls Club.

Commissioner Diana asked about the availability of cost figures. Mr. Grewe explained the Housing Authority will provide fiscal analysis and alternatives the next time they meet with City Council. Ms. Tyler added that the Housing Authority must first execute an agreement with Brinshore-Michaels before discussing financing and unit cost. She noted there were questions about accessibility at the last meeting, and she anticipated the process would continue into the spring.

Chairperson Cobb inquired about the amount of funds drawn from the CDBG architectural budget. Mr. Grewe answered that the agreement has not yet been executed. The Housing Authority needs to be aware of CDBG requirements before using those funds. Chairperson Cobb asked if the Housing Authority had other funding sources. Mr. Grewe assumed so. Ms. Tyler added that the Architectural Design Group (ADG), Ltd. has not yet billed the Housing Authority. Mr. Grewe explained that if the Housing Authority submits an executed agreement and the project meets CDBG requirements, the city could pay for activities that have occurred. Ms. Tyler remarked that the Housing Authority believes this to be part of the CDBG allocation since it fits within the predevelopment activities. Commissioner Diana referenced HUD’s commentary about better project oversight. He stated it was hard to have oversight if an activity predates the agreement.

Mr. Johnson remarked that he has been involved over 25 years with Burch Village, Dunbar Court and Lakeside Terrace. He has worked hard to develop partnerships among government entities and the Housing Authority. Mr. Johnson said the City of Urbana must put CDBG, HOME, and bond cap funds as a good faith investment to revitalize these projects. This would have serious implications on other projects. He felt if the CD Commission did not support the Lakeside Terrace Redevelopment Project, there would probably not be a good financial answer. He urged commissioners to make sure (1) the new development would be of high quality, and (2) the Housing Authority addressed the issue of the lost housing units. Mr. Johnson requested that an independent agency, rather than the Housing Authority, manage the new development.

Eads at Lincoln Development Agreement – Mr. Grewe reviewed the Request for Proposal (RFP) process to identify a CHDO to complete this project. The notice was sent to area housing groups, and there were two responses. The project must be completed by a CHDO certified by the Urbana HOME Consortium, and the Homestead Corporation meets this requirement. Westwood Corporation is not a CHDO. Commissioner Vidoni asked about the advantages of the project being completed by a CHDO. Mr. Grewe replied this project was funded from the 15% of FY 2000-2001 HOME dollars set aside for CHDO funding. HUD regulations require that

CHDOs complete these projects. Staff has shared the proposals with the HOME Consortium, and Homestead Corporation submitted a complete proposal. Staff wants the development agreement to be clear regarding the real estate marketing agent's fees, the impact on affordability, the development fee and the involvement of minority and female contractors. Staff will discuss Homestead Corporation's applications for other funding. Staff noted fiscal concerns regarding adequate subsidy and cost of the housing. Mr. Grewe noted that Homestead has worked with other funding sources. Staff believes that the HOME funding and additional subsidies will keep the units affordable. Staff recommends the CD Commission recognize Homestead Corporation's proposal and task staff with negotiating a development agreement.

Chairperson Cobb asked if the City had received a detailed proposal. Mr. Grewe answered the RFP process was structured more as a request for CHDO qualifications. Timing and unknown factors prevented asking for quotations for a dollar figure. In response to Chairperson Cobb, Mr. Grewe said financial information would be available by the November meeting. Mr. Rose stated that the Homestead Corporation Board, which meets October 23, must approve a resolution to enter into negotiations with the City of Urbana and the HOME Consortium. Mr. Rose has anticipated development costs. However, until he talks with the prospective homebuyers about their income levels, Mr. Rose cannot determine the amount of subsidies for each home. His first task is to contact the applicants who were initially a part of ICFCI's program. Homestead will apply for funding from the FHLB and the Illinois Housing Development Authority (IHDA) trust fund construction subsidy. Homestead will present a development budget later.

Noting that Homestead Corporation had primarily been involved with rental properties, Commissioner Vidoni asked if this new undertaking was the right direction for Homestead. Mr. Rose reviewed his background in development for Homestead Apartments and the TIMES Center and added that he was comfortable with new construction projects. In the past he has been involved with Housing Authorities for new construction of facilities, including single-family scattered site housing.

In response to Chairperson Cobb, Mr. Rose stated he would contact the five persons previously identified in ICFCI's program once Homestead's agreement is in place. If the applicants do not qualify, Homestead will have to market the homes. As in the earlier program, Mr. Rose wants to presell all units. If not presold, the cost of the homes goes up due to interest building on the construction loans.

Chairperson Cobb was concerned about the five previous applicants and asked what would happen if they did not requalify. Mr. Rose replied if the applicants did not qualify, it would be most likely be due to changes in their income based on Champaign County's Median Family Income. In response to Chairperson Cobb, Mr. Rose said if the applicants' income has gone up, they possibly could afford different housing. He needs to meet with the applicants and discuss their situation. Mr. Rose assumed he would not walk away from the applicant; however, Homestead cannot offer a home in Eads at Lincoln if they do not qualify. Mr. Grewe has spoken with the lenders, and, except for not being able to reach one family, all are positioned to remain in the program.

In response to Commissioner Diana, Mr. Rose clarified that he will execute the agreement and then meet with the applicants. Commissioner Diana asked about Mr. Rose's comfort level for marketing the homes. Mr. Rose replied he prefers to sell the homes to prequalified persons. If that cannot be done, Homestead will market the homes.

Mr. Rose noted there is one change from the previous program concerning household income. He believed the banks look at income from primary household members, for example, the husband and wife. However, HUD requires considering income from everyone in the family as household income. This may change a family's income level. Mr. Loschen explained that HUD does not want the banks to do the income verification. For example, the program must include income from adult children living in the household. Chairperson Cobb asked if this was different from the earlier program. Mr. Loschen replied yes, the banks were verifying income based on their underwriting guidelines. In response to Chairperson Cobb, Mr. Loschen said this could potentially change participation, depending on the ages of the children.

Mr. Rose said an architect will review the previous construction plans and hopefully come up with reductions in the overall cost. The purchase price of the home must be affordable. The amount of subsidy depends on the grantors' willingness to fund. The homes' selling price is in the range of \$60,000 even though construction cost is \$90,000. It is Homestead's task to find substantial subsidies. Chairperson Cobb wondered if the house would be less energy efficient. Mr. Rose answered no, Homestead must build to City of Urbana codes. He added it may be impossible to make construction cost less.

Commissioner Silvis asked if the homes were similar in design to the earlier project. Mr. Rose replied yes; the subdivision has certain requirements. Homestead will request bids for a general contractor with the help of the HOME Consortium. Mr. Rose plans to spend time on-site.

Since he developed the ICFCI project application, Mr. Johnson advised first determining the cost of the house and then considering the type of homebuyer and how much subsidy is needed. Mr. Johnson stated all earlier applicants were certified for income, and, if there was no change, the applicants should be re-certified. He felt inflation has changed the cost of the house, which he anticipated to be \$91,000. The subsidy will vary because of the mixed income requirement. Mr. Johnson added that the FHLB funds were withdrawn due to problems with Harco. He stated the homes were built as simply as possible with an approved design and meeting wind mitigation standards. Any amenities were added to make the homes more marketable. It was Mr. Johnson's understanding that all families are still waiting to have their homes built. He was concerned about any possible changes to the program. The re-certification process will show the amount of subsidies, which may need to be increased. Mr. Johnson said Busey Bank and BankIllinois were still committed as were the potential homebuyers. He believed IHDA would approve the application as long as the City of Urbana is the leading force. Mr. Johnson cautioned Homestead Corporation about tampering with the design, for example, the number of bathrooms. Mr. Johnson stated the houses are not for the poor but for the working poor, and the homebuyer must be able to repay the mortgage. Because ICFCI provided affordable housing for ten years, he felt there was no need to change the plan or system.

Chairperson Cobb was concerned about potential problems since the first contractor defaulted. After talking with housing developers, Mr. Grewe noted the importance of contractor bonds and obligations under warranty. Although there is no iron-clad solution, the contracts will include as much as possible. Mr. Johnson added that there must be a balance between insurance requirements and what contractors are able to meet. Mr. Grewe said staff would contact other housing providers to see how to meet additional requirements.

Commissioner Vidoni moved to recommend that City of Urbana staff enter into negotiations with Homestead Corporation on the Eads at Lincoln Development Agreement and report back to the Community Development Commission. Commissioner Diana seconded the motion. The motion carried unanimously.

New Business: **Annual Action Plan Amendments** – Mr. Grewe briefly explained the annual approval and amendment process. He summarized the following changes to the FY 2002-2003 Annual Action Plan (AAP).

Under Administration, Neighborhood Organization Grant VII, delete paragraphs referencing future funding. The small contingency amount leaves no funding for planning and capacity building for the Lakeside Terrace Resident Council. Their application was for \$45,000, and the remaining administrative funds would not begin to address their needs.

Under Public Facilities and Improvements, change the Prairie Center Project narrative to read: *Funding goal for this project is \$100,000 in CDBG funds over a two-year period for the improvement, purchase or construction of a facility to house residential and/or outpatient services.* This change allows Prairie Center the flexibility to improve their Hill Street facility. This works better with timeliness and expenditure of funds.

Under Street Reconstruction, move \$185,553 from the Street Reconstruction Project to the Streetlight Replacement Project. This is related to the concern about timeliness and expenditure of CDBG funds. The street reconstruction project is not ready to proceed but will be addressed later. There are engineering and drainage issues involving the City of Urbana and Champaign County.

Under Public Service, the Transitional Housing budget is increased by \$2,000 for a total of \$42,585. Last year the funding for Transitional Housing was very tight. Neighborhood Cleanup is reduced by \$2,000, which may eliminate free yard waste disposal at the Landscape Recycling Center for Spring 2003 cleanup. The city is constrained by HUD's public service funding category to 15% maximum.

Under CDBG Carryover Activities, Property Acquisition in Support of New Construction (CO 01/02), insert language concerning property acquisition in support of new construction. Also delete the \$10,000 to ICFCI for identifying lots for purchase. This project was a carryover from an earlier time.

Proposed HOME amendments/changes to the FY 2002-2003 AAP are as follows:

Under Administration, reduce the travel line item from \$4,644 to \$4,078.

Under both CHDO 15% Set Aside and CHDO Operating Funds, change the language to identify Homestead Corporation as the recipient.

Under City of Urbana, Property Acquisition, change the language to make it similar to CDBG language for property acquisition.

In planning for the Annual Action Plan, CDBG funds may be carried over. HOME funding is fixed within a certain program year. To meet HUD regulations, the older Annual Action Plans need to be amended.

Proposed HOME amendments for FY 2001-2002 are as follows:

Under City of Urbana, HomeBuildIV, delete this project since ICFCI has indicated they will not complete this project. Mr. Grewe noted that there were no agreements, nor were any funds spent. The entire \$101,265 is transferred to the FY 2000-2001 HOME CHDO Eads at Lincoln Project. Mr. Grewe said the project may not need the additional funding but it would give more flexibility to complete the project.

Chairperson Cobb inquired if the changes would negatively impact any proposed projects. Mr. Grewe responded no, there are funds in the Annual Action Plans to meet past pledges.

Commissioner Diana moved to recommend to City Council approval of the amendments to the FY 2002-2003, FY 2001-2002, and 2000-2001 Annual Action Plans pending agreement with Homestead Corporation. Commissioner Lewis seconded the motion. The motion carried unanimously.

Adjournment: Chairperson Cobb adjourned the meeting at 8:59 p.m.

Recorded by Connie Eldridge