



**APPROVED by Community Development Commission 2-24-04**  
**MINUTES**  
**JOINT STUDY SESSION**  
**URBANA CITY COUNCIL AND**  
**COMMUNITY DEVELOPMENT COMMISSION**  
**Wednesday, January 28, 2004, City Council Chambers**

**Call to Order:** Mayor Tod Satterthwaite called the meeting to order at 7:06 p.m.

**Roll Call:** City Clerk Phyllis Clark called the roll.

**City Council Members Present:** Esther Patt, Ruth Wyman, James Hayes, Danielle Chynoweth, Laura Huth

**City Council Members Absent:** Joseph Whelan, Milton Otto

**Commission Members Present:** Fred Cobb, Robert Lewis, Joanna Shisler, Dennis Vidoni (arrived 7:20 p.m.). Umesh Thakkar participated via teleconference

**Commission Members Absent:** Chris Diana, Carl Perry, Anne Heinze Silvis, and Nancy Quisenberry

**Others Present:** Bob Grewe, Connie Eldridge, Melissa Headley, Karen Rasmussen, and Dr. Elizabeth Tyler, Community Development Services; Matthew Hogan, Ed Bland, Jeffrey Ford, Clyde Walker, Housing Authority of Champaign County; Jim Rose, Homestead Corporation; Kerri Forsyth, City of Champaign; Peter Levavi and Rich Sciortino, Brinshore Development LLC; Bob Cook, Urbana Permaculture Project; John L. Johnson, Eads Street Development Corporation.

**Introductory Remarks:** Mayor Satterthwaite stated this joint study session is the result months of work by the Housing Authority of Champaign County, their developer, Brinshore Development LLC, and the City of Urbana. It has been the objective of the City of Urbana and an important goal of the mayor to consider redevelopment of Lakeside Terrace since it has become obsolete. It is too costly to renovate and run it as was done in the past. The area, which has one of the highest crime rates, is in need of redevelopment. Problems at Lakeside Terrace permeate throughout the community. There is a need to address these problems to provide good affordable housing and a better environment for families in need.

**Overview of Redevelopment Alternatives for Lakeside Terrace:** Mr. Grewe noted this project was complex, and there were many issues to consider. The Housing Authority intends to pursue redevelopment of Lakeside Terrace, as evidenced by their applications to the Department of Housing and Urban Development (HUD) for demolition and relocation funds. The Housing Authority, which has procured Brinshore Development, wants the City of Urbana to participate in this large redevelopment project.

Noting there has been continued dialog, Mr. Grewe said the goal of this meeting was to get a basic understanding of the fiscal and policy implications. This is why staff has developed three

alternatives for consideration. Mr. Grewe added that Brinshore would redevelop both Lakeside Terrace and Burch Village, which is in Champaign.

The City of Urbana's Consolidated Plan for FY 2000-2004 states that 80 percent of public housing units should be replaced when Lakeside Terrace was redeveloped. With planning for the next Consolidated Plan 2005-2009 on the horizon, the City of Urbana must consider how to address future needs. Both HOME and Community Development Block Grant (CDBG) funding involve more regulations. Another consideration is relocation of the tenants.

Mr. Grewe explained that staff was trying to create a continuum of alternatives. Alternative 1 meets the City's goal of 80 percent replacement of public housing units. Alternative 2 offers partial replacement with 48 public housing units. Alternative 3, which has no investment of City funds, is a limited replacement with only 24 public housing units. The alternatives reference tax credit units Area Median Income (AMI), which in Champaign County is \$58,700. The term public housing units referred to 30 percent AMI per unit, with recent discussions concerning 40 percent AMI.

Alternative 1 would provide full replacement of 80 public housing type units. The key component involved single-family scattered site units to provide a significant number of public housing units. Mr. Grewe added that the ability to find the units has not yet been entirely market tested. The impact to CDBG funding is significant. This alternative also runs a deficit, which could be addressed by making funding choices for capital improvement, public service funding, etc. The decision would be whether to continue funding programs that have received past funding versus changing direction to fund a new large project. The impact on HOME funding would be similar, with HOME funds needing to be redirected to accomplish this.

Alternative 2 is nearly identical to the first alternative, except there would not be 32 scattered site public housing type units. This alternative takes less HOME funding, and the net deficit runs half of Alternative 1.

Alternative 3 would provide 100 units with only 24 being public housing type units. There is not much of an impact to the City's HOME and CDBG funding.

Mr. Grewe mentioned density issues and unit costs compared to local funding. Staff counted the tax credit units, which are considered affordable, plus the public housing type units and divided the total number by the amount of City funding in the project. Alternative 1 would cost \$18,600 per unit, and Alternative 2 would cost \$16,600 per unit. Mr. Grewe noted this was within the range of investments in affordable housing that the City has made through other programs such as Urban League's Lease-Purchase Program. He added that closeout of Eads at Lincoln Subdivision incurred more development costs, so there was more cost per unit.

Noting that the current administration in Washington, D.C. prefers HOME Program funding, Mr. Grewe discussed other funding possibilities. Another source is the Community Housing Development Organization (CHDO) funding, which is 15 percent of the total HOME portion. While the City of Urbana cannot require CHDOs to pursue this particular project, the CHDOs may partner and invest set-asides if the project is mutually beneficial. Mr. Grewe also discussed the City's bond cap allocation, which has been used in the past for homebuyer assistance programs. There has been dialog with the Illinois Housing Development Authority (IHDA) to

trade bond cap monies for HOME funds for a Lakeside Terrace type project. It is possible the City could receive \$250,000 per year, but this has not been firmed up yet.

Mr. Grewe mentioned the possibility of purchasing additional land near Lakeside Terrace with the City of Urbana's resources. Noting the City of Urbana owns two properties in the area, he mentioned analyzing whether to lease or transfer ownership of the land. The Housing Authority's plan for HOPE VI demolition would help with costs.

Another key resource would be Section 8 Project Based Vouchers. The current Tenant Based Vouchers are converted to Project Based Vouchers, thereby the voucher is tied to a building for a certain number of years as opposed to being used by an individual. Low Income Housing Tax Credits are a key component for this redevelopment program. Mr. Grewe added that the City of Urbana has done a number of tax credits in the past.

Another source of funds might be an Affordable Housing Program Grant, which is administered by the Federal Home Loan Bank. Also, the Illinois Housing Trust Fund assists with providing affordable housing for low- and very low-income households.

Mr. Grewe mentioned that the draft timeline is based on submitting IHDA tax credits in May.

Dr. Tyler remarked that the City of Urbana is in the process of acquiring a large property to the east of Lakeside Terrace.

Mayor Satterthwaite stated the three alternatives helped with understanding the possible choices. He viewed Alternative 3 as a basic building block—to redevelop the Lakeside Terrace site alone. The nine acres would be divided in two phases of 4.5 acres each. This would allow 100 housing units, with 24 dedicated to public housing units. Alternative 2 would add development of an additional 10 acres, some of which the City owns or is attempting to acquire. There would be two phases with each phase having five acres, 50 housing units and 12 public housing units. Alternative 1 would develop all 19 acres plus include the development of 32 single-family units over eight years. The alternatives are not entirely separate but build upon each other and add to the total number of units and public housing units.

Rich Sciortino, President of Brinshore Development LLC, briefly summarized Brinshore's history. Brinshore Development, an eleven year old company from Northbrook, IL, has expertise in creating mixed income residential communities. It has constructed 2,000 apartments, with 2,500 under construction. Brinshore has developed housing for seniors and has rehabilitated historic mixed income units in Rock Island. Brinshore is the master developer for two Chicago public housing projects in Chicago--the Robert Taylor Homes and Henry Horner Homes. All projects have mixed income components, which is market rate rental or owner units mixed with affordable and public housing units. All projects have been within the State of Illinois except for their current mixed income housing project in Indianapolis.

**Discussion:** Councilperson Esther Patt was concerned that the packet information for the relocation plan was different from recent and past discussions. Referencing the Lakeside Terrace Relocation Plan, she requested solid answers about one-for-one replacement of public housing units. When the City of Urbana wanted one-for-one replacement, she was told that HUD did not

require this and would not approve it. Councilperson Patt said this was the only reason that the City of Urbana would support redevelopment that replaced only 80 percent of the units.

Matthew Hogan replied this was a typographical error. The Housing Authority has not applied for nor been granted an exception. Concerning a request for an exception to the one-for-one replacement rule, Mr. Hogan said this was not for the Housing Authority, rather it concerned use of HOME funds. Mr. Grewe referenced page four of the City's memorandum that did address HOME and CDBG rules about one-for-one replacement. In response to City staff's inquiry, HUD has stated that Housing Authority rules for replacement would apply rather than HOME and CDBG rules. Mr. Levavi stated that in 1996 HUD eliminated the requirement that required one-for-one replacement of public housing units. In response to Councilperson Patt, Mr. Levavi said there were no regulations that prohibited one-for-one replacement of public housing units. However, HUD is strongly favoring mixed income development. In response to Councilperson Patt, Mr. Levavi said a mixed income plan could include one-for-one if the density increased to a much higher percentage. HUD is looking for a density of 30-35 percent or 25-30 percent. One-for-one replacement of public housing units would triple the density on the same land.

Councilperson Patt referred to studies that indicated the number of homeless children in Champaign County was growing. She felt this redevelopment effort would likely increase the number of homeless children in Champaign County. Councilperson Patt noted that a needy family could live indefinitely in one of Lakeside Terrace's 98 permanent public housing units. She was concerned with families being forced into a hostile community where there is discrimination against them. Many times there was no good cause for termination of their rights as tenants, so families had to move often. She felt it was bad for the welfare of children to be taken out of stable housing situation and put into unstable housing situations.

Councilperson Patt requested clarification on the number of relocation vouchers, how many were project-based, and the number of additional vouchers for which the Housing Authority has applied. Ed Bland replied that the Housing Authority would receive additional relocation vouchers for 60-70 percent of the public housing units. HUD assumes the Housing Authority will also use its existing vouchers for any leftover clients. HUD does not provide vouchers for 100 percent relocation since many public housing units are vacant before a demolition. Councilperson Patt asked if HUD regulations required a replacement voucher for each displaced family. Mr. Bland answered that HUD regulations require the Housing Authority to provide affordable, decent housing for every family who will be relocated. The Housing Authority would use a combination of additional vouchers from HUD, vouchers from the existing pool, and available units in the present housing inventory. He noted that it was HUD's normal past practice to provide 60-70 percent voucher replacement when public housing units are being demolished.

Referencing the current voucher program, Councilperson Patt asked about the Housing Authority losing 30 housing opportunities. Mr. Bland replied that the voucher program was driven by the budget authority as determined by HUD's annual allocations. For example, in 2003 the Housing Authority's voucher program paid landlords over \$6,000,000 in subsidies for families. When a family's income rises, the amount of rental subsidy goes down. As a result, the Housing Authority can make additional vouchers available. Councilperson Patt questioned losing 99 permanent public housing units and 30 Section 8 vouchers and only receiving 65-70 new vouchers in return. Mr. Bland said over the next five to ten years the Housing Authority would

receive replacement dollars for the 99 units. The Housing Authority could then build another 20-25 true public housing units. When the replacement vouchers were added to the developer's project and money to build additional units, the result would almost equal the original number of units at Lakeside Terrace. Councilperson Patt noted the Housing Authority would spend \$32,000,000 and end up with the same number of housing units as today. Mr. Bland replied that the result would be more units than the Housing Authority currently has, not counting the developer's units. Discussion continued on the possible number of vouchers as compared to the current number of permanent housing units.

Councilperson Patt questioned whether the subsidy was coming from the existing Section 8 vouchers or from new project based vouchers. Mr. Levavi added that the 60-70 percent replacement is based on HUD's formula. Many residents will not use Section 8 vouchers but will move to existing units in the Housing Authority's stock. Noting that Burch Village will also be demolished, Councilperson Patt wondered about the number of available public housing units. Based on his experience, Mr. Levavi said many public housing residents chose to stay in public housing. He said there were vacancies in every development from time to time. The 60-70 percent relocation vouchers would be in addition to any of the Housing Authority's current vouchers.

Mr. Levavi compared the condition of the current units to the proposed mixed income units. He noted the current units are not sustainable while the proposed units would be viable and sustainable for future generations. This project represents a transition from the current conditions to a healthy community. City staff developed the three alternatives to help decide the amount of support to replace public housing units and create affordable housing alternatives at the 50-60 percent level.

Councilperson Patt stated there was no vital need for affordable housing at 50-60 percent AMI; rather, there was a vital need for people who make less than 15 percent AMI. This housing only exists in public housing. Her highest goal was to make sure that no children were made homeless during this redevelopment process. Stating that this involved millions of taxpayers' dollars, Councilperson Patt asked if the redevelopment would result in fewer, the same or more affordable housing units for persons who make less than \$12,000 a year. She mentioned an earlier compromise to replace only 80 percent of public housing units at Lakeside Terrace.

Noting the relocation vouchers were good for only 60 months, Councilperson Patt asked how long the replacement units would remain affordable. Mr. Levavi answered proposed on-site buildings would be subject to tax credit rules, which are 15 years. At the end of the compliance period, the Housing Authority would have the right of first refusal to purchase the property. The Housing Authority would presumably purchase this partnership and keep it as permanent affordable units. In response to Councilperson Patt, he clarified the partnership would be the entire development. Mr. Levavi said there would be many tools such as bond or private financing to purchase this property at the end of the compliance period.

Mr. Sciortino did not anticipate providing an option for the Housing Authority to purchase the property, and this has not even been discussed. Mr. Sciortino explained the Housing Authority owned the land at Lakeside Terrace. Brinshore would have a ground lease on the land for 30-40 years. Mr. Sciortino expected the property to be affordable for the next 40 years. He stated that

Brinshore would have no objections to the development remaining affordable for more than 40 years. The ground lease controls what would happen after 40 years.

Councilperson Patt stated that HUD regulations require local governments to approve a Housing Authority's replacement housing plan. She indicated that she would not vote for anything that did not include an additional 32 units. Dr. Tyler replied that the goal of Alternative 1 was to meet the City's policy as stated and consider fiscal implications. It implied a commitment for 32 other units; approval would be contingent upon this. Dr. Tyler explained that funding is critical since it will require giving up other programs. The choices involve a range of housing types and affordability to meet different goals. Staff was trying to "take a pulse" to see what the City of Urbana would support. The City is a potential funding partner in the partnership with the private developer, Housing Authority, and the State of Illinois. One possibility for Alternative 3 would be the State of Illinois providing match funds to support this level of public housing without using CDBG and HOME funds.

Mayor Satterthwaite stated the alternatives were not yet fleshed out. The discussion was to consider redevelopment of Lakeside Terrace and the Kerr Avenue sites--the financial aspects, mix of units, and impact on Section 8. Councilperson Patt commented that redevelopment of the land was not high on her priority list, and housing of low-income persons must be part of this proposal.

Noting the land is free and there were tax credits, Councilperson Patt wondered how it could cost \$141,000 per unit to develop this housing. She felt this was more costly than building a single family home even when the land had to be purchased. Mr. Sciortino explained that constructing higher quality affordable housing is more costly than constructing market rate housing. In order to offset fear of public housing, the product must be better than what a contractor would build in a market rate setting. Also, affordable housing has larger family size units, such as three to four bedrooms, versus typical market rate units of one to two bedroom units.

In response to Councilperson Patt, Mr. Sciortino said all hard and soft construction costs are 35 percent more for affordable housing projects than market rate projects. One reason is that IHDA requires all projects to pay union wages. Also, federal funds require Davis Bacon that will raise the cost 15-20 percent. Additional soft costs include professional costs and reserves. IHDA requires substantially more in reserves than a market rate project. For a market rate project, a developer would allocate 20-25 percent of the total development costs for soft costs. However, for an affordable housing project, a developer would allocate 35-40 percent for soft costs.

Councilperson Patt felt there was an interest in making Alternative 1 work, but the cost was high and hard to justify to the taxpayers. She questioned the cost per unit as compared to a single family house. Mr. Sciortino noted that one of their recent projects cost \$248,000 per unit in Chicago.

Mayor Satterthwaite requested clarification of the Housing Authority's Section 8 Program. He mentioned hearing different things: (1) there is a current pool of 1050 Section 8 vouchers, (2) the demolition of Lakeside Terrace would add 60-70 vouchers to the program, and (3) there is a pool of money that funds the vouchers, with the number of vouchers based on participants' income levels. Mayor Satterthwaite asked how often the Housing Authority reassesses its Section 8 Program to determine if they may "put more vouchers on the street." Mr. Bland

answered that the Housing Authority did that assessment a few weeks ago. Based on the budget authority, the Housing Authority will add more vouchers on the street. Mayor Satterthwaite inquired (1) if the Housing Authority would have a dollar amount coming into the program that would equate to 60-70 additional vouchers, or (2) the Housing Authority would have the ability to fund 60-70 vouchers whatever the cost would be for the Lakeside Terrace families. Mr. Bland indicated that the Housing Authority would receive additional money that would equate to 65-70 percent just for those families moving out of Lakeside Terrace.

Referencing a HUD letter regarding demolition of Burch Village, Mayor Satterthwaite said that HUD was providing 49 vouchers for 70 units. He asked if HUD provides an annual check that equates the corresponding number of vouchers. Mr. Bland replied yes, there is a dollar value included. Concerning an alternative that includes 48 units of public housing, Mayor Satterthwaite asked if the Housing Authority would allocate 48 units of project-based public housing and then pay the difference between the developer's rate and what a family could afford to pay based on 30 percent of their adjusted gross income. Mr. Bland answered that the developer would apply for project based vouchers. If a Section 8 client moved into that particular unit, the client would pay the same rent as if the client lived at Lakeside Terrace. The federal government will make up the difference.

Mayor Satterthwaite asked if a Section 8 voucher was attached to a unit at 40 percent Area Median Income (AMI), was the rent capped? Mr. Sciortino reviewed the rents at 40 percent AMI and the market rate for one, two and three bedroom units. Mayor Satterthwaite clarified that a project based Section 8 voucher covers the difference between what a family can afford and the actual rent. This money would come out of the Housing Authority's Section 8 pool. If the Section 8 voucher was tenant based rather than project based, the tenant could rent anywhere in the community. If the market rate was higher, the Section 8 pool would have to pay a higher amount to make up the difference. Assigning Section 8 project based units to 40 percent units will result in a lower cost to Section 8 than others because the rent is capped at a lower amount. Mr. Bland agreed. Rather than one-for-one replacement, Mayor Satterthwaite said the Housing Authority could afford more project based Section 8 vouchers than tenant based Section 8 vouchers. Because the rent would be lower in the new development, Mr. Bland said the Housing Authority would be able to put additional vouchers "on the street."

Councilperson Patt noted the Housing Authority's memorandum indicated that the funding term for replacement units at Burch Village was only for 12 months. Mr. Bland answered that every year there is a new appropriation for Section 8, which has grown since 1962. Every person who actually has a voucher continues to be served. Public housing units are also only funded on a yearly basis. Councilperson Patt asked about HUD regulations that would guarantee funding for relocation of public housing tenants for a certain time period. Mr. Bland referred to HUD's track record of continual funding of relocation vouchers. Councilperson Patt mentioned attempts to cut the total number of vouchers. She was concerned with the trend to eliminate public housing and then using Section 8 vouchers from the existing pool.

Councilperson Patt asked if there were any guarantees from HUD regarding the life of the replacement vouchers. Mr. Levavi said that HUD was concerned about residents being moved and those residents had rights under the Uniform Relocation Act. HUD will provide the Housing Authority additional vouchers for redevelopment; however, he was not aware of the time commitment. All funding is subject to the annual appropriation, and there are no guarantees

from the federal government. Mr. Levavi added that HUD has always funded Section 8, which is a popular program with bi-partisan support. Section 8 is the preferred method of providing housing today, and it is likely to continue. Councilperson Patt referenced proposed regulation to cut Section 8 funding.

Councilperson Patt asked if the persons being relocated would need to first pay the relocation costs and then be reimbursed. Mr. Bland answered no; the Housing Authority will bear the relocation costs up front. Families have a choice of either the Housing Authority hiring a moving company or taking the money and moving themselves. Each family is eligible for about \$2,000 in family relocation costs, which include deposits for utilities, security deposits, etc. Federal law requires the Housing Authority to do this. Mr. Bland explained that the relocation plan is a draft and has not been finalized.

Councilperson Danielle Chynoweth asked if Brinshore Developers' involvement would be the same in both Alternatives 1 and 2 and if CHDOs would develop the additional 32 units. Mr. Grewe replied yes; the City would collaborate with others. Councilperson Chynoweth expressed concern about losing capacity to support local CHDOs and asked if Alternative 1 would continue that support. Mr. Grewe said the alternatives did not address the impact on CHDO funds because these funds are a 15 percent setaside from HOME funds. Dr. Tyler confirmed that Alternative 1 had a deficit that would affect current programs.

Councilperson Chynoweth wondered about the unit cost for public housing units. Mr. Sciortino said this was no different than any other unit since all units float. For example, if a market rate unit becomes vacant and there is a need to occupy it with a public housing tenant, the unit then becomes a public housing unit. The apartment units are not permanently assigned to be public housing or affordable units.

Councilperson Chynoweth asked if the City's portion of costs through CDBG and HOME funds is \$50,000 per public housing unit in Alternative 1. She compared the City's funding formula to what was being provided for persons in need. She noted that the City would pay nine percent of the overall costs of the redevelopment project.

Referencing the local rental market, Councilperson Chynoweth believed there were enough market rate units and did not see enough units for those under 30 percent AMI. Councilperson Chynoweth referred to the recent homes constructed by local CHDOs and noted the most expensive unit was \$120,000, which is lower than Brinshore's proposal. If the CHDOs could build three bedroom homes for \$120,000-\$130,000, she asked why the City should consider funding smaller housing units for \$141,000 each. Noting there should be an economy of scale and that the land would be donated, she asked why Brinshore's units were more costly.

Mr. Sciortino clarified that there were \$1,000,000 in site costs associated with property acquisition. Alternative 1 assumed the City of Urbana would get repaid for property acquisition. Referencing rental costs, he noted there was a huge difference between a new rental unit and one in an older development, because people are willing to pay more rent for a new unit. The market study indicated these rents would be substantially below the area market rents. Mr. Sciortino discussed building less expensive single-family homes versus apartment units. He referenced the new urban design of Burch Village apartments, which were designed to resemble single-family



homes rather than an apartment community. Although there are cost savings due to economy of scale, the developer used higher quality components than are usually found in apartments.

Dr. Tyler remarked that there are different types of housing units that serve different parts of the population. There is a need to find sites, build CHDO capacity and develop another subdivision similar to Eads at Lincoln. The challenge is achieving this in addition to addressing the needs of public housing. The goal is to create a community of choice and achieve both objectives, if possible. Dr. Tyler commented on the loss of public housing units and struggling with new federal policies. Because the Housing Authority's new projects focus on mixed income units, staff must balance many concerns to avoid losing public housing altogether.

Councilperson Chynoweth asked (1) if the alternatives included management costs, and (2) who will pay for on-going management—the developer, the Housing Authority or the City of Urbana. Mr. Sciortino replied that the development budget does not reflect the cost of managing the property and paying for the debt service. Market rate and affordable rents plus project based vouchers will pay for operating expenses, property management and debt services. Councilperson Chynoweth asked if the developer would require additional funds from the City of Urbana or the Housing Authority. Mr. Sciortino replied that the Housing Authority would provide funds in the form of voucher payments, but there would be no other funds from the City.

Councilperson Chynoweth asked how long Brinshore Development would be involved in the project. Mr. Sciortino said the minimum period of time would be 31 years for an extended use period. Although the low income housing tax credits have a life of 15 years, Brinshore is willing to discuss a longer affordability period with the Housing Authority and the City of Urbana.

Referencing the business plan's moving from 30 to 40 percent AMI, Councilperson Chynoweth wondered if there would be a written guarantee this project would serve persons at 30 percent or below AMI. Mr. Sciortino answered that there were two practical reasons for earmarking units at 40 percent AMI versus 30 percent AMI. When you limit the percent of household's income, you must limit the rents to adjust to those same household incomes. Higher rents can be charged for 40 percent AMI units than 30 percent AMI units. If the number of higher income households is reduced, this would result in less income coming into the project. This means less money for debt service and would require more HOME funds to subsidize the debt service. He assumed the private loan would be maximized to the highest extent possible. Brinshore is not opposed to more units at 30 percent; however, this would require additional HOME funds. Mr. Sciortino added that the tax credits through the State of Illinois are obtained in a competitive process. Because an applicant gets points based on income distribution, there should be some units at 40 percent AMI.

Councilperson Chynoweth wanted to make certain there were a number of units available to the poorest of the poor. She inquired about a guarantee that the 80 units in Alternative 1 would be reserved for the poorest of the poor regardless of their ability to pay. Mr. Sciortino replied there would be a regulatory operating agreement with the IHDA that would set aside 20 units for families at 30 percent AMI. This would be the controlling document for the operation of the development. Also, the City and Housing Authority could stipulate in land use agreements and ground leases that include restrictive covenants that run with the land on affordability of units. He stated that the Housing Authority, rather than the developer, would have to guarantee that the 80 units would be built.

Mayor Satterthwaite asked if the Housing Authority would refer potential tenants for the project-based Section 8 vouchers or if potential tenants could apply directly to the developer. Mr. Sciortino said the application process could be structured any way, and Brinshore would want the Housing Authority to refer tenants.

Referencing the City of Urbana's Capital Improvement Projects (CIP), Councilperson Chynoweth asked if CIP funds could be used rather than CDBG. Dr. Tyler responded that all funds are stretched so thin that each city ward has a longer list of projects than can be funded. Some CDBG funds are used in eligible wards. She noted there will be tradeoffs with any alternatives. Mayor Satterthwaite agreed that if a project was added or accelerated in the CIP, something else had to give. In response to Councilperson Chynoweth, Mayor Satterthwaite said the most of the funds for Stone Creek generally did not come out of the CIP but rather the general reserves.

Councilperson Chynoweth suggested considering the following: (1) what kind of equalized assessment value (EAV) and tax increase would be added to the City of Urbana, and (2) can the projected tax increase be used to invest in this redevelopment. Dr. Tyler replied this was one way to fund the project. Creating another Tax Increment Financing (TIF) district is cumbersome, but they have been used successfully. Residential TIFs have their own requirements and are more rigorous in terms of reporting than commercial districts. Councilperson Chynoweth asked if a TIF was needed since the taxes would go into the general fund. Dr. Tyler answered that only a small portion (15-20 percent) of the taxes goes into the general fund to pay for services associated with the TIF. If the City wanted the project to pay for itself, a TIF would be a good approach. However, it brings a host of other obligations. The City is currently managing four TIF districts and working with other taxing bodies.

Councilperson Chynoweth asked if any residents at Lakeside Terrace were involved in the redevelopment process. If the goal is not mixed income residential but to get rid of the stigma and reduce crime, mixed income housing is a means to the end. She felt it was more important to work with the residents to address crime and stigma rather than to build nice housing.

Commissioner Joanna Shisler remarked that she and Commissioner Dennis Vidoni had attended two of the four focus group meetings for residents at Lakeside Terrace about 18 months ago. Residents told developers what they wanted in a new environment. In response to Councilperson Chynoweth, Mr. Bland said the Housing Authority is required to keep residents informed and has done so in the past. The residents are aware of what will happen; they want new housing; and they fully support the Housing Authority to bring about a change of life. The Housing Authority will continue to hold more informational meetings for the residents. When the redevelopment plan has been determined, the Housing Authority will accelerate the meetings.

Commissioner Fred Cobb asked if Brinshore would be the on-site developer construction manager. Mr. Sciortino replied that Brinshore will be the on-site construction manager but not the general contractor, who will actually build the units. Brinshore will share an on-site office with the general contractor. Commissioner Cobb asked (1) if Brinshore would accept the bids, (2) what would happen if the project came in over budget, and (3) what was Brinshore's minority participation. Mr. Sciortino responded that the general contractor accepts the bids. If the project was over budget, costs come out of the developer's fee. If the costs were under budget, IHDA

has a formula where funding agencies receive funds on a pro-rata basis. Brinshore's highest minority participation in Illinois was over 60 percent, with 35-40 percent in Galesburg and Rockford.

Councilperson Ruth Wyman asked if Lakeside Terrace residents were informed and understood that half of the current residents would not return after the redevelopment. Mr. Sciortino replied that the meetings were held before the Housing Authority had procured Brinshore. He noted that Brinshore sets up meetings and invites community participation in all of their mixed income redevelopment projects. There were three to four meetings with a working group of community representatives for Burch Village, and the project was redesigned. Community meetings are held when certain milestones are reached. Mr. Bland stated there will be additional focus meetings with Lakeside Terrace residents. He stated that the residents clearly understand that not all will return. Some residents do not want other residents back. Councilperson Wyman asked if the residents voted on who would return. Mr. Bland said the residents are involved in the process.

Noting the City of Urbana was expected to contribute \$3, 500,000 through CDBG and HOME funds, Councilperson Wyman inquired about the Housing Authority's contributions either yearly or over a nine year period. Mr. Bland explained that the Housing Authority has submitted a grant application to HUD for \$1,000,000 to demolish Lakeside Terrace and relocate residents. If they do not receive the grant, the Housing Authority will raise the funds through revenue bonds or leverage capital funds to generate other funds. Councilperson Wyman asked if the Housing Authority could use both the grant from HUD plus raise other funds to create more housing opportunities for affordable housing. Mr. Bland replied when public housing is demolished, the Housing Authority would get replacement funds, which is a separate fund that can only be used to build new units. These funds have not been included. Mr. Bland anticipated that HUD's formula would allow the Housing Authority to replace 20-25 units over a period of time.

Mayor Satterthwaite requested more information about HUD's formula, how much the Housing Authority program would receive, and how many units this would equate. None of the alternatives include these replacement units; they would be in addition to the alternatives. Councilperson Patt asked if these were additional units beyond the 32 undefined units. Mayor Satterthwaite responded yes.

Councilperson Wyman wondered about the impact of Lakeside Terrace's redevelopment on programs funded through CDBG and HOME. She asked if programs would be lost or diminished and if the CHDOs would still be around to address additional needs for low income households. Mr. Grewe answered that CHDO money would be reserved because it is a set-aside. Using Urbana's allocation, Alternative 1 would be a very intense investment for the City of Urbana and would eliminate the owner-occupied housing rehabilitation program, property acquisition, and Eads at Lincoln type developments. Mayor Satterthwaite remarked that 15 percent of the total HOME funds are set aside for CHDO funding. Dr. Tyler stated there would be fewer City of Urbana dollars allocated to the CHDOs for their projects; however, the City of Champaign would still have its HOME allocation. Alternative 1 would result in losing one staff person. The City would need to hold off on the Whole House Rehabilitation Program for a period of time. The question is whether to build new housing versus rehabilitating older houses. It is possible that bond cap or TIF funds may prevent this.

Councilperson Wyman asked when the Housing Authority receives its demolition permit, will the Housing Authority have the authority to and plan to demolish Lakeside Terrace with or without the City of Urbana's approval. Mr. Bland stated the Housing Authority wanted to collaborate with and get the support of the City of Urbana. Councilperson Wyman stated that the City of Urbana also wants to collaborate and asked about authority to proceed. Mr. Bland said this would need to go before the Housing Authority Board for approval, and he assumed the Board would want the City of Urbana's agreement, as would HUD. He noted the planned redevelopment reflects the national trends toward mixed income communities.

Councilperson Wyman said it appeared that the Housing Authority did not need either HUD's or Urbana City Council's approval to demolish Lakeside Terrace. She then asked if the Housing Authority would proceed with demolition if its Board gave approval. Mr. Bland replied that the Housing Authority had a net fiscal year loss of \$48,981 on Lakeside Terrace. Lakeside Terrace is not financially supporting itself and does not attract working families. For the Lakeside Terrace community to survive it must be redeveloped to fit into the community. This will also positively enhance the adjacent properties.

Councilperson Wyman understood that mixed income housing was good; however, she did not see a great need to use taxpayers money to create more housing in the community for households at 60 to 80 percent of AMI. She preferred using CDBG and HOME funds for very low income families. Councilperson Wyman was more concerned with using taxpayer money to alleviate homelessness in the community. She questioned considering an alternative that did not meet minimum requirements and wondered if the City of Urbana did not fund this project, would other CHDOs address the need.

Dr. Tyler responded that Alternative 3 was to consider what the result would be if the City of Urbana did not participate. Points to consider would be the net result, how many public housing units would be affected, and what the City would do with its allocation. She questioned whether the State of Illinois would participate if the City of Urbana did not use some portion of its entitlement funds. Noting this is not finalized, she believed there would be a net loss of public housing units at Lakeside Terrace under this alternative. Mayor Satterthwaite remarked that Alternative 3 was a baseline that did not require any funding from the City of Urbana. Points to consider would be what benefit does the City receive by funding the project, how is the money being used, and what is the impact on affordable housing.

Noting she was not familiar with Brinshore Development, Councilperson Wyman preferred to provide more affordable units for very low-income households with children rather than constructing nice apartments. She also did not want to decrease the number of affordable housing units.

Commissioner Robert Lewis mentioned the Community Development (CD) Commission's discussion of CDBG and HOME funding. The CD Commission has realized that federal funds are diminishing which limits the types of projects that can be funded. He suggested investing in bigger projects for a longer period of time. Although the Housing Authority received significant funding for upgrading over the years, Commissioner Lewis stated the Housing Authority does not have enough funds to "take care of business." He suggested investing the bulk of those funds into a project that will create quality housing. Commissioner Lewis commented that HUD wants

out of the housing business. Noting that Lakeside Terrace is at a point of diminishing returns, he saw the redevelopment as a way to provide an opportunity for growth.

Commissioner Dennis Vidoni remarked on city staff's and the CD Commission's legitimate concerns about the loss of federal funds. He proposed Housing Authority funds could possibly mitigate some of the City of Urbana's losses. Mayor Satterthwaite agreed and asked what was the nature of Housing Authority funds available for replacement of public housing units or for the redevelopment project. Mr. Grewe responded this would be a new opportunity that has not been included in the alternatives yet.

Mr. Sciortino stated that the City of Urbana's involvement, which was shown as \$3,500,000, was not accurate. The \$1,000,000 for purchasing the Kerr properties would be repaid. Also, \$1,000,000 was for 32 units for CHDOs to build housing for households at or below 30 percent AMI. The City of Urbana would only be providing \$1,500,000 of city funds into a \$32,000,000 project. He pointed out that \$30,000,000 was coming from outside of Urbana to create new affordable housing in Urbana. Mr. Sciortino mentioned applying to IHDA for HOME funds.

In response to Councilperson Patt, Mr. Grewe said the \$1,000,000 for property acquisition was a combination of HOME and CDBG funds. Mayor Satterthwaite said the funds would be returned to the line item from where it came. Mayor Satterthwaite asked if the City acquired the Kerr properties and if the developer partnership paid the City for the properties, the City would no longer own the properties but would get the use of the returned funds. Mr. Sciortino explained that Brinshore was treating the funds as a loan from the City of Urbana that Brinshore would pay back. It would be similar to seller financing, with the City having a loan against the property for \$1,000,000 that would be paid back over a period of time. The time could range from 15-30 years. HOME funds typically require no payment of interest but there would be a balloon payment at the end of the project for the entire amount of the HOME funds. There could be a 30 year amortization period with no payments or it could be fully amortized. It has yet to be determined.

Councilperson Patt questioned the likelihood of the City of Urbana getting paid back within nine years. Mr. Sciortino said that he did not know about the timing. If IHDA was inclined to provide HOME funds, those could be used for land acquisition. Mayor Satterthwaite remarked that the City could craft the payback in any way. The City could negotiate for an earlier payback, if another funder wanted to wait until later.

Concerning stigma in public housing units, Councilperson Jim Hayes commented that persons who live at Lakeside Terrace "have a destination rather than an address." Mr. Sciortino said it was Brinshore's intent to create a new image and community for the property at Lakeside Terrace. Market rate tenants bring different perspectives to a neighborhood, which is why marketing is so important. Transforming public housing communities into mixed income communities changes the entire tenor of development. Mr. Sciortino said this takes more than bricks and mortar, and encouraged the City of Urbana to be involved in this process. Councilperson Hayes felt the Lakeside Terrace location near Crystal Lake Park deserved a better image.

Councilperson Chynoweth requested more information and suggested reducing the cost per unit by varying the amenities. She also requested a list of current projects that would be affected by

redirecting the funding. She recommended that City Council and the CD Commission not completely give up programs on housing rehabilitation and homeownership. Councilperson Chynoweth requested figures on replacement housing factor funding and TIF exploration or a reinvestment of the City's portion of taxes over 30 years. She suggested leveraging some general fund future dollars, using the 30 unit project to build local CHDO capacity, and distinguishing acquisition loans versus grant funds.

Concerning the 32 single family in-fill homes, Councilperson Patt asked if the City's vision for owner-occupied homes was for higher incomes or for public housing equivalent. Dr. Tyler replied the scattered sites should be for public housing equivalent. Councilperson Patt wanted to know the federal legal requirements on demolition and relocation, not just what HUD preferred. She wanted definitive answers on whether or not the Housing Authority can move forward on demolition and redevelopment without city approval.

Commissioner Lewis referred to an annual assessment of the Housing Authority's five year development plan. Part of the five year plan encompasses any type of demolition and redevelopment. When the Housing Authority submits the annual plan to the cities for approval, the municipal governments grant approval by approving the annual plan. Councilperson Patt stated that plan referred to 80 public housing units, so Alternative 3 was not approved by the City of Urbana. Commissioner Lewis said the document referred to demolition. Councilperson Patt replied the plan indicated the City would approve demolition if a replacement plan would include 80 permanent housing units. Dr. Tyler added that the plan refers to an acceptable redevelopment plan. In the City's last review of the Housing Authority's Annual Plan, the City made sure the demolition was tied to the redevelopment plan. The City was poised well in regards to the City's Consolidated Plan, the PHA plan, and HUD regulations.

Councilperson Patt wanted to know if the Housing Authority could go forward with Alternatives 2 or 3 if the City signed off on changing the plan. Dr. Tyler would need to find the answer.

**Public Participation:** John L. Johnson said that Brinshore and the Housing Authority were committed to a mixed income project. Because Congress, HUD and IHDA require this, the only way to move forward would be with a mixed income project. He suggested more site-based vouchers to allow more low income persons to live there. He noted the developer would want higher income persons to live there since they would pay higher rent. Mr. Johnson also suggested having a non-profit agency such as a CHDO do the project. This would not change the Housing Authority's responsibility or the fact that nonprofits must compete with other programs to get funding.

Mr. Johnson stated the Eads at Lincoln project did not have to meet prevailing wage standards because it was a smaller project. A developer must meet prevailing wage rates on larger projects.

Stating that the era of Lakeside Terrace projects is over, Mr. Johnson urged the City of Urbana to consider single family development. He asked who would manage the project over the long term before it was turned over to the Housing Authority. He was concerned that the housing units be sturdy so the property will last, since the Housing Authority will not accept rundown property. Mr. Johnson stated the Housing Authority and private developer must meet the City of Urbana's terms, such as meeting codes, setting an affordability period, and providing a demolition permit.

Mr. Johnson discussed choosing a private developer versus using a CHDO to build replacement units. If the City wanted a CHDO to create housing, he suggested using the Consolidated Plan and the Annual Action Plans. Stating that Lakeside Terrace is not self-sustaining, Mr. Johnson encouraged the City to work out a solution with the Housing Authority to create homeownership opportunities. He felt that many Lakeside Terrace residents would not return, but a strategy could be developed for them. Mr. Johnson stated the City and Housing Authority did not need the private market to do this redevelopment. The Housing Authority would contribute money to the project, with the rest from local banks and Federal Home Loan Bank. He encouraged the City of Urbana to drive the project, provide terms for the private sector, and try to mitigate future blight.

Jeffrey Ford, formerly with Habitat for Humanity and now on the Housing Authority Board, discussed past efforts to work with nonprofit housing providers to develop small neighborhoods. Mr. Ford stated that nonprofits do not have the capacity to take on projects and suggested asking them about their capacity. He was very concerned about increasing the number of low income units in the community. He saw the redevelopment of Lakeside Terrace as a base project. Mr. Ford supported this redevelopment project as the best way of solving problems at Lakeside Terrace and maximizing the amount of housing. The Housing Authority does not have funds to do this project by itself since it is also redeveloping Burch Village. There is no big pool of funds. Noting that a great deal of work has gone into this, Mr. Ford wanted to work with Brinshore. He also suggested building the capacity of nonprofit agencies so they could also address these issues.

Councilperson Patt asked if the nonprofit agencies had the capacity to construction 32 of the 232 units. Mr. Ford responded the nonprofit agencies could take a piece of the redevelopment but they could not do the entire redevelopment. For example, Habitat for Humanity could construct eight units, Urban League 10-15 units, and Homestead five units per year. He stated that a nonprofit agency must have demonstrated capacity.

Councilperson Patt asked if the Housing Authority Board was interested in reducing the number of housing units that it was managing. She asked if the City build 80 scattered site single-family units, would the Housing Authority be able to manage them? Mr. Ford replied that he was interested in building and maintaining capacity for low income families in the community. He added that the Housing Authority cannot redevelop Burch Village and Lakeside Terrace and solve capacity issues in the same development. Although he felt that HUD's policies were misguided, he noted that options were quickly narrowing and suggested being careful about what the Housing Authority could and could not do.

Councilperson Patt wondered about selling Lakeside Terrace and starting somewhere else. She questioned how much the Housing Authority wanted to manage property, either at scattered locations or current units. Mr. Ford replied that, speaking for himself, he was not specifically opposed to managing property. Given the Housing Authority's current capacity, he did not see any way to rehabilitate Lakeside Terrace.

Mr. Johnson stated there were benefits to using area CHDOs to construct housing rather than using a private developer. Mr. Johnson felt the City of Urbana had the resources to bring the project to life and could help the Housing Authority redevelop Lakeside Terrace. He noted that

the City of Champaign had Oak Trace, Mansard Square, and Burch Village in the same development period and they also had the CHDOs operating. He questioned why this would overwhelm the City of Urbana.

Clyde Walker, chairperson of the Housing Authority Board, described his choice as a single parent to raise his children in low-income housing. Rather than struggle to earn more and live in more expensive housing, he chose to spend more time with his children. Mr. Walker also participated in the redevelopment of Parkside Mansard. He did not want others to grow up and deal with issues in low-income housing as he had. He attended meetings, provided input, and listened to the pros and cons of reducing the number of units of public housing. His discussions with other low-income persons revealed that they also preferred fewer units of low-income housing to having concentrated areas of low-income units. Mr. Walker felt that large numbers of low-income units result in problems with drugs, crime and complacency by residents. Noting that many residents become complacent with their situation, Mr. Walker found their attitude affecting him.

Mr. Walker supported the Housing Authority's proposal. He would like 80 percent of the public housing units preserved—even 100 percent if they were not concentrated in one area. Although Mr. Walker agreed with the Urbana City Council's concerns, he said he was a voice for persons who lived at Lakeside Terrace. Mr. Walker noted the project would “get us out of our comfort zone” to make changes happen. He felt the majority of displaced persons will have chosen to go elsewhere, rather than going against their will.

Mayor Satterthwaite asked if Mr. Walker supported the Housing Authority's proposal because Lakeside Terrace is not a viable place for low-income families. Mr. Walker responded that the biggest problem was not actually the housing units but rather the problems when people are forced to live in one small area. These persons share the same dilemma and compromise their sense of right and wrong to survive. People from outside the community lobby the residents to participate in illegal activities. The rest of the community then holds the low-income residents at arms-length because of the stigma.

**Adjournment:** Mayor Satterthwaite adjourned the meeting at 10:17 p.m.

Recorded by Connie Eldridge

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*APPROVED by Community Development Commission 2-24-04*