



APPROVED by CD Commission 6-28-05
MINUTES
RESCHEDULED REGULAR MEETING OF THE
COMMUNITY DEVELOPMENT COMMISSION
Tuesday, May 31, 2005, City Council Chambers

Call to Order: Acting Chairperson Silvis called the meeting to order at 7:34 p.m.

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

Commission Members Present: Chris Diana, Nancy Quisenberry, Anne Heinze Silvis, Umesh Thakkar, Dennis Vidoni

Commission Members Absent: Fred Cobb, Theresa Michelson, Joanna Shisler

Others Present: Erin Bullok, Randy Burgett and Connie Eldridge, Community Development Services; Dylan Lamar and David Stecher, Ecological Construction Laboratory (E-CO LAB).

Approval of Minutes: *Acting Chairperson Silvis asked for approval or corrections to the April 26, 2005 minutes. Commissioner Quisenberry moved to approve the minutes, and Commissioner Thakkar seconded the motion. The motion carried unanimously.*

Petitions and Communications: None.

Staff Report: Ms. Bullok thanked commissioners for attending this rescheduled meeting and distributed the following: a staff briefing memorandum, a memo concerning Neighborhood Services Code Enforcement Position Request, Ecological Construction Laboratory's Schedule of Activities for the Passive Solar House Program, Rules and By-Laws of the City of Champaign's Neighborhood Services advisory Board, and an excerpt from an issue of *Morbidity & Mortality Weekly Report* on Blood Lead Levels-United States, 1999-2002.

Ms. Bullok made the following announcements: The 5th Annual Housing Fair was well attended, with 40% more surveys returned. Although Spring Neighborhood Cleanup had fewer participants, the amount of junk collected was the same as past cleanups. The Urbana-Champaign Continuum of Care will finalize the 2005 Notice of Funding Availability (NOFA) application and submit it to HUD on June 9.

Concerning the Supportive Housing Program (SHP) that was not funded in the 2004 NOFA, the City of Urbana is providing \$28,000 of HOME funds for the Center for Women in Transition (CWIT) new Transitional Housing facility. This allows CWIT to free up a similar amount of funding for their operational expenses. The Urbana City Council will provide gap funding as follows: \$10,000 for the Salvation Army and \$15,000 for A Woman's Fund. The City of Urbana is providing 45% of the overall shortfall for the three agencies. The Continuum of Care continues to work with United Way and other potential donors to identify funds for the remaining gap. Commissioner Silvis asked if the City of Champaign was providing funds. Ms. Bullok said the

City of Champaign is committing \$30,000 to CWIT's Transitional Housing Facility. Because CWIT currently has a capital project, it may receive Department of Housing and Urban Development (HUD) funds. This will almost completely take care of CWIT's gap. In addition, United Way has identified \$10,000 for gap funding of the Salvation Army and A Woman's Fund and is seeking approval for another \$10,000. Staff anticipates that fund-raising efforts will fill the remaining gap of \$12,000.

In July the Community Development (CD) Commission will visit to several HOME and CDBG funded projects that are under construction.

HUD will conduct a local workshop on Ethics, Conflict of Interest, and Program Guidance for HUD Grantees on June 22 (for elected officials and CD Commissioners) and June 23 (for staff from nonprofit organizations).

Ms. Bullok referenced the May 19, 2005 memo to City Council on Neighborhood Services (Code Enforcement) Position Request. The first draft of the Annual Action Plan included funds for code enforcement; however, this money was reallocated to other programs. Because City Council wanted staff to focus on code enforcement, staff created a Neighborhood Wellness Program and new staff position (Neighborhood Wellness Specialist) to address code issues and inspection-related responsibilities. This will be included in the next fiscal year's budget.

Commissioner Vidoni supported this code enforcement effort. He commented on the "broken window phenomenon" where damage, vandalism and crimes occur where there are signs of decay and properties are not kept up. He thought code enforcement would help. Ms. Bullok hoped this would be a more comprehensive program within Grants Management. The City is considering different programs to reinvest in specific neighborhoods to see physical improvements.

Ms. Bullok said staff was reviewing and updating policies and procedures for the Housing Rehabilitation Manual, Tenant Based Rent Assistance (TBRA) Program, Shelter Plus Care Program, and Transitional Housing Program. The CD Commission will consider a revision to the Housing Rehabilitation Manual in June. Ms. Bullok also distributed a copy of the CD Commission By-Laws for review and provided a copy of the City of Champaign's Neighborhood Services Advisory Board.

Referencing the May 27, 2005 issue of *Morbidity: Mortality Weekly Reports*, Ms. Bullok noted that blood lead levels in United States residents have been decreasing over the last ten years. City staff is concerned with lead hazard reduction through housing rehabilitation. The City has received funding for Get the Lead Out (GLO) Program.

Ms. Bullok asked commissioners to suggest names for the vacant CD Commission seat. Acting Chairperson Silvis felt this position should be filled by someone from the CD Target Area. Commissioner Thakkar agreed and suggested a resident of Homestead Apartments or Center for Women in Transition be considered.

Old Business: None.

New Business: An Ordinance Approving a HOME Agreement Between the City of Urbana and the Center for Women In Transition (CWIT Capital Project No. 0405-09) – Ms. Bullok noted this agreement is pledging \$28,000 in HOME funds, which were reallocated from a housing rehabilitation project, to CWIT’s Transitional Housing Facility. CWIT will then reallocate some funds to help with the gap in operational funding due to the denial of the 2004 NOFA application. This is a standard HOME agreement with a ten year affordability period, which means this facility must be used for Transitional Housing for ten years. A land use agreement secures this affordability period.

Acting Chairperson Silvis commented that this issue was discussed earlier, with this action being the formalization of the process. Ms. Bullok agreed, noting this is the actual agreement that will be executed between the Executive Director of CWIT and the City of Urbana.

Referencing HUD’s earlier concerns with timeliness of dispersal and use of City funds, Commissioner Vidoni inquired about CWIT’s timeline. Ms. Bullok responded this was a concern since \$100,000 of Community Development Block Grant (CDBG) funds were set aside for this project several years ago. However, the project has begun and is moving forward at a normal construction pace. The target date for completion is one year from now. Commissioner Vidoni asked if staff was comfortable with this, and Ms. Bullok responded yes. Commissioner Thakkar also supported this.

Commissioner Vidoni moved to recommend to City Council approval of the Urbana HOME Consortium Subrecipient Agreement for Center For Women In Transition (Transitional Housing Capital Project FY 2004-2005). Commissioner Thakkar seconded the motion. The motion carried unanimously.

An Ordinance Approving a HOME Agreement Between the City of Urbana and the Ecological Construction Laboratory (e-co lab Subrecipient Agreement Project No. 0405-10) – Affordable Homeownership Program – Passive Solar House FY 2004-2005 – Dylan Lamar, Assistant Director for eco-lab, gave a brief review of e-co lab and its project. Because many architects and architectural students are involved with e-co lab, project design is not as much of a concern as getting the project within the budget. The first contractor’s bid was too high for construction. E-co lab has started working with a second contractor who has more experience with energy-efficient construction. Four architectural students are interning with e-co lab this summer, and one is specifically assigned to finding a family in the correct income bracket. E-co lab distributed flyers throughout the neighborhoods and is planning new publicity efforts.

Commissioner Thakkar asked if the selected family would be able to give their input on the house. He felt it was important for the family to be involved. Mr. Lamar said e-co lab is waiting on several aspects for buyer input.

Commissioner Diana had a major concern about the difference between the projected cost of this house versus a traditional house for which a low- or moderate-income family would qualify. He is concerned about e-co lab successfully finding a buyer who could afford the house and still meet income qualifications. He asked about the alternative if e-co lab could not find a qualified buyer. Mr. Lamar said that Katrin Klingenberg, Executive Director of e-co lab, has been working with

the lending institutions. Projected construction costs are \$130,000, with \$30,000 coming from HOME funds. Persons within the 80% Median Family Income (MFI) can afford a \$100,000 mortgage if their debt is not too high. Also, the new contractor has assured e-co lab that the house will be within the budget. E-co lab's staff has been focusing on design to bring the budget down.

Commissioner Diana asked what changes were made from the earlier higher estimate. Mr. Lamar responded the change was not so much in design as in the new contractor's experience. The first contractor had only built one house, while the current contractor has built 30 houses, many of which were passive solar and energy efficient. The current contractor is working with e-co lab to keep the budget down.

Acting Chairperson Silvis asked if lenders were considering the lower utility costs when considering a buyer's ability to pay the mortgage. Mr. Lamar assumed the lenders did not consider this because they seemed more concerned about whether there was a fireplace. Acting Chairperson Silvis felt it would be helpful to document utility savings and how this worked out for the family. She felt this was an attractive model for low-income families, especially considering escalating energy costs. Commissioner Thakkar agreed and asked if e-co lab would share the project's benefits through a website or other type of publicity. He said e-co lab should document the entire process from planning through the family's moving in. Commissioner Thakkar felt that an open process would be beneficial to the community, and Mr. Lamar agreed. E-co lab is talking to a local filmmaker about documenting the construction process for a visual record of how the construction proceeds and how this house is different from others.

Ms. Bullok stated this is the standard HOME agreement, with the affordability period secured by a mortgage, note and land use agreement. Attachments 2 and 3 were distributed at the beginning of the meeting. Ms. Bullok was impressed with e-co lab's solid business model and how e-co lab is cautiously moving forward. She felt there was a great potential for success with this model and noted that e-co lab was working on different ways to reduce costs.

Commissioner Diana noted the projection was \$130,000 while the agreement indicated \$173,000, which is 95% MFI. He asked about any planned strategy and focus for funding in terms of targeting housing and income levels and how this matches or does not match. Ms. Bullok said on page 3 the reference to \$172,673 was the maximum construction price that HUD allows under Affordable Housing. City staff looks very closely at the subsidy levels to make sure the level is appropriate and not over-subsidized. Ms. Bullok noted that the local lenders have indicated a typical homebuyer in the 50-80% MFI range can afford a mortgage of \$70,000-\$95,000, depending on the buyer's credit scores. There is a large pool of potential homebuyers, as indicated by the Affordable Housing Fair, First Time Homebuyers Programs, etc. She noted that households needing 3-4 bedrooms usually find houses in need of repairs, which may impact the long-term stability of homeownership. A newly constructed house helps with long-term ownership.

Commissioner Diana stated that, based on his experience, the projection is suitable although there are a number of items that might be hard to meet. His main concern was if the cost of construction increased, the project would not remain in the 80% MFI. There is no fat and no contingency in the \$130,000 budget.

Commissioner Vidoni recommended that these concerns be highlighted for City Council. Acting Chairperson Silvis suggested that this be considered creation of a model, that actual costs be reviewed to address concerns about any cost overruns, and that actual costs to the family be reported. The City would then have real figures for future projects. Commissioner Diana agreed and stated that this was a laudable project. He was involved in similar projects on the west coast many years ago. Commissioner Diana felt the City was on the fine edge of where these funds should be used, and it was very likely only a few households would qualify. Acting Chairperson Silvis noted these funds are designed to address a broad set of needs, not just an exclusive program.

Commissioner Diana inquired about a qualified buyer and if the lender and builder would lock into a construction budget rather than a projection. Mr. Lamar will refer these questions to the Executive Director. Commissioner Diana stated it was better to have a qualified buyer and a builder with a solid budget at the beginning of the project. Mr. Lamar said e-co lab will have the contractor's bid before the family takes out the construction loan.

In response to Commissioner Diana, Ms. Bullok said the project would qualify under HUD guidelines even if project costs were increased. However, there was nothing in the HUD guidelines that would prevent the City from being more restrictive. The projected subsidy level would lower the cost to a level appropriate for 50-80% MFI homebuyers. Exceeding this budget would mean additional subsidies would be needed. Ms. Bullok said the key would be whether or not the subsidies should be identified prior to approving this agreement. Ms. Bullok felt that e-co lab staff had worked very hard to identify various sources, such as Trust Joist (TJI), a manufacturer that will donate some construction materials. She also added that any construction project runs the risk of increased costs. Commissioner Diana said the ultimate worst case scenario was the cost increasing to the point where the project did not qualify for funds.

Referencing page 3, Commissioner Diana suggested placing a ceiling on costs that actually represented 80% rather than 95%. Ms. Bullok said this would be acceptable. Commissioner Diana also suggested changing the wording from "price" to "cost" to allow donations. One difficulty was even if 100% of the materials were donated, the donations would be included in the appraised value and would affect the mortgage. Discussion continued, with consensus on the amount being in the range of \$155,000-\$156,000. Ms. Bullok remarked this was a good way to narrow the risks.

Mr. Lamar asked if capping the project was to protect the families from escalating costs. Commissioner Diana answered yes, and it was also to protect the function of the CD Commission which must allocate funds within HUD guidelines for Median Family Income. Mr. Lamar asked if this value included financial donations to e-co lab that are used in the project. Commissioner Diana did not think so. There will be a final cost of the project, which is more relevant to the mortgage value and purchase price. This would be no different than other housing projects that were built with donated materials and labor.

Commissioner Thakkar added this project could serve as a model for Urbana and other communities and was cautiously optimistic about this project. Ms. Bullok noted that when

construction takes longer, costs go up. This agreement has a timeline in place to help keep the project on budget.

Commissioner Vidoni moved to recommend to City Council approval of the Ordinance Approving a HOME Agreement Between the City of Urbana and the Ecological Construction Laboratory (E-CO LAB Subrecipient Project No. 0405-10). This approval includes an amendment regarding the affordability section. The CD Commission is very positive about this agreement but is cautious with regard to final construction cost in relation to affordability. Commissioner Thakkar seconded the motion. The motion carried unanimously.

Review of a Proposal to Acquire Two Urbana Properties under Land Acquisition to Support Affordable Housing Efforts (1110 West Hill Street and 708 North Goodwin Avenue) – Mr. Burgett stated that these two properties are in the CD Target Area. A Champaign County Public Administrator, who was administering the estate of the deceased owner, approached the City of Urbana about possible purchase. 708 North Goodwin is a vacant lot; 1110 West Hill Street is a residential two-story house with a full basement. Mr. Burgett and Building Safety Inspectors have inspected the properties.

The City of Urbana usually purchases properties for demolition, clearance and then donation of the lot to a non-profit housing organization for new housing construction. The City does not currently have a program to purchase, rehabilitate and then resell a house. Although 1110 West Hill would need a lot of rehabilitation work, Mr. Burgett felt that demolition and new construction would not match the neighborhood. City staff is proposing a new program to purchase, rehabilitate and then resell a house to a low- or moderate-income household. The program could be offered through a non-profit organization or the City of Urbana.

The Champaign County Public Administrator had both properties appraised, and the City's appraisal review is in agreement. The appraisal for 1110 West Hill is \$29,000, and the appraisal for 708 North Goodwin is \$11,000.

Discussions were held with empty tomb and other organizations about keeping rehabilitation costs to the minimum. Since 1110 West Hill Street was vacant, Mr. Burgett said rehabilitation work would cost less.

Commissioner Vidoni supported the idea of preservation and rehabilitation of current housing to help keep community roots. Because this would require a lot of time and effort, he was concerned with starting a new program and how that impacted City staff. Mr. Burgett agreed and noted this idea has been discussed for many years. Staff is considering this new program because the house is in better shape than most houses the City has purchased. The house would not be visitable; however, it is not new construction so there is no requirement to make it visitable. Mr. Burgett felt this would make a nice three to four bedroom home for a lower income family. He noted that \$29,000 was a lot of money to invest in a property that would then be demolished.

Commissioner Diana asked about lead based paint and asbestos. Mr. Burgett answered that both were present; however, this would be a gut rehabilitation from the beginning. The City of Urbana would hire a licensed lead abatement contractor to completely gut the house, and then clear it for

lead-based paint. The City would then hire subcontractors for plumbing, electrical, etc. Mr. Burgett stated this is a lot of work but felt it would pay off in the end.

Commissioner Diana asked if there were vocational training programs in the area that rehabilitate housing. Mr. Burgett said the City is still looking into this.

Ms. Bullok stated the advantage is how the City became aware of the property. Because properties are sold very quickly, there is little opportunity for a long decision process. Since the house is vacant, it would be a good testing ground to try a new purchase, rehabilitation and resale model. Also, through the City's Housing Rehabilitation Program, staff becomes aware of properties that need more work than simple rehabilitation. This program would be another tool to help maintain affordable housing stock. She felt this was a good opportunity with minimal risk.

Mr. Burgett noted there are many properties for sale in the CD Target Area, and often these are converted to rental property. If this program worked, it would help stabilize the neighborhood through resale to another homeowner. Commissioner Diana remarked that houses usually became rental properties before being demolished. Mr. Burgett saw this program as a good experiment to keep the neighborhoods owner-occupied.

Commissioner Diana supported this project and felt this was a good opportunity. Noting the stock of vacant properties was very slim, he said there were only two options for older properties: demolish for new construction or rehabilitation. He suggested coordinating work with vocational training groups or CHDOs.

Commissioner Diana moved to recommend to City Council acquisition of 1110 West Hill Street and 708 North Goodwin Avenue. Commissioner Quisenberry seconded the motion. The motion carried unanimously. There was discussion about whether this was Option 1 or 2. Commissioner Diana clarified that his motion was Option 2, and Commissioner Vidoni agreed. Acting Chairperson Silvis stated it was the consensus of the CD Commission that this motion included Option 2.

Adjournment: Acting Chairperson Silvis adjourned the meeting at 8:42 p.m.

Recorded by Connie Eldridge