



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Community Development Commission

FROM: John A. Schneider, Manager

DATE: January 27, 2006

SUBJECT: HOME Funding Allocations – FY2006-2007

Description

Included in the agenda for the January 31, 2006 meeting of the Community Development Commission is a review of the applications requesting HOME program funding for FY2006-2007 and a summary of funding requests. In response to the invitation for funding requests open to area not-for-profit organizations (NFPs) from December 5, 2005 to January 13, 2006, the City of Urbana/Urbana HOME Consortium received a total of six applications. Three applications are for funding of specific projects and three applications are for CHDO operating funds. Staff is requesting input and recommendations regarding funding decisions for the applicants.

Issues

The issue before the Community Development Commission (CDC) is to review and evaluate the HOME applications for FY 2006-2007 and provide recommendations for funding which would then be placed in the Draft Annual Action Plan (AAP) for FY 2006-2007. After the thirty-day public review period for the draft AAP, CDC will review the Draft with changes and will be asked to forward a final recommendation to Urbana City Council.

Background

Applications for sub-recipients to request HOME funding were available between December 13, 2005 and January 13, 2006. On December 12, 2005, staff conducted two training workshops to answer any questions about the application, activity eligibility or the process. Staff was also available to applicants throughout the application period to answer questions.

On January 18, 2006, formula allocations of HOME funds were announced by HUD. The Urbana HOME Consortium has been awarded \$1,049,488 in HOME funds and a separate allocation of \$23,528 for the American Dream Downpayment Initiative (ADDI) Program. This represents a 5.95% reduction in the overall HOME allocation and a reduction in the ADDI allocation by more than half. A summary of the preliminary FY2006-2007 HOME budget complete with comparison to the FY2005-2006 budget is attached.

Applications for specific projects were submitted by four agencies: Ecological Construction Laboratory (e-co lab), Habitat for Humanity of Champaign County (HHCC), Homestead Corporation (Homestead) and the Urban League of Champaign County Development Corporation (ULCCDC). The funding requests fell into three categories of HOME funding: CHDO project funds, CHDO operating funds, and non-CHDO project funds.

Staff recommendations for the funding of these applications are summarized below. The information provided here includes a brief description of the project, the amount of funding requested, the score for each request, and the staff recommendation. Included in the attachments to this memo are the applications and the scoring summaries produced by staff.

Overview of FY2006-2007 HOME Budget

HUD regulations outline the parameters that Participating Jurisdictions (PJs) must use to make sub allocations for particular categories of expenses from the overall HOME grant. PJs are limited to using no more than ten percent (10%) of the annual allocation for administrative expenses. At least 15% of the PJ's total HOME grant must be set aside project funds for CHDO-administered projects, calculated on a cumulative basis. PJs also have the option to designate up to 5% of the annual allocation as Operating Funds awarded to CHDOs. Each of these CHDO sub-allocations (Project Funds and Operating Funds) is described further below. The funds remaining after the set-aside of the sub-allocations describe above are known as Entitlement funds (EN), and represent the funds available for HOME eligible projects. As a Consortium, these funds are divided among the members based on a ratio provided by HUD: City of Champaign – 54.9%, Champaign County – 12.6%, City of Urbana – 32.5%.

Please refer to the attached Preliminary FY2006-2007 Budget Analysis for details.

1.0 CHDO Project Funds

CHDO Project Funds, or CHDO Reserve (CR) may be used for projects that produce actual housing units in which the CHDO acts as an owner, a developer or a sponsor. For the FY2006-2007 funding cycle invitation for funding requests, only one CHDO Project application was received.

1.1 Urban League of Champaign County Development Corporation

Amount Requested: \$80,000.00

190 points (200 possible)

ULCCDC has requested funds to allow four households to take part in their Lease-Purchase Program. Through this program, income-qualified households that participate in financial counseling and budget training are given the opportunity to become homeowners.

Participants identify the home they would like to purchase, which is then purchased by ULCCDC. The participant then resides in the home as a tenant for a period of up to 36 months, during which he/she works with ULCCDC to resolve credit issues and secure a conventional mortgage.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

Staff recommends that ULCCDC be awarded \$80,000 in CR funds for this project.

2.0 CHDO Operating Funds

HUD regulations allow PJs, at their discretion, to set aside 5% of the annual allocation for operating expenses of current CHDOs. The policies adopted by the Urbana HOME Consortium with respect to CHDO Operating (CO) awards state that CHDOs may be awarded operating funds annually for up to four years, with the possibility of two additional years upon review of the CHDO's operational budget. Consortium policies further cap annual CO awards at \$35,000 for new CHDOs and \$25,000 for established CHDOs.

Three applications for CHDO Operating Funds were received as part of the FY2006-2007 funding cycle invitation for funding requests. Two of the agencies submitting these requests, Homestead and ULCCDC, are currently certified CHDOs for the Consortium. The third application was submitted by e-co lab, along with an application for CHDO status. Staff will be working with e-co lab to resolve some minor issues associated with their CHDO eligibility. Staff anticipates that a Resolution certifying e-co lab's CHDO status will be forwarded to CDC in the next few months.

2.1 Urban League of Champaign County Development Corporation

Amount Requested: \$30,000.00

ULCCDC has received CHDO Operating funds since FY2002-2003.

2.2 Homestead Corporation

Amount Requested: \$25,000.00

Homestead has received CHDO Operating funds since FY1998-1999.

2.3 Ecological Construction Laboratory

Amount Requested: \$52,630.00

E-co lab has not yet achieved CHDO status. However, as stated above, they have applied and are in the process of providing documentation supporting their eligibility. It is anticipated that they will be awarded CHDO status well in advance of the start of FY2006-2007.

2005-2009 Consolidated Plan Goal addressed:

Goal 2, Strategy 1, Activity: Encourage the development of non-profit housing development organizations eligible for CHDO status.

The member jurisdictions of the Urbana HOME Consortium are in the process of revising policies and procedures at this time, and anticipate implementing changes to the

provisions in the next few months. These changes would allow Homestead to be eligible for CO funding for FY2006-2007.

After discussing a number of scenarios regarding the distribution of CO funds among these three agencies, staff from the three Consortium members identified two options they deemed fair and reasonable:

<i>Agency</i>	<i>Distribution 1</i>		<i>Distribution 2</i>	
<i>e-co lab</i>	<i>\$20,000</i>	<i>~38%</i>	<i>\$17,491</i>	<i>1/3</i>
<i>Homestead</i>	<i>\$16,237</i>	<i>1/2 remaining</i>	<i>\$17,491</i>	<i>1/3</i>
<i>Urban League</i>	<i>\$16,237</i>	<i>1/2 remaining</i>	<i>\$17,491</i>	<i>1/3</i>

Of these options, the Consortium members recommend Distribution 1.

3.0 Non-CHDO Project Funds

Two applications for general project funds were received as part of the FY2006-2007 funding cycle invitation for funding requests.

3.1 Ecological Construction Laboratory

Amount Requested: \$80,000.00

93 points (200 possible)

E-co lab has proposed to build a 4-unit owner-occupied townhome building using a passive solar design. The proposal also includes primarily targeting single-parent households as the beneficiaries of this project.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

E-co lab currently has one HOME project underway – a single-family passive solar home under construction. Construction of a second passive solar home for which \$25,000 of HOME funds was allocated in the FY2005-2006 AAP has not yet begun. Because of this backlog of projects, staff recommends that e-co lab’s application for this project be tabled until the next funding cycle.

3.2 Habitat for Humanity of Champaign County

Amount Requested: \$74,995.00

183 points (200 possible)

HHCC had submitted a request for \$74,995 in support of five homes that will be built in Urbana under their 2007 Homebuilders Blitz. This project will provide newly constructed homes for five income eligible households.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

Staff recommends that HHCC be awarded \$74,995 in EN funds for this project. Further, staff intends to continue to work with HHCC to identify lots to be used for this project, and will be investigating other cooperative measures, such as waiving or reducing permit fees.

Fiscal Impacts

Over the past three years, the HOME grant for the Urbana HOME Consortium has been reduced a total amount of \$194,851. The total HOME grant award for FY 2006-2007 is \$1,368,473 for the Consortium, with \$387,608 of that allocated to the City of Urbana. The decisions made by the CDC and Urbana City Council will determine the specific projects for which those funds will be committed.

Recommendations

In summary, staff recommends the following HOME funding allocations:

- 1.0 CHDO Project Funds
 - 1.1 ULCCDC Lease-Purchase Program – \$80,000
- 2.0 CHDO Operating Funds
 - 2.1 ULCCDC CHDO Operating – \$16,237
 - 2.2 Homestead CHDO Operating – \$16,237
 - 2.3 e-co lab CHDO Operating – \$20,000
- 3.0 Non-CHDO Project Funds
 - 3.2 HHCC 2007 Homebuilders Blitz – \$74,995

Memorandum Prepared By:

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HOME Grants Coordinator
Grants Management Division**

Attachments:

Preliminary FY2006-2007 HOME Budget Analysis

Applications for Funding:

ULCCDC Lease-Purchase Program

ULCCDC CHDO Operating

Homestead CHDO Operating

e-co lab Combined Application: CHDO Operating and Single-Parent Townhome Project

HHCC 2007 Homebuilders Blitz

Preliminary FY2006-2007 HOME Budget Analysis

Program Area	2006-2007 Budget	2005-2006 Budget	Difference \$	Difference %	Comments
FY06-07 HOME Funds	\$1,049,488	\$1,115,930	-\$66,442	-5.95%	
FY06-07 ADDI Funds	\$23,528	\$47,151	-\$23,623	-50.10%	
Total Budget	\$1,368,473	\$1,163,081	-\$90,065	-7.74%	
Administration (10%)	\$104,949	\$111,593	-\$6,644	-5.95%	
City of Urbana	\$90,040	\$95,740	-\$5,700	-5.95%	
City of Champaign	\$11,302	\$12,017	-\$715	-5.95%	
Champaign County	\$3,607	\$3,836	-\$229	-5.97%	
CHDO (5%)	\$52,474	\$55,797	-\$3,323	-5.95%	
CHDO Project Funds	\$113,016	\$167,390	-\$54,374	-32.48%	Cumulative 15% maintained
Distribution of Urbana Allocation					
ADMINISTRATION					
<i>Budgeted amount</i>	\$90,040	\$95,740	-\$5,700	-5.95%	
<i>Subtotal</i>	\$99,904	\$95,740	\$4,164	4.35%	Represents increase in admin costs
<i>Add'l Costs charged to Prog. Delivery</i>	\$9,864				Excess admin costs must be charged as program delivery
CITY PROJECTS					
HOME Funds Available	\$348,009				
Match Amount	\$87,002				
Total Funds Available	\$435,011				
Program Delivery	\$83,864	\$74,000	\$9,864	13.33%	Increase due to admin cost increases
Owner Occupied Rehab	\$140,000	\$112,000	\$28,000	25.00%	Increase units by one in 06-07
City Redevelopment Programs	\$136,152	n/a	-	-	Encompasses a number of programs, both current and anticipated
<i>Subtotal</i>	\$360,016	\$317,343	\$42,673	13.45%	
SUBRECIPIENT PROJECTS					
Amount Available	\$74,995				
Habitat for Humanity 2007 Blitz	\$74,995	n/a	-	-	

FY2006-2007 HOME Funding Application:
**Urban League of Champaign County Development Corporation -
 Lease-Purchase Program**

Application Scoring

Category	Possible Points	Points Earned	Comments
Project Description	25	25	
Compliance with Con Plan goals & strategies			fits well
Proposed accomplishments			reasonable
Time to completion			reasonable
Project schedule reasonable			reasonable
Project Readiness	50	50	
Procedures in place: Affirmative Marketing Plan, Citizen Participation Plan, Program Manual			all aspects in place
Site readiness: identified, controlled, etc.			n/a
Pre-development: environmental review, easement review, project plans, etc.			procedures in place
Status of other funding sources			
Financial Feasibility	50	50	
Eligibility of proposed use of funds			fully eligible
Project budget: level of detail, reasonableness of costs			reasonable
Leveraging: proposed, status of			
Developer Capacity	50	40	
Current staff			Appears to be sufficient.
Access to skilled individuals			sufficient
For homebuyer: marketing capacity			sufficient
For rental: management capacity			sufficient
Project Beneficiaries	25	25	
Type of households targeted: individuals, families, special needs			fully eligible
General comments on application: Care should be taken to answer the questions completely and accurately, for the project being proposed, and to include the appropriate documentation. Difficulties in carrying out the application instructions, which are quite simple and straightforward compared to HUD regulations, does not reflect well on an agency's ability to comply with federal requirements. Several requested documents were not included in the application. The applicant will be required to produce these documents prior to entering into any agreement with the Consortium.			
Total:	200	190	

**FY2006-2007 HOME Funding Application:
Ecological Construction Laboratory -
Single-Parent Townhomes**

Application Scoring

Category	Possible Points	Points Earned	Comments
Project Description	25	15	
Compliance with Con Plan goals & strategies			fits well with Con Plan; targeted demographic may cause fair housing concern
Proposed accomplishments			reasonable number of units
Time to completion			
Project schedule reasonable			Schedule seems optimisticly short
Project Readiness	50	15	
Procedures in place: Affirmative Marketing Plan, Citizen Participation Plan, Program Manual			Need description of how citizen input would be solicited, facilitated or incorporated into agency's plans. Need program manual specifically dealing with the process of soliciting potential homebuyers, verifying eligibility, helping them through the application process for the program and to secure a mortgage, etc.
Site readiness: identified, controlled, etc.			site not yet identified
Pre-development: environmental review, easement review, project plans, etc.			Preliminary building plans appear to be complete
Status of other funding sources			no other funding secured at this time
Financial Feasibility	50	10	
Eligibility of proposed use of funds			expenses fully eligible
Project budget: level of detail, reasonableness of costs			Difficult to assess reasonableness, although property acquisition estimate may be low.
Leveraging: proposed, status of			no leverage offered at this time
Developer Capacity	50	35	
Current staff			sufficient
Access to skilled individuals			sufficient
For homebuyer: marketing capacity			Unsure - this was the biggest area of difficulty in the project currently underway
For rental: management capacity			
Project Beneficiaries	25	18	
Type of households targeted: individuals, families, special needs			Proposal meets income guidelines; concern about Fair Housing issues surrounding targeting single parent households.
Total:	200	93	

FY2006-2007 HOME Funding Application:
**Habitat for Humanity of Champaign County -
Homebuyer Blitz 2007**

Application Scoring

Category	Possible Points	Points Earned	Comments
Project Description	25	25	
Compliance with Con Plan goals & strategies			fully eligible
Proposed accomplishments			reasonable
Time to completion			reasonable
Project schedule reasonable			reasonable
Project Readiness	50	33	
Procedures in place: Affirmative Marketing Plan, Citizen Participation Plan, Program Manual	13	13	Each of these is in place
Site readiness: identified, controlled, etc.	12	10	
Pre-development: environmental review, easement review, project plans, etc.	13	7	Plans in place, but without sites identified, other review not yet possible.
Status of other funding sources	12	3	Builders not yet identified
Financial Feasibility	50	50	
Eligibility of proposed use of funds			fully eligible
Project budget: level of detail, reasonableness of costs			reasonable
Leveraging: proposed, status of			reasonable
Developer Capacity	50	50	
Current staff			sufficient
Access to skilled individuals			sufficient
For homebuyer: marketing capacity			sufficient
For rental: management capacity			
Project Beneficiaries	25	25	
Type of households targeted: individuals, families, special needs			Beneficiaries targeted are 25-50% MFI - the lower end of the range our homebuyer programs typically assist.
Total:	200	183	