



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Office

FROM: Elizabeth H. Tyler, AICP, City Planner/Director

DATE: November 10, 2006

SUBJECT: Lakeside Terrace Redevelopment Update

Description

Attached for reference is a memorandum to Council dated January 19, 2006 that provides a comprehensive background and history of the Lakeside Terrace Redevelopment Plan, including an explanation of the relevant plans and policies that provide the guidance used in formulating the strategies and actions undertaken in the redevelopment of Lakeside Terrace.

As is typical for this type of project, the developer, Brinshore Development, L.L.C., has proposed to complete the redevelopment of Lakeside Terrace, using a variety of funding sources, including private loans, City support (through CDBG and HOME funds), bond cap funds, low income housing tax credits issued by the Illinois Housing Development Authority (IHDA) and a variety of other funds offered by IHDA.

Update

In April 2006, Brinshore submitted an application to IHDA, during the first round of semi-annual applications received by IHDA for Tax Credit funding for the project now called Crystal View Townhomes. That application was denied due to the proposed high density of units (96 units on the site). Brinshore now proposes to apply to IHDA in the second round, due in December 2006, using a less dense plan with 70 housing units on the project site (site plan attached). This reduction of density will provide for a more feasible plan for both engineering and aesthetic purposes and increases the likelihood that IHDA will provide Tax Credit funding for the project. Brinshore plans to include natural plantings and is working to incorporate as much green building technology as possible as well as exploring the possibility of using geothermal heating and cooling processes to reduce energy costs to the residents. The revised site plan also shows a "green walk" and green space along the Saline Branch which runs along the southern edge of the property.

Brinshore has requested another \$50,000 in assistance from the City for the project, in addition to the \$150,000 the City pledged in the 2004 Lakeside Redevelopment Plan. This brings the total proposed City funding for this project to \$200,000. In the FY 2006-2007 Annual Action Plan, the City allocated \$100,000 (\$50,000 CDBG and \$50,000 HOME) to the project. Because federal

funding of the HOME and CDBG entitlement programs is anticipated to remain at the same levels as FY 2006-2007, staff is optimistic that the additional requested funding can be allocated from similar entitlement sources in the 2007-2008 Annual Action Plan. The expected City, State and Housing Authority contributions to the project will help to leverage the provision of 65 units (93% of the project) of affordable units with a total project construction of approximately \$10,000,000.

The revised proposal includes 48 two-bedroom units, 12 three-bedroom units, and 10 four-bedroom units. This unit mix is based on Brinshore's experience with their redevelopment of Douglass Square in Champaign in that the greatest demand was for three and four bedroom units. Of the 70 units, 25% or 18 will be public housing units, with project-based vouchers attached to them; 67% or 47 units will be affordable to households having incomes at or below 60% of the area median; and the remaining 7% or five units will be unrestricted or market rate.

A reduction in the total number of replacement units on the site, from the previously proposed 96 units to the revised proposal of 70 units, is critical in order for Brinshore to have a better chance to acquire Low-Income Housing Tax Credits from the Illinois Housing Development Authority. Brinshore would be unable to move forward on the project without the tax credit financing. In addition, the 96-unit proposal did not provide sufficient space for necessary parking, setbacks, and green space along the Saline. With the reduced density proposal, the site plan will be more feasible from an engineering and code compliance standpoint. It will provide additional green space and landscaping amenities for residents.

Recommendations

Staff recommends that the City provide support of the project as proposed with a less dense, 70-unit mixed-income complex. Staff can provide subsequent updates as the project plans proceed and will investigate additional funding measures as a part of the FY2007-2008 Annual Action Plan process to begin in early January 2007.

Fiscal Impacts

Redevelopment of Lakeside Terrace will have significant fiscal impacts. City participation has and will continue to involve major allocations of CDBG and HOME funds that could impact the ability to fund other affordable housing initiatives over a limited period of time. The impacts of this funding will be compounded by continued reductions in our allocation of CDBG and HOME funds, despite our increasing population. Redevelopment activities also affect City resources in that Community Development Services staff continues to contribute significant resources and time toward pre-development activities. This commitment of staff resources and time would extend through the life of the redevelopment project. Over the past five years, the City has dedicated significant resources to the Lakeside Redevelopment Project as it represents an important opportunity to realize a significant amount of high-quality, affordable housing in Urbana by means of leveraging the City's CDBG/HOME funds.

Prepared by:

John A. Schneider
Grants Management Division Manager

Grants

Cc: Edward Bland, HACC
Rich Sciortino/Linda Fulkerson, Brinshore

Attachments: Copy of memorandum to Urbana City Council dated January 19, 2006 regarding
“Lakeside Terrace Redevelopment Update”
Lakeside Terrace Redevelopment Table One
Crystal View Townhomes Revised Site Plan – 70 units



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SUBJECT: Lakeside Terrace Redevelopment Update

Description

Over the past several years, the City of Urbana has worked cooperatively with the Housing Authority of Champaign County (HACC) and their designated developer (Brinshore Development, L.L.C.) in coordination with neighborhood residents regarding the redevelopment of the Lakeside Terrace public housing project at Lakeside Terrace and Broadway Avenue in Urbana. As expressed through its plans and policies, the City is interested in promoting a high quality development at the site that serves a range of family income types, is environmentally friendly, and is beneficial to the character of the area as well as providing for a replacement of very low income housing opportunities that could be lost with redevelopment of the site.

Background

Lakeside Terrace was constructed in 1952 and originally contained 99 two-level apartments in a total of 22 buildings. A portion of the site also contained a club house that was previously used by the Don Moyer's Boys and Girls Club. Assessment of the property by the HACC and by HUD determined that it was not feasible to renovate the property to meet modern standards for public housing. In addition, over the past few Presidential Administrations, federal policies which direct funding for public housing authorities have promoted the replacement of older public housing projects (because they tended to result in a concentration of poverty) with a mixture of scattered site public housing achieved through housing vouchers programs and redevelopment of sites with mixed income "communities of choice" developed by the private sector with subsidies to guarantee affordability.

Joint efforts to redevelop Lakeside Terrace have included applications to the U.S. Department of Housing and Urban Development (HUD) for "HOPE VI" program redevelopment funds. While the project was not successful in receiving these redevelopment funds, the HACC did receive a substantial HOPE VI grant from HUD for demolition of the buildings. The project was vacated last Spring and is currently undergoing asbestos removal. The demolition work will be rebid this Spring and is expected to be completed by August 31, 2006.

Brinshore Development, L.L.C., of Northbrook, Illinois is an experienced affordable housing developer. They were selected by the HACC in 2002 to serve as developers for both the Burch Village and Lakeside Terrace projects. The Burch Village project in Champaign is currently

completing construction. Brinshore proposes to construct the Lakeside Terrace project using a variety of funding sources, including private loans, City support (through CDBG and HOME funds), low income tax credits issued by the Illinois Housing Development Authority (IHDA), bond cap conversion funds, and a variety of other funds offered by IHDA. As an essential early step in the process, Brinshore is proposing to apply to the IHDA for Low Income Tax Credits by an April 2006 deadline.

Relevant Plans and Policies

The City of Urbana Comprehensive Plan (2005) provides broad guidance related to affordable housing, including the following specific relevant goals and objectives:

Goal 39.0 Seek to improve the quality of life for all residents through community development programs that emphasize social services, affordable housing and economic opportunity.

Objective 39.5 Work to improve public housing in Urbana through cooperative efforts with the Housing Authority of Champaign County.

Goal 40.0 Make affordable housing available for low-income and moderate-income households.

Objective 40.1 Promote strategies identified in the Consolidated Plan to provide additional affordable housing opportunities in Urbana-Champaign.

Objective 40.2 Work to promote the development and capacity of Community Housing Development Organizations (CHDO's) to develop affordable housing opportunities.

Objective 40.3 Work to distribute affordable housing opportunities throughout the community to avoid the effects of concentrated poverty.

The City of Urbana's Consolidated Plan has long recognized the potential for redevelopment of Lakeside Terrace and incorporates specific guidelines with respect to replacement of housing for very low income residents that could be lost with the redevelopment. This commitment is reflected in the FY2005-2009 Consolidated Plan which includes the following Public Housing Strategy (page 65):

Strategy: Promote substantial upgrading of the living environment for residents of Urbana public housing, particularly family units.

Activity: The City of Urbana will assist in developing a plan which partners with the private sector to use private dollars to leverage HOPE VI or other Federal funds, to replace the demolished units with a combination of new on-site units, scattered-site units and Section 8 rent subsidies. At least 80% of demolished units will be replaced with permanent, subsidized housing units that will be affordable to extremely low-income families with children, irrespective of their income.

This goal to replace housing for Lakeside Terrace is also reflected in the current Council goals, adopted in September, 2005:

8.) Increase Affordable Housing

- a. *Develop nationally recognized, model neighborhood that is affordable and uses 10% of standard energy consumption.*
- b. *Develop replacement rental housing for Lakeside Terrace – 80 units or more – that are affordable to the poorest of the poor as per prior council agreement.*
- c. *Continue support for accessible, energy-efficient, affordable housing including an effective mix of rent subsidized housing with home ownership programs.*

Lakeside Terrace Redevelopment Plan

In 2004, the HACC's attainment of a demolition grant from the Federal government prompted a concern on the part of the Urbana Council that a detailed redevelopment plan of Lakeside Terrace consistent with the Consolidated Plan policies be adopted prior to HACC use of the funds. Working in conjunction with the HACC, and local CHDO's (Urban League and Homestead), a Draft Redevelopment Plan for successful funding of replacement housing was prepared in April 2004. This was reviewed at public hearings and by the Urbana Community Development Commission and Plan Commission prior to adoption by the City Council on June 3, 2004 (copy attached).

The Redevelopment Plan consists of the following elements:

1. Demolition of the existing Lakeside Terrace Apartments and relocation of all then existing tenants.
2. On-Site Redevelopment with 100 tax credit units, 24 of which shall be designated as replacement units through the use of project-based Section 8 vouchers. (Note that this replacement is limited to no more than 25% of the project units).
3. Application for Replacement Units funds from HUD by the HACC for a total of approximately 14 new public housing units to be developed at any location throughout Champaign County.
4. Provision of off-site scattered replacement housing by local CHDO's, including Homestead Corporation with 33 single-family residences and the Urban League with 9 redeveloped apartment units. Affordability for these units will be provided through anticipated designation of project-based Section 8 vouchers by the HACC.

Each of these elements is described in greater detail in the Redevelopment Plan. The Summary Table included in the Redevelopment Plan (Table One) shows that a total of 80 replacement units and 101 other affordable units would be created at a total cost of \$21.3 million, with \$915,778 of these funds coming from the City of Urbana. Financing would be provided through a variety of means, including private financing, IHDA tax credits, HOME funds, Federal Home Loan Bank Affordable Housing Program grants, CDBG funds, conversion of bond cap, and HUD replacement funds.

As detailed in the attached Redevelopment Plan, the City's portion of the redevelopment plan would consist of a total of \$915,778 programmed over four years, including \$150,000 in bond cap conversion, \$150,000 in CDBG funds, \$513,737 in Urbana's allocation of HOME funds, and \$102,041 in HOME CHDO set-aside funds. It should be noted that recent cuts by the Federal Government of Urbana's CDBG allocation may seriously impact our ability to meet these funding goals.

Update

Since adoption of the Redevelopment Plan in 2004, the City of Urbana has made substantial progress in assisting in the Lakeside project and in funding replacement housing. Specific actions include:

- Programmed acquisition of property in support of Lakeside Terrace Redevelopment – Kerr Street properties (04-05 AAP, \$182,865 funded from CDBG, \$52,903 funded from HOME).
- Urban League Rental Housing Development, purchase and rehabilitation of the Park Street Apartments at 302 - 306 Park Street in Champaign, (04-05 AAP, \$127,551 funded). Per Redevelopment Plan, counts as 24 affordable units and 5 replacement units
- Urban League, affordable rental development for Lakeside Terrace, purchase of Crestwood Manor apartments in Urbana, counts as 20 affordable units and 4 replacements units (04-05 AAP, \$35,737 funded).
- Homestead Rental Housing Development (3 replacement units, \$102,300 budgeted in 05-06 AAP, \$72,610 budgeted in 05-06). At Homestead's request, this allocation was modified to allow construction of two homes for owner-occupancy.
- The City of Urbana's 2004 private activity bond cap of \$3,059,280 was reserved for neighborhood initiatives, including Lakeside Terrace.

Additional affordable housing projects that could contribute to replacement housing for Lakeside Terrace include the following:

- Ecological Construction Laboratory – (\$25,000 budgeted in 04-05 AAP, \$25,000 budgeted in 05-06)
- Habitat for Humanity – (Dedication of 3 to 4 lots in Urbana in 2006 per previous agreements, \$33,000 budgeted in 04-05 AAP, \$5,000 budgeted in 05-06 AAP)
- Urban League Lease Purchase Program – (\$93,750 for 5 units funded in 04-05; \$100,000 for 4 units funded in 05-06 AAP)
- Unprogrammed CHDO funds from previous fiscal years (\$38,970 in 05-06 AAP)
- Budgeted HOME acquisition/redevelopment activities (\$40,821 in 05-06 AAP)
- Kerr Street Development Planning (\$33,733 budgeted in 05-06 AAP)

In summary, a total of 9 replacement units for Lakeside Terrace has been provided by the Urban League. A total of 19 to 24 replacement units can be provided on-site depending upon the proposed density of the Lakeside Development Project. An additional 14 replacement units are to be provided elsewhere by the Housing Authority. This leaves a current deficit of approximately 33 to 38

affordable housing units to be provided at other locations as part of the Lakeside Redevelopment Plan. In other words, the City is approximately more than one-half of the way towards the replacement housing goal for Lakeside Terrace. Depending upon income levels of occupants and consideration of owner occupancy as a potential replacement model, an additional two units may be provided by Homestead, two units by EcoLab, and up to six may be provided by Habitat for Humanity under current and proposed activities. An annotated version of Table One from the Redevelopment Plan is attached to show current status.

A significant change since adoption of the Redevelopment Plan is the determination by Homestead Corporation that they will not be able to provide the anticipated amount of replacement housing due to market conditions and organizational capacity limitations. For this reason, the City is interested in seeking and working with additional development partners to achieve the replacement housing goals of the Redevelopment Plan. Potential partners include additional Urban League projects, Habitat for Humanity, EcoLab, and other affordable housing developers in the area. These partners can be sought via a future RFP or similar process.

Another major consideration in reviewing the Redevelopment Plan, is the City's apportionment of CDBG funds which have fallen dramatically since the 2003-2004 budget year, due to Federal budget decisions. The following table shows that these funds have dropped by an annual amount of \$96,000 or 16% since 2003-2004:

2003-2004 CDBG Allocation:	\$577,000
2004-2005 CDBG Allocation:	\$565,000
2005-2006 CDBG Allocation:	\$535,412
2006-2007 CDBG Allocation:	\$481,651

HOME funds have also decreased, but not as dramatically. These funding reductions mean that that much less can be done for the community in terms of affordable housing and social service programs. These reductions will be a major consideration in the upcoming budget process for the Annual Action Plan for 2006-2007.

Another major consideration for this update is evaluation of new site plans for the development (copies attached). Since adoption of the Redevelopment Plan, Brinshore Development has retained the architecture firm of Landon Bone Baker who have prepared schematic site plans for the project. In evaluating the alternate plans showing 75 units and 99 units, it is apparent to the development review team of City staff, HACC staff, developer and architect that the 75-unit alternative will provide a superior living environment in terms of housing choice, open space, layout, and compatibility with surroundings. The City's Community Development Commission had previously expressed a preference for redevelopment of the site with a density less than previously existing. The developer also prefers the 75 unit project size due to phasing and funding capacity limitations. For these reasons, City staff recommend that the Council support the 75-unit layout. While, implementation of the 75-unit site plan will reduce the amount of replacement units that can be provided on site from approximately 24 units to approximately 19 units, the development quality could outweigh this concern and additional replacement opportunities can be sought.

Finally, as a point of information, the project schedule included in the Redevelopment Plan has slipped approximately one year due to delays in completing demolition. Additional delays could occur depending upon the success of the low income tax credit application and other funding considerations. However, there is a high level of expectation on the part of the developer for completion in 2007, based upon the success and progress of the Burch Village project which employed a similar funding approach.

Fiscal Impacts

Redevelopment of Lakeside Terrace will have significant fiscal impacts. City participation has and will continue to involve major allocations of CDBG and HOME funds that could impact the ability to fund other affordable housing initiatives over a limited period of time. The impacts of this funding will be compounded by continued reductions in our allocation of CDBG and HOME funds, despite our increasing population. Redevelopment activities also affect City resources in that Community Development Services staff continue to contribute significant resources and time toward pre-development activities. This commitment of staff resources and time would extend through the life of the redevelopment project.

Recommendations

Staff requests that City Council review the adopted Lakeside Redevelopment Plan, the enclosed site plan layouts, and the updated information and provide guidance that will assist in future redevelopment efforts and funding approaches. Specific guidance is sought with respect to the desired density of the project, approaches for recruiting additional development partners, and identifying opportunities for additional replacement housing.

Staff can provide subsequent updates as the project plans proceed and will investigate additional funding measures as a part of the 06-07 Annual Action Plan, the process for which has already begun.

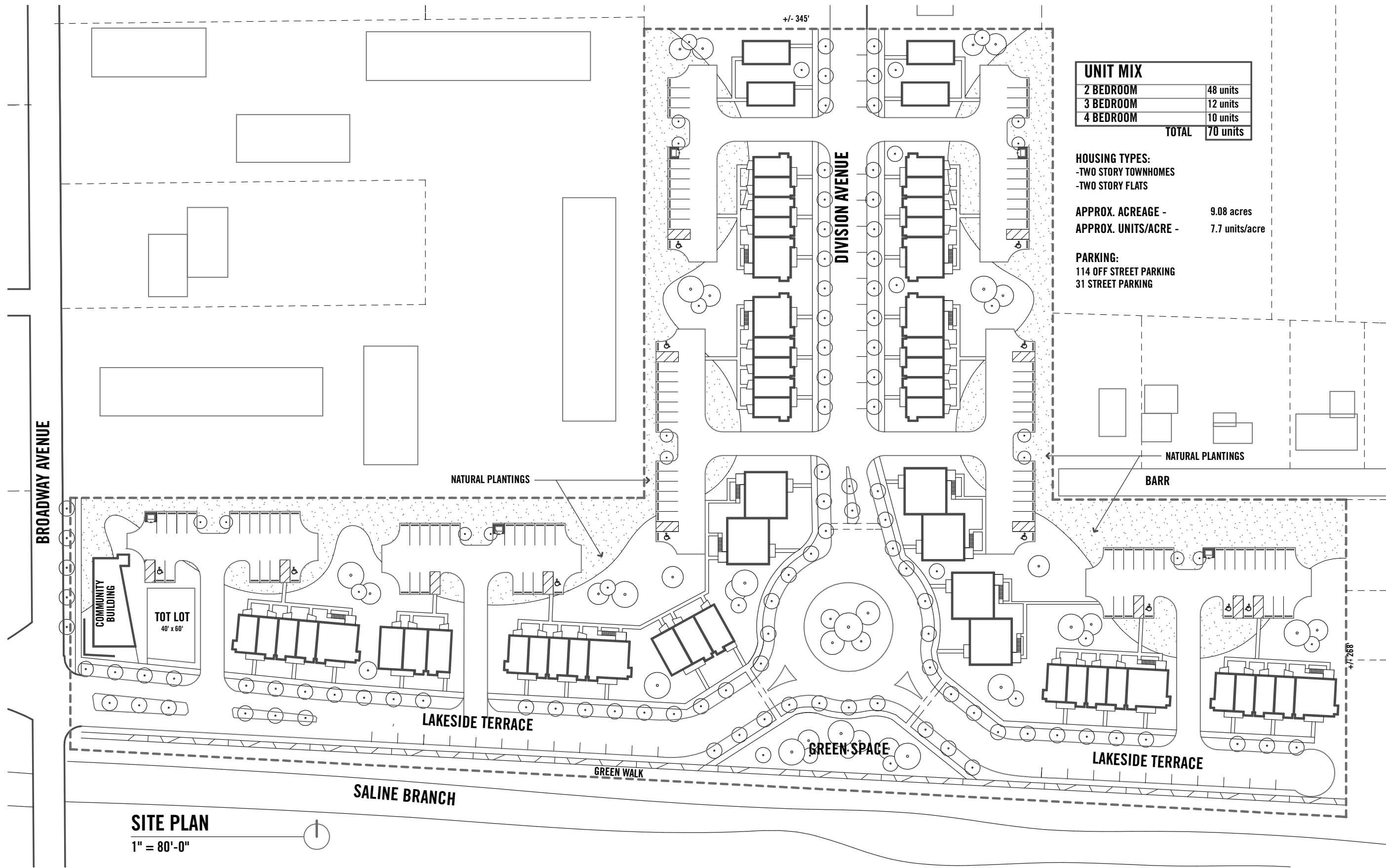
Enclosures:

Table One Updated
Adopted Redevelopment Plan for Lakeside Terrace, June 3, 2004
Conceptual Plans, 11/05, 3 sheets

Cc: Community Development Commission (to discuss at next meeting)
Edward Bland/Matthew Hogan, HACC
Rich Sciortino/Peter Levavi, Brinshore

TABLE ONE. SUMMARY TABLE

Plan Element	Developer/ Owner	Total Number of Units	Number of Replacement Units	Number of Other Affordable Units	Unit Type	Financing Mix	Total Cost	Cost Per Unit	City Contributions	2006 Status
[Current Lakeside]	HACC	[99 total/ 96 occupied]	NA	NA	Apts.	HACC asset	Unknown	NA	Previous assistance	Being demolished
On-Site Tax Credit Redevelopment	Brinshore Development	100	24	66	Apts./ Townhouse Style	Private/IHDA Tax Credits/LIHTC/IHDA HOME/Trust Fund/AHP Grant/City Bond Cap Conversion/CDBG	\$13.8 M	\$138,000	Bond Cap Conversion (\$150,000) /CDBG (\$150,000)	May opt for 75-unit site plan, would provide 18-19 replacement units
Replacement Public Housing Units	HACC	14 (for Lakeside formula)	14	NA	Unknown Scattered sites	HUD replacement funds	\$2.079 M	\$148,500	NA	Being processed by HACC through HUD
Scattered Sites: Purchase of Single Family Homes	Homestead Corporation	33	33	NA	SF homes: 11 2 bdrm 17 3 bdrm 5 4 bdrm	Private/IHDA HTF/FHLB AHP/HOME/ HACC vouchers	\$3.108 M	By size: \$84,000 \$94,500; \$115,500	HOME (\$478,000)	Will not be able to provide these units. Two homes under construction for owner-occupancy.
Scattered Sites: Purchase of Apartment Units	Urban League	44 (20 @ Crestwood; 24 @ Park Street)	9 (4 @ Crestwood; 5 @ Park Place)	35 (27 of the 44 units are already occupied.)	Apts. – 9 2 bdrm.	Private mortgage, IHDA, HOME, FHLB, HACC vouchers	\$2.301 M	\$54,778	03-04 AAP HOME Urbana CHDO (\$102,041) Other HOME (\$150,000) Urbana HOME (\$35,737)	Projects funded and completed.
TOTALS	NA	191	80	101	NA	NA	\$21.288M	\$54,778 – \$148,500 (\$105,879 is avg.)	\$915,778	One year of Bond cap ceded, Urban League and 2 units of modified Homestead projects funded. Some unobligated funds remain.



UNIT MIX	
2 BEDROOM	48 units
3 BEDROOM	12 units
4 BEDROOM	10 units
TOTAL	70 units

HOUSING TYPES:
 -TWO STORY TOWNHOMES
 -TWO STORY FLATS

APPROX. ACREAGE - 9.08 acres
APPROX. UNITS/ACRE - 7.7 units/acre

PARKING:
 114 OFF STREET PARKING
 31 STREET PARKING

SITE PLAN
 1" = 80'-0"

LANDON BONE BAKER ARCHITECTS
 314 W INSTITUTE PLACE CHICAGO IL 60610
 312.988.9100 FAX 312.988.7146

project: **Crystal View Townhomes** 2425
Site Plan
 date: 11-06-06 - Progress scale: 1" = 80'-0"