



APPROVED by CD Commission 3-27-07
MINUTES
COMMUNITY DEVELOPMENT COMMISSION
Tuesday, February 27, 2007, City Council Chambers

Call to Order: Chairperson Cobb called the meeting to order at 7:06 p.m.

Roll Call: Connie Eldridge called the roll. After discussion, it was determined that a quorum was present.

Commission Members Present: Fred Cobb, Theresa Michelson, Anne Heinze Silvis, Dennis Vidoni

Commission Members Absent: Chris Diana, Joy Ready, Umesh Thakkar

Others Present: John Schneider, Kelly Hartford and Connie Eldridge, Community Development Services; Jim Rose, Homestead Corporation

Approval of Minutes: *Chairperson Cobb asked for approval or corrections to the January 30, 2007 minutes. In response to Commissioner Vidoni, Mr. Schneider commented on the term "value engineer" on page 2. In response to Commissioner Vidoni, Commissioner Michelson clarified that she had originally supported dividing Community Housing Development Organization (CHDO) funds by ratio. However, after discussion, she favored dividing CHDO funds equally. Commissioner Silvis moved to approve the minutes as clarified, and Commissioner Michelson seconded the motion. The motion carried unanimously.*

Petitions and Communications: None.

Staff Report: Mr. Schneider stated that staff has been preparing the Draft Annual Action Plan for Fiscal Year (FY) 2007-2008.

Old Business: None.

New Business: **Review of Draft Annual Action Plan (AAP) for FY 2007-2008** – Mr. Schneider stated that the Draft AAP has been formulated based on input from the *City of Urbana and Champaign/Urbana/Champaign County Urbana HOME Consortium FY 2005-2009 Consolidated Plan*, AAP process, neighborhood meetings, interested parties and citizens. Copies of the Draft AAP are available for public review at the City Clerk's office, Urbana Free Library, and Community Development Services Department. Mr. Schneider encouraged public comments to be made in writing and forwarded to his attention at the Grants Management Division.

The AAP is the planning tool for the year on how to implement, allocate and use Community Development Block Grant (CDBG) and HOME Investment Partnership funds. This Draft AAP represents the third year of the five-year Consolidated Plan. The AAP has two components: the CDBG and HOME budgets.

Mr. Schneider noted that staff is in the process of compiling information to amend the FY 2003-2004, 2004-2005, 2005-2006, and 2006-2007 AAPs. The City of Champaign and Champaign County are in the same process. These amendments will be presented at the next Community Development (CD) Commission meeting.

Mr. Schneider stated the anticipated federal grant levels will be the same as for FY 2006-2007. However, six new CDBG entitlement communities were added nationwide, so this may reduce the City's CDBG funding. This change will not affect HOME funding.

Kelly Hartford reviewed the CDBG budget. The amount of the grant is the anticipated funding, program income and unobligated carryover for a total of \$533,917. There is a 20% cap on the annual grant amount for general administration. Emergency Grant (EG), Access Grant (AG) and Get the Lead Out (GLO) funding remains the same level, as does Urbana Senior Repair Service. Lakeside Terrace Redevelopment (now called Crystal View Townhomes) will receive \$50,000, which will be combined with funds from previous years plus HOME funding.

Under Public Facilities and Improvements, the following agencies will receive CDBG funds as follows: Developmental Services Center - \$25,000, partial funding of DSC request; Urbana Park District - \$15,694; A Woman's Fund - \$1,125 full funding of UPD and AWF requests. Street and sidewalk improvements for the Harvey Street area will receive \$75,000. Under Public Service Activities, Transitional Housing (TH) for Homeless Families with Children will receive \$48,258, which is an increase due to higher energy costs. This reduced the balance available for Public Service Activities under the Consolidated Social Service Funding Program to \$15,000. Neighborhood Cleanup remains at \$9,000.

Carryover Activities are Clearance of Slum and Blighted Conditions - \$35,356; Property Acquisition in Support of New Construction and Relocation/Clearance/Disposition Activities - \$42,856; Lakeside Terrace Redevelopment - \$50,000; and Harvey Street and Sidewalk Improvements - approximately \$169,256.

Mr. Schneider explained that unobligated carryover was from earlier projects that did not use the full amount of funding allocated. One was the Scottswood Drainage Project, which only used \$11,000. The response was not as large as expected, possibly due to more units being rental rather than owner-occupied. Also property owners had to meet income guidelines.

Mr. Schneider discussed the overall reduction of federal grants and how this impacted the cap on public service funds. The Transitional Housing Program, which is under this category, has increased costs due to power bills, staffing, and maintenance. If future HUD funding is not increased, the City will need to make other funding cuts.

Commissioner Vidoni inquired about CDBG program income. Mr. Schneider responded that this is only an estimate and is not guaranteed. A small amount comes from TH rent payments, with the majority being repayment of older deferred loan mortgages from the Whole House Rehabilitation Program. An example was the Purchase, Rehab, Resell Program. CDBG funds were used to purchase and rehab 1110 Hill Street, and then it was sold to Urban League for its

Lease Purchase Program. The sale resulted in the City receiving CDBG and HOME funds, returning the original cost of the home to the City.

Also, the City receives recaptured funding through HOME projects when houses are sold before the affordability period expires. HUD requires that cities account for any recaptured or program income.

Commissioner Michelson wondered how many structures could be cleared with \$35,000. Mr. Schneider answered maybe two due to environmental concerns; demo costs could be \$10,000-\$15,000 per property. Different rules apply when the City owns and demolishes a property, such as asbestos, inspections, and certain types of treatment. Mr. Schneider described the challenge to find properties to purchase and demolish. Last year the City agreed to fund four to five houses for Habitat for Humanity; however, the City does not have enough buildable lots. Many owners do not want to sell their lots. Past funds have also been used for the City's SHEDAWAY Program.

Referencing the Harvey Street Sidewalks and Improvements, Chairperson Cobb asked if the City would do this project without CDBG funds. Mr. Schneider described the current condition and proposed improvements. He noted that City Council also inquired about this since it appears that only CDBG funds are being used for the project. The City's policy is that anyone who lives along a street that is being improved would be assessed a portion of the cost. By using CDBG funds, those residents in the target area do not receive an assessment. The City policy is to provide cash Match for the HOME program from CIP funds and to complete a capital improvement project in a target area using CDBG funds. Mr. Schneider added that HOME funds can only be used for housing rehabilitation or affordable homeownership projects.

Chairperson Cobb asked if these were some sort of matching funds. Mr. Schneider said there is a benefit to the affordable housing program since some City funding goes to the HOME funds. At the Council meeting, William Gray, Director of Public Works, had described capital improvement priorities. Because the main priorities are arterial, main collectors, and secondary collectors, the Harvey Street project would likely not be done for many years. During the Consolidated Plan process, neighborhood residents requested infrastructure improvements around the King School area for sidewalks, etc. Using CDBG funds helps these projects get done.

At the direction of City Council, the City committed a total of \$200,000 over a three year period to Lakeside Terrace Redevelopment, now called Crystal View Townhomes. This is reflected in this budget.

The Draft AAP FY 2007-2008 will be on public review from February 26, 2007 through March 27, 2007. Written comments may be submitted to Mr. Schneider. There may be some minor adjustments.

Mr. Schneider reviewed the HOME portion of the Draft AAP. The projected HOME grant is \$1,049,488; program income and carryover funds are estimated. American Dream Downpayment Initiative (ADDI) grant funds are \$52,661 and could go up since the federal administration believes this program is successful. Total local required match is \$166,958. The

match is calculated after removing Community Housing Development Organization (CHDO) operating and reserve set-aside. In response to Commissioner Michelson, Mr. Schneider said that carryover funds are funds leftover when a project is completed.

Administration is 10% of the total annual grant and is distributed among the Cities of Urbana, Champaign and Champaign County. As the lead entity of the Urbana HOME Consortium, the City of Urbana is required to advertise the AAPs in the News-Gazette. Administration includes advertising, personnel, and training. When the City hires a new HOME coordinator, that person will need additional training. In the past, the administration figures were delineated. However, when these numbers changed, then the AAP had to be amended.

CHDO Reserve Set-Aside is 15% of the grant based on a two year average. Because the HOME Consortium was falling behind, approximately 30% is being set-aside from this allocation. This is not carryover; rather it is unobligated FY 2006-2007 CHDO funding. Ecological Construction Laboratory will receive \$25,000 for the Super Energy Efficient Home, and they will provide a cash match.

Jim Rose reviewed Homestead Corporation's Douglass Park Infill Project. Homestead has done preliminary work and has hired an architect. In response to Commissioner Michelson, Mr. Rose explained that Homestead might not get funded if the City of Champaign chooses another developer. Because this is a small project, Mr. Rose thought many developers would not want to get involved. He hoped that Homestead would receive funding since they had invested a lot of time and money up front.

Mr. Schneider referenced the transition from using CHDO operating funds to CHDO project funds. One way that CHDOs are able to recuperate costs to develop affordable housing is through a developer fee. The HOME Consortium has encouraged the three CHDOs to increase their developer fees for every affordable housing project so they may continue to be in business. CHDOs may be able receive operating funds for five years.

The value of a project is not based on the CHDO funding; it is based on the actual value of the project. The CHDOs could also leverage other funds. The original developer fee was 5%; however, the State of Illinois allows up to 12%. Mr. Schneider discussed using the unallocated CHDO reserve funds as a way to increase their capacity and pay for upfront costs for developing projects. Homestead Corporation has requested an additional \$15,000 for the Douglass Park Infill Project, and Urban League will also likely ask for more funds. If commissioners were in support, Mr. Schneider would meet with the HOME Consortium about these requests for additional funding.

Chairperson Cobb wanted the extra CHDO funds to be used for those projects that served the most low-income persons. Mr. Schneider noted that Urban League and Homestead serve the lower income groups.

Noting the original request was for 5% developer fee, Commissioner Vidoni asked about Homestead's request for additional developer funds. Mr. Rose replied that Homestead is asking for less than 10% developer fee. He reviewed Homestead's past developer fees. Given budget parameters, Homestead can only ask for a certain amount of developer fees. In the past,

Homestead has not asked for the industry standard, which is 10-12%. Since there was available funding in the HOME budget and because the project will cost more in architecture fees than normal, Homestead revisited their request. Homestead spent \$5,000 to develop new plans for the Douglass Park Infill project, and Homestead's proposal may or may not be funded. Because the lots are only 46 feet wide, Homestead had additional costs redesigning the houses to fit the lot. Eventually Homestead will not rely CHDO operating funds and will need recover their costs through developer fees.

Commissioner Michelson asked if the 12% developer fee came out of the project funds. Mr. Rose answered that it was an eligible expense in addition to project funds. HOME regulations allow organizations to ask for developer fees. For example, the Crystal View Townhomes project, which will cost approximately \$12,000,000, will have a typical developer fee of \$1.2 million. Developer fees are part of the total cost of development.

Commissioner Michelson asked about economy of scale and assumed it was more expensive to build two homes rather than 50. Mr. Rose replied that a private developer sets a selling price for a house that includes his profit. Not-for-profit agencies sell a house for its construction costs. Not-for-profit agencies can only make money through their developer fees.

Mr. Schneider stated that one intent of the HOME program is to create an environment in which housing can remain affordable. He reviewed how developers use their own financing, sometimes for many years, with the hope they will get funded. Local nonprofit developers such as Urban League and Homestead apply to the HOME Consortium for financial assistance to keep their projects affordable and agencies going. In smaller communities such as Champaign/Urbana, CHDOs depend on the cities to provide lots. The developer fee pays for architectural and consulting fees, upfront costs, etc.

Commissioner Vidoni supported the concept of a developer fee to support a good CHDO as long as the fee was within standards.

Mr. Schneider added that now there are three CHDOs to compete for CHDO funds. The question remains on how to allocate operating funds. If a CHDO is limited on what it can charge for a project, then it must leverage funds from other sources, use volunteers, etc. Mr. Rose said that adding more CHDOs sounds like a good idea, but CHDO funds are limited. Unless Champaign/Urbana brings in additional larger projects to keep the CHDOs going, the limited funds will limit the number of CHDOs.

Mr. Rose mentioned talks with the developer of Crystal View Townhomes about another SRO project being considered in Champaign that was similar to Homestead Apartments.

Because each CHDO has its own strengths, the HOME Consortium has encouraged the CHDOs to work together. Mr. Rose mentioned the directors of Homestead, Habitat, Urban League, and other developers are meeting with the City of Champaign to discuss overall community development. Rather than one organization doing one or two projects in a neighborhood, several organizations may combine efforts to do larger projects.

Chairperson Cobb asked if the developers' fees come from the unallocated funds. Mr. Schneider answered that the CHDOs were not aware that the HOME Consortium needed to allocate more funds this year. These funds may not be available every year. The idea is build capacity so the CHDOs can develop single family affordable housing. Mr. Schneider felt that because the CHDOs have been struggling to survive, the funds should be used to help them. When there are more CHDOs and more competition, this should be reconsidered.

In response to Mr. Schneider, Mr. Rose stated that Homestead Corporation lost \$10,000 on one program and \$40,000 on its Single Family Rental Housing Program over the last five years. Because Homestead has never been exempt from real estate taxes, it has been a major problem to make up this much money.

Chairperson Cobb asked if there was a relationship between the developer fees and unallocated funds. Mr. Schneider answered no, it just happened to be at the same time.

If the AAP is approved, the Urban League Development Corporation will receive HOME funds for its Lease Purchase Program and its Affordable Six Homeownership Program. Mr. Schneider anticipated that Urban League will need and request more funding for site development for its Affordable Six Program to keep the project affordable. The proposal was created before meeting with the City's engineering staff and learning about site issues and sewer line problems. Urban League will likely use FHLB and other funds. Urban League's required match will increase with the increased amount of funding.

Although it is not required, the HOME Consortium sets aside 5% of the grant amount for CHDO Operating Set-Aside. The HOME Consortium recommends funding each CHDO equally from this fund. Ecological Construction Laboratory, Homestead Corporation, and Urban League of Champaign County Development Corporation would each receive \$17,500.

The City of Champaign's HOME funds will be used for Owner-Occupied Housing Rehab, Lot Acquisition Program, Taylor Thomas Down Payment Grants, and Program Delivery. Champaign County has its standard request for Housing Rehabilitation and Program Delivery. Although Champaign County had a slowdown requesting funds due to staffing, they have recently increased staff due to absorbing the Low Income Home Energy Assistance Program. Mr. Schneider explained that Program Delivery is staff and administrative costs directly related to delivering a certain program.

The City of Urbana's HOME allocation will be used for Owner-Occupied Housing Rehabilitation, Program Delivery and Lakeside Redevelopment. Owner-Occupied Housing Rehabilitation will be funded at the same level of five units at \$25,000-\$28,000 each. Staff is meeting with Habitat for Humanity to assist them with houses.

Chairperson Cobb inquired how many staff were involved. Mr. Schneider reviewed the Grants Management Division staff positions and their duties. Also included is Urban League's fee for technical and advisory services for the Owner-Occupied Housing Rehabilitation. Planning staff will help with projects, and Grants Management may hire an intern to help.

The American Dream Downpayment Initiative (ADDI) is a very popular program. Mr. Schneider reviewed participation for the Cities of Urbana, Champaign and Champaign County. This year one ADDI grant has been completed in Urbana, while Champaign County has carryover funding. The average loan for a homeowner was \$4,500 in downpayment assistance. The banks have been promoting the ADDI Program, which is available for homebuyers at or below 80% of Median Family Income for Champaign County.

The AAP includes minutes from public hearings, e-mails, and written correspondence.

In response to Commissioner Vidoni, Mr. Schneider described how the City receives HOME program income. The City attaches a mortgage and note to property that is rehabilitated through the Owner-Occupied Housing Program. When the owner sells the property, funds are returned to the City. HOME recapture income is money paid back when an owner sells a home before the expiration of the affordability period. The affordability period is based on the amount of funds received. During the affordability period, the owner must either sell the home to someone who is income qualified or return the funds.

Commissioner Vidoni asked about the amount of program income. Mr. Schneider replied that this is an estimate.

Kelly Hartford reminded commissioners to consider priorities for the CDBG portion of funds for the Consolidated Social Service Funding Pool. The CD Commission will provide recommendations at the March 27 meeting. Commissioner Silvis requested a list of the current priorities.

Commissioner Vidoni wondered if there were any substantive changes between the two drafts. Mr. Schneider answered that the document with "Plan A" in the footer is the current version.

Mr. Schneider announced that HUD sent a letter to the City of Urbana closing out the FY 2005-2006 Consolidated Annual Performance and Evaluation Report (CAPER). The letter included notations on what to include in next year's CAPER. Commissioner Vidoni requested a copy of the letter for the CD Commission.

Adjournment: Chairperson Cobb adjourned the meeting at 8:29 p.m.

Recorded by Connie Eldridge

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