



APPROVED by CD Commission 1-29-08
MINUTES
COMMUNITY DEVELOPMENT COMMISSION
Tuesday, November 27, 2007, City Council Chambers

Call to Order: Acting Chairperson Silvis called the meeting to order at 7:00 p.m.

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

Commission Members Present: George Francis, Brad Roof, Anne Heinze Silvis, Dennis Vidoni

Commission Members Absent: Fred Cobb, Chris Diana, Theresa Michelson

Others Present: John Schneider, Janel Gomez and Connie Eldridge, Community Development Services; Master Sergeant William Colbrook, Illinois State Police; Edward Bland, Jr. and Patty Smith, Housing Authority of Champaign County.

Approval of Minutes: *Acting Chairperson Silvis asked for approval or corrections to the September 25, 2007 minutes. Commissioner Francis moved to approve the minutes, and Commissioner Roof seconded the motion. The motion carried unanimously.*

Petitions and Communications: None.

Staff Report: Mr. Schneider distributed a staff briefing memorandum and reviewed Grants Management Division (GMD) activities. Staff submitted the Consolidated Annual Performance and Evaluation Report (CAPER) to the Department of Housing and Urban Development (HUD) on September 27, 2007. Staff also submitted an Amendment to the Fiscal Year (FY) 2005-2009 Consolidated Plan (Con Plan) to HUD on October 24, 2007. The Single Audit, which is also required by HUD, was completed on October 8-9, 2007.

Mr. Schneider reviewed City Council action on Community Development (CD) Commission items. In response to Commissioner Vidoni, he noted that City Council's concerns were similar to the CD Commission's discussion on the Urban League amendments.

Noting the tight budget for Neighborhood Cleanup, Commissioner Vidoni asked about costs for the Fall Cleanup. Mr. Schneider replied that costs were well within the budget. A total of \$15,000 has been budgeted (\$7,500 in Community Development Block Grant (CDBG) funds and the balance Neighborhood Improvement Funds (NIF) for the King Park area).

Mr. Schneider reviewed the Annual Action Plan (AAP) schedule for FY 2008-2009. One key date was rescheduling the CD Commission meeting from January 22 to January 29, 2008. This allows staff time to review applications for CDBG and HOME funds and create funding recommendations. After CD Commission approval, City Council will review the FY 08-09 AAP in April. The AAP is due in HUD by May 15, 2008. In response to Commissioner Roof, Mr. Schneider explained that Grants Management Division (GMD) staff will score the grant

applications. One concern is a possible lack of applications for Community Housing Development Organization (CHDO) projects.

Old Business: None.

New Business: **506 East Illinois Street – Illinois State Police Department Request for Partial Forgiveness of Mortgage for Full HOME Project # G/DL-1106** – Mr. Schneider stated in 1998 the City of Urbana provided a Grant/Deferred Loan mortgage in the amount of \$8,864.00 to the Roger Armstrong, the homeowner. In spring 2007 the Champaign County States Attorney notified the City that it would acquire this property through the drug asset seizure law. City staff has been in contact with the States Attorney’s Office and the Illinois State Police, who are responsible for satisfying the debts.

In a letter dated November 20, 2007 to the City of Urbana, Master Sergeant William Colbrook, who is Manager of the Asset Forfeiture Section of the Illinois State Police, requested the City of Urbana forgive all or part of the original mortgage, due to the difference in sale proceeds and amount of debt on the property. Mr. Schneider noted the GMD mortgages allow the GMD Manager, with concurrence of the CD Commission, to forgive part of the mortgage obligation. He reviewed the debts against the property and noted the anticipated amount to be forgiven was \$4,078. The amount may go up due to attorneys’ fees since the property has gone into foreclosure.

Referencing bankruptcy proceedings, Commissioner Francis asked why the CD Commission would be last in line for repayment. Although the City of Urbana’s mortgage is in second position, there are other City of Urbana liens and closing fees. Also, the State Police have invested over \$4,000 in costs that do not appear on the financial sheet.

Commissioner Francis wondered why all parties would not share in the forgiveness and if it was customary for the City of Urbana to “take the hit.” Mr. Schneider answered that the mortgage clause was included for certain reasons, such as getting a house back on the market. He mentioned foreclosure proceedings and judgments where the City could be left out completely. In this situation Mr. Schneider felt this was the least costly way to proceed.

Although Commissioner Vidoni agreed with Commissioner Francis, he understood the situation. He asked how HUD would view this and if there was any precedent. Mr. Schneider replied that HUD had recommended the City include in its mortgages a net sales proceeds recapture provision and the City has done this. This allows a property to be sold without sitting vacant for a long time, which was a concern for Jack Waaler, City of Urbana’s Special Counsel. Commissioner Vidoni felt this approach would be for the greater good.

In response to Commissioner Roof, Sergeant Colbrook said the house had been vacant since spring 2007. Commissioner Roof asked if the house was marketed in the traditional sense. Sergeant Colbrook answered yes; they use a real estate agent or company. There was discussion about the difference between the appraised value (\$35,000) and the sale price (\$48,000). Mr. Schneider noted this was a one bedroom, one bathroom house with a den. Sergeant Colbrook added the real estate agent was surprised about the selling price. He noted it is very rare for a property to be worth more than the appraised value in this type of situation.

In response to Commissioner Roof, Mr. Schneider noted the assessed value was \$61,000. A result of a building permit being issued by the City of Urbana, the Township Assessor reviews the assessment. He did not know when the property was reassessed. Commissioner Francis added if the property was over-assessed, one could argue that the real estate taxes were not legitimate. Mr. Schneider said this was an issue for a property owner to argue. Sergeant Colbrook stated that even though they pay taxes on many properties, their department does not challenge tax assessments.

Feeling this will occasionally happen, Acting Chairperson Silvis recommended looking at the big picture. There is a risk extending credit to lower income persons, and the City may have to take a loss. Although this would be a concern if it happened frequently, she did not see a systematic problem. Mr. Schneider mentioned this has happened only two times in the past ten years. He discussed mortgages with HOME funds and subprime lenders.

In this case City staff recommends forgiving the difference between the outstanding debt and the sale proceeds. The debt could go up, depending on Busey Bank's attorneys' fees and insurance costs. In response to Commissioner Francis, Mr. Schneider explained that Busey Bank may have wanted to protect their interest in the property by filing for foreclosure. Commissioner Francis asked if the CD Commission would be paying the fees for Busey's attorneys. Sergeant Colbrook replied these additional costs would be deducted from the sales proceeds. Mr. Schneider felt that Busey may be willing to forego those expenses. Noting that Busey is a good citizen, Commissioner Vidoni remarked that they could be a better citizen by lowering their fees. Then the City of Urbana would have more funds to contribute to the community. Mr. Schneider requested Sergeant Colbrook check with Busey Bank about this. However, if Busey and the City were not willing to forgive, then the State of Illinois must pay. Sergeant Colbrook explained that, as the property owner, the State Police is responsible for 100% of upkeep, expenses and liens. Since the State has already expended almost \$4,500, the State is requesting the City forgive part of its mortgage.

In response Commissioner Roof, Sergeant Colbrook replied that his department was very happy with the sale price. Based on their experience throughout the state, most properties forfeited due to the drug laws have not been maintained and are not in good neighborhoods. The State is happy if it receives 100% of the appraised value. In this case, there was a bidding war with two or three individuals wanting this property. Mr. Schneider added the City could have bid on the property. However, after consideration, staff decided this was the best way to handle this situation.

Commissioner Vidoni moved to recommend that the Community Development Commission concur with the partial forgiveness of mortgage indebtedness for the property at 506 East Illinois Street, Urbana as requested by the Illinois State Police Department. Commissioner Roof seconded the motion, and the motion carried unanimously.

Resolution Authorizing the Mayor to Execute a Certification of Consistency for the Housing Authority of Champaign County Five-Year Plan for FY 2005-2009, and the Annual Plan for Fiscal Year 2008 – Janel Gomez explained this is the Housing Authority's annual request. She noted the 2008 Plan is similar to the 2007 Plan, which included minor changes to language regarding Lakeside Terrace. Staff has reviewed the plan and recommends approval.

Acting Chairperson Silvis asked if there were any substantive changes. Ms. Gomez answered there were just changes in language. Mr. Schneider added that the Housing Authority was working with Brinshore Development to redevelop the Lakeside Terrace site into a mixed-income development, Crystal View Townhomes. Brinshore Development is re-applying for Low-Income Housing Tax Credits (LIHTC) from the Illinois Housing Development Authority (IHDA) for a fourth time. Ed Bland, Executive Director of the Housing Authority, noted IHDA would announce the results in March or April 2008. If Brinshore does not receive funding, they may apply one last time. If they still do not receive funding, the Housing Authority would become its own developer.

Commissioner Vidoni asked if the housing units at Lakeside Terrace were demolished, and Ms. Gomez answered yes. Commissioner Vidoni remembered the City Council's concern about permanent replacement units for public housing and asked for an update. Mr. Schneider said this was similar to last year's issue and reviewed the history. In response to City Council, Brinshore Development created a design with 96 mixed income units. However, IHDA determined this was too dense. Brinshore then created a design with 70 units. Mr. Schneider noted the Lakeside Terrace Plan was created in 2004; however, the housing market has changed since then. At that time Homestead Corporation planned to rehabilitate rental properties, but this has not been financially feasible. There were other issues as well.

Mr. Bland stated the Housing Authority can repurchase the mixed income housing units after 15 years. All tax credit properties could become public housing properties in the future. The Housing Authority is building for the future. As funds become available, the Housing Authority will develop units within Champaign County. Growth, which is taking place in other parts of the county, is resulting in more affordable housing. This housing is beyond that which Brinshore Development is developing. Mr. Bland stated all projects are dictated by available funding.

Commissioner Vidoni inquired about the relocation of Lakeside Terrace residents and if all received housing. Mr. Bland answered that every family who moved out of Lakeside Terrace had a choice of public housing or a Section 8 voucher. All but two families chose the Section 8 voucher, which can be used anywhere in the United States. The Housing Authority, which received one voucher for every unit demolished, received 99 vouchers. When Crystal View Townhomes is built, the Housing Authority will receive 70 more vouchers. Mr. Bland said those 99 vouchers generate approximately \$8,000,000 a year in revenue in Champaign County. The Housing Authority pays Champaign County landlords for 13,058 vouchers, representing an increase from less than 8,000 vouchers in 2003. The inventory of affordable housing is growing in the entire county.

Noting this was a net gain in terms of numbers, Commissioner Vidoni asked about the quality of housing, about any feedback, and if the move to vouchers was satisfactory. Mr. Bland answered yes; families received about \$500 in relocation expenses. All 99 families chose to move themselves and keep the money. These families did not have a hard time finding other housing. He noted that the average length of time for a family to live at Lakeside Terrace was 2.5 years.

Commissioner Francis wanted to know what would prevent the past problems from reoccurring. Mr. Bland answered that Lakeside Terrace was public housing; Crystal View Townhomes will be a mixed income community. A mixed income community provides different role models for

children—families working, going to school. Also, the City of Urbana did not receive property taxes for Lakeside Terrace. However, the redevelopment will provide real estate taxes to the City. Referencing Burch Village in Champaign, Commissioner Francis asked if those units were mixed income and if those worked well. Mr. Bland answered yes to both.

Acting Chairperson Silvis said the issue was whether the CD Commission would recommend the Mayor execute a Certification of Consistency for the Housing Authority's Annual Plan FY 2008. Mr. Schneider discussed the timing and noted this item must go to City Council on December 3, 2007. Commissioner Roof asked if the content had changed from what City Council had approved earlier. Mr. Schneider said the main focus was consistency with the strategies in the City's Consolidated Plan. From GMD staff's review, it is consistent with the Housing Authority's Annual Plan FY 2007 and the Consolidated Plan. Last year the City asked the Housing Authority to change language in one section. The Housing Authority did that, and this change is also in this year's plan.

Commissioner Francis moved to recommend to City Council a Resolution Authorizing the Mayor to Execute a Certification of Consistency for the Housing Authority of Champaign County Five-Year Plan for FY 2005-2009, and the Annual Plan for Fiscal Year 2008. Commissioner Vidoni seconded the motion, and the motion carried unanimously.

Mr. Bland stated the Housing Authority will continue to work with the City of Urbana. They want to be good neighbors. They have an excellent working relationship with city staff, which they want to continue.

Mr. Schneider announced that commissioners received a Directory of Who's Who in Government from the Champaign County League of Women Voters 2007-2008.

Janel Gomez distributed a 2007 Money Smart Week Report and announced the local event is planned for April 5-12, 2008. The Annual Housing Fair will be held on April 12, at the end of Money Smart Week. The Community Reinvestment Group (CRG) is looking for a site for the Annual Housing Fair since Lincoln Square Village is being renovated. In response to Commissioner Vidoni, Ms. Gomez explained this was the first time that Money Smart Week will be held in Champaign/Urbana. It is a week-long event of free financial seminars for children through seniors. The University of Illinois, local banks, Cities of Champaign and Urbana, and the local school districts are participating. The Federal Reserve Bank provides advertising funds. Every student in Champaign Urbana will receive a bookmark advertising this event. Ms. Gomez, who is on the committee, will provide a report at the end.

Adjournment: Acting Chairperson Silvis adjourned the meeting at 8:01 p.m.

Recorded by Connie Eldridge