



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Elizabeth H. Tyler, FAICP, Community Development Director

FROM: John A. Schneider, Manager, Grants Management Division

DATE: January 22, 2010

SUBJECT: HOME Funding Allocations – FY 2010-2011

Description

Included on the agenda of the January 26, 2010 meeting of the Community Development Commission is a review of the HOME Investment Partnership Program funding requests from non-profit agencies for FY 2010-2011. In response to the invitation to area not-for-profit organizations for HOME Program funding requests, the City of Urbana and Urbana HOME Consortium received a total of two applications from Community Housing Development Organizations (CHDOs). Homestead Corporation of Champaign-Urbana submitted an application requesting CHDO Operating funds only. Ecological Construction Laboratory submitted an application requesting both CHDO Operating and CHDO set-aside funds for a specific affordable housing project. The Department of Housing and Urban Development (HUD) advised City staff to assume the Consortium will receive the same level of HOME funding as for FY 2009-2010 when preparing the Annual Action Plan for Fiscal Year (FY) 2010-2011, which was **\$1,128,059**.

Issues

The issue for the Community Development Commission (CDC) is to review and evaluate the HOME program applications for FY 2010-2011 and provide input regarding the Consortium recommendations for funding. The resulting projects and funding amounts will be included in a Draft City of Urbana and Urbana HOME Consortium Annual Action Plan (AAP) for FY 2010-2011. The Draft AAP will then be made available for public review and comment after which the CDC will review the draft and any suggested changes resulting from public input. The CDC will then be asked to forward a final recommendation regarding the plan to the Urbana City Council for final action.

Background

Applications for FY 2010-2011 HOME funding for affordable housing projects were available between December 7, 2009 and January 8, 2010. On December 7, 2009, staff conducted two training workshops to answer any questions about the application, activity eligibility, or the process. Staff was also available throughout the application period to answer questions and to assist with applications as requested.

Applications for HOME funds were submitted by two agencies: Ecological Construction Laboratory (e-co lab) and Homestead Corporation of Champaign Urbana (Homestead). The HOME funding requests are for CHDO project funds and CHDO operating funds. Homestead and e-co lab are currently in the process of being re-certified as CHDOs in the Urbana Consortium, with recertification anticipated to be completed after staff concludes the annual monitoring process in February 2010.

At its January 14, 2010 regular meeting, the Urbana HOME Consortium Technical Committee reviewed the applications for FY 2010-2011 funding. In accordance with an Intergovernmental Agreement executed in 2003, the Urbana HOME Consortium Technical Committee is comprised of representatives from the City of Urbana, the City of Champaign, and Champaign County, the three entities that make up the Urbana HOME Consortium. The technical committee meets bi-monthly to ensure collaboration, discuss HOME related issues, and to formulate recommendations for HOME related projects.

Summaries of the applications are provided below. Information for each application includes a brief description of the project, the score for each request, the amount of funding requested, and the amount of funding recommended by the Consortium Technical Committee. City staff scored the applications based on HOME Program guidelines for assessing CHDO capacity and project capability. Areas assessed on the application include: project description, project readiness, financial feasibility, developer capacity, and project beneficiaries. Separate scoring sheets were used to score the Project and Operating application sections. Copies of the applications and the scoring summaries are attached for reference.

I. OVERVIEW OF PROJECTED FY 2010-2011 HOME BUDGET:

1) Sub-Allocations for Administration, CHDO Project & CHDO Operating. HUD regulations outline the parameters for Participating Jurisdictions (PJs) 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. In addition, at least 15% of the PJ's total HOME grant must be set aside as project funds for CHDO-administered projects. PJs also have the option to designate up to 5% of their annual allocation for Operating Funds awarded to CHDOs.

2) Consortium Allocation for Tenant-Based Rental Assistance (TBRA). In response to the recent community need for rental assistance, the Consortium recently proposed an Amendment to the FY 2009-2010 Annual Action Plan to allocate **\$106,035** to a Tenant-Based Rental Assistance Program to be operated by the County on behalf of the Consortium.

In preparing the Consolidated Plan for FY 2010-2014, the City of Urbana has held several public hearings and Focus Group meetings to receive input regarding projected goals to address community needs for the upcoming five-year period. Input received from several community stakeholders indicated the immediate need for housing assistance targeted to persons in the community whose incomes fall below 30 percent of the Median Family Income (MFI). The minutes from the public hearings are provided as an attachment. Homeownership is generally not an option for individuals and families whose incomes fall below this level, suggesting a need in

the community for rent subsidy. Accordingly, the Urbana HOME Consortium allocated **\$175,000** in FY 2010-2011 HOME funds to augment the TBRA Program for a two-year total of **\$281,035**.

3) HOME Entitlement (Shared by Consortium Members). After deducting the sub-allocations and the Consortium funds allocated to TBRA from the total HOME grant, the remaining amount, referred to as Entitlement (EN) funds, is divided among the Consortium members based on ratio provided by HUD as follows: 54.9% to City of Champaign; 12.6% to Champaign County; and 32.5% to City of Urbana. The breakdown of the proposed HOME program budget, with standard sub-allocations as stated above is:

PROJECTED FY 2010-2011 HOME BUDGET			
		HOME	Match
Anticipated HOME PROGRAM Allocation		\$ 1,128,059	
<i>Administration</i>	<i>10% (No Match Required)</i>	<i>\$112,806</i>	
<i>CHDO Reserve</i>	<i>15% (CHDOs provide 25% Match)</i>	<i>\$169,209</i>	<i>\$42,302</i>
<i>CHDO Operating</i>	<i>5% (No Match Required)</i>	<i>\$ 56,403</i>	
Consortium Wide Tenant Based Rental Assistance		\$175,000	\$43,750
<i>Remaining Balance to be distributed among Consortium Members</i>		\$ 614,641	
Distribution among Consortium Members			
<i>City of Urbana Allocation</i>	<i>32.5% 25 % Local Match Required</i>	<i>\$ 199,758</i>	<i>\$49,940</i>
<i>City of Champaign Allocation</i>	<i>54.9% 25 % Local Match Required</i>	<i>\$ 337,438</i>	<i>\$84,360</i>
<i>Champaign County Allocation</i>	<i>12.6% 25 % Local Match Required</i>	<i>\$ 77,445</i>	<i>\$19,361</i>

II. HOME FUNDING APPLICATIONS & CONSORTIUM RECOMMENDATIONS

A. 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. Based on the anticipated FY 2010-2011 HOME program funding from HUD of \$1,128,059, the required 15% CHDO reserve is \$169,209. One application requesting these FY 2010-2011 HOME Program CHDO Reserve funds was received:

1) Ecological Construction Laboratory

Project: Kerr Avenue Affordable Passive House Development

135 points (200 possible)

Amount Requested: \$360,000

Consortium Recommended Amount: \$0

2005-2009 Consolidated Plan Goals addressed:

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

Goal 3: Addressing barriers to obtaining affordable housing.

Goal 9: Preserving and supporting Urbana's neighborhoods as vibrant places to live.

Ecological Construction Laboratory is requesting funds to construct a new 48-unit housing development off of Kerr Avenue that incorporates sustainability principles into a combination of two- and three-bedroom townhouses, “shotgun” houses, and apartments. The first floor units would include visitability standards for persons with disabilities and the development would be targeted to persons above 50 percent Median Family Income (MFI) and below 80 percent MFI. Using a modular building approach, eco-lab plans to complete the project from August 2010 to August 2012.

Currently, e-co lab has one project underway at 1302 Dublin in Urbana and is under contract for a separate Super Energy Efficient Duplex as well. The location for the duplex project has not yet been identified. Previous projects include single-family homes at 1005 and 1007 West Fairview Avenue, Urbana.

While e-co lab’s past HOME-funded projects have been successful, the Kerr Avenue project is still in early developmental stages and in the judgment of the Consortium is not yet ready to proceed with development for the following reasons.

First, a full development team has not yet been established for the project. Pursuant to an RFQ/RFP process, in May 2008, Ecolab submitted a proposal to the City to serve as a development team leader, CHDO, and designer for development of the Kerr site. Other team members in the proposal include IBACOS, Homeway Homes, Conservation Technologies, HDC Engineering, and the Devonshire Group. In subsequent discussions, the Devonshire Group declined to serve as the developer for the project, though they do retain an interest in marketing the project and serving as a consultant to the team. Over the past several months, the City has been working with eco-lab to identify a housing developer for the project. Due to the softening of the housing and loan markets, we have not yet been able to identify a committed developer for the project. The Consortium did not feel it was wise to commit HOME funds to the project without a full development team on board.

Secondly, the Consortium funds that have been requested for the project (\$360,000) are more than double the required CHDO project amount (\$169,209). Even if the required CHDO project funds of \$169,209 were to be allocated to the project, preliminary cost estimates for project development show that a sizable funding gap would still remain. This gap would likely prevent the project from being completed within a timeframe necessary to meet HUD expenditure requirements. It should be noted that, in 2009, City staff along with e-co lab submitted a major grant application to the U.S. Environmental Protection Agency to assist in filling the funding gap for the project. While the grant submittal was impressive and scored relatively high, the national grant program was extremely competitive, and the proposal was not funded.

As an alternative to funding this request, the Consortium is recommending that the City continue to pursue pre-development activities for the project, including additional market and feasibility analyses and more refined cost estimates. With this additional information, and as the economy recovers, it is hoped that the City will be in a better position to identify a committed developer for the project and to start construction activities.

Because the Consortium has deemed that there are no feasible CHDO Projects ready to be funded, it is recommended that the available remaining unallocated \$169,209 Project Reserve

fund be set aside for a future eligible CHDO Project, satisfying the 15 percent CHDO reserve requirement until additional projects can be funded. It is possible that the \$169,209 CHDO Reserve could be reallocated to the Kerr Avenue project in the future.

B. CHDO Operating Funds

HUD regulations allow PJs, at their discretion, to set aside 5% of the annual allocation for operating expenses of current CHDOs. Consortium policies further cap annual CHDO Operating (CO) awards at \$35,000 for new CHDOs and \$25,000 for established CHDOs.

Two applications for CHDO Operating Funds were received as part of the FY 2010-2011 funding cycle invitation for funding requests. The two (2) agencies requesting operating funds are currently certified CHDOs and will be eligible for recertification given a successful monitoring visit. The Consortium may allocate up to 5% to CHDOs for operating costs, and the anticipated amount for FY 2010-2011 CHDO Operating funds is \$56,403. Following is a summary of the CHDO Operating funds requested:

1) Ecological Construction Laboratory

Amount Requested: \$25,000.00

Consortium Recommended Amount: \$ 22,500 (conditional)

E-co lab has received CHDO Operating funds annually since FY 2006-2007.

2) Homestead Corporation

Amount Requested: \$25,000

Consortium Recommended Amount: \$ 22,500

Homestead has received CHDO Operating funds annually since FY 1998-1999.

One of the expectations of a CHDO is that quarterly reports be submitted, along with pay requests with supporting documentations to receive reimbursement for eligible operating expenses from the Consortium. Staff are currently awaiting quarterly reports and accompanying pay requests from e-co lab for the past three quarters, and as such are unable to accurately assess the upcoming operating need. The Consortium recommends that e-co lab receive an allocation of \$22,500 upon completion of expenditures allocated from Fiscal Year (FY) 2008-2009 and FY 2009-2010.

The City of Urbana has received all required quarterly reports and pay requests with supporting documentations from Homestead to date. Given the additional management required over Crystal View Townhomes and other related upcoming projects detailed in Homestead's CHDO Operating Application, there is a demonstrated need for additional operating funds. As such, the Consortium Technical Committee recommends that Homestead receive the amount of \$22,500.

Additionally, the Consortium has been working with Habitat for Humanity of Champaign County to gauge its interest in becoming a CHDO within the coming Fiscal Year. Beverly Huffman, Executive Director for Habitat, contacted staff recently and indicated that the organization intends to pursue CHDO certification. City staff also received input from BFH, INC Foundation regarding the upcoming Consolidated Plan for FY 2010-2014, in which the organization advocated the need for CHDO operating funds for new CHDOs. Considering this, the Consortium

recommends reserving the remaining portion of CHDO Operating funds to assist Habitat in starting up once the organization meets board requirements, achieves 501(c)(3) nonprofit status, and becomes certified as a CHDO. Including the estimated **\$11,403** recommended to be reserved for a new CHDO, in total this will allot the full maximum allowed CHDO operating fund of 5 percent from the FY 2010-2011 HOME allocation.

Options

Staff is requesting that Community Development Commission provide input regarding the HOME Program CHDO funding amounts to be included in the City of Urbana Draft Annual Action Plan for FY 2010-2011. The CDC may:

1. Recommend funding the grant applications in the amounts recommended by the Consortium.
2. Recommend funding for the grant applications in an amount other than as recommended by the Consortium (this would require consensus of the other Consortium members).
3. Do not recommend funding any of the grant applications.

Fiscal Impacts

The total projected HOME grant award for FY 2010-2011 is anticipated to be **\$1,128,059** for the Consortium. Although CDBG funding has decreased every year since 2005, HOME funding allocations have remained relatively stable since 2005 and increased slightly last year. The Consortium has planned accordingly for similar funding allocations in determining the budget.

Recommendations

The Urbana Home Consortium Technical Committee recommends funding for FY 2010-2011 CHDO reserve and CHDO operating as follows:

<u>CHDO Reserve and Entitlement Funds</u>	<u>Recommended Funding</u>
Reserve for Eligible Project(s) (to be determined)	\$169,209
	Total \$169,209

<u>CHDO Operating</u>	<u>Recommended Funding</u>
Ecological Construction Laboratory: Operating	\$22,500
Homestead Corporation: Operating	\$22,500
Reserve for Potential New CHDO	\$11,403
	Total \$56,403

Memorandum Prepared By:

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Attachments:

1) Applications for Funding and Scoring Sheets:

a. CHDO Reserve (for Projects):

E-co Lab – Kerr Avenue Affordable Passive House Development

b. CHDO Operating (for operating funds only):

E-co Lab - CHDO Operating

Homestead Corporation - CHDO Operating

2) Public Hearing Minutes and Attendance sheets