



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: John A. Schneider, MPA, Manager, Community Development Services Dept.

FROM: Kelly H. Mierkowski, Manager, Grants Management Division

DATE: September 22, 2017

SUBJECT: **A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED BY RESOLUTION NO. 2015-05-023R (City of Urbana Housing Program Manual Program Years 2015-2019)**

Description

Included on the agenda of the September 26, 2017 regular meeting of the Urbana Community Development Commission is a Resolution amending a section of the Housing Program Manual for Program Years 2015-2019. This Housing Program Manual was originally approved by the Urbana City Council on May 4, 2015 through Resolution No. 2015-05-023R.

The proposed amendment would expand the scope of available activities allowed under the Property Acquisition/Disposition Program, and is in keeping with feedback and guidance provided to the City by the United States Department of Housing and Urban Development (HUD) as part of its Community Development Block Grant (CDBG) Monitoring Review Results letter received by the City of Urbana on June 20, 2017.

Background

The Urbana City Council has traditionally directed a significant portion of the City's grant funds toward rehabilitation of owner-occupied housing and other housing programs. Federal regulations governing the programs allow the City flexibility in disbursing these funds provided local guidelines exist to assure that program objectives are met and funds are expended in an equitable and timely manner. The Housing Program Manual 2015-2019 (HPM 15-19) provides the required guidelines and procedures for the programs and projects undertaken by the Grants Management Division of the Department of Community Development Services. The manual runs concurrent with the Consolidated Plan for Program Years 2015-2019.

HUD staff monitored the City of Urbana Grants Management Division on May 13-15, 2017. One issue that HUD noted was that properties obtained through the Property Acquisition/Disposition Program were reported to HUD as supporting the low and moderate income housing National Objective because they were transferred to a community housing development organization (CHDO). However, the Monitoring Review Results letter states that "properties acquired might not be converted into affordable housing for more than 3 years. This is particularly of concern for properties which also received funding from the Blight Reduction Program (BRP) sponsored by the Illinois Housing Development Authority, which provides a holding period post-demolition."

Activities not completed within a reasonable timeframe are at risk of being considered disallowed, which would necessitate repayment by the City of Urbana, if HUD determines that the City has not achieved a National Objective.

Proposed Amendment

As part of the Monitoring Review Results letter, HUD recommended that “the City considers categorizing acquisition/demolition under elimination of slum and blight on a spot basis,” rather than categorizing acquisition/demolition projects as supporting the development of low- and moderate-income housing. Doing so allows the City to complete activities following demolition of blighted properties, rather than after the transfer of the property to a CHDO and the construction of an affordable housing unit.

All additions to the HPM 15-19 are highlighted and underlined in the attached amendment. The following changes are proposed to be added to Chapter 11 of the Housing Program Manual immediately following Section 11.7:

11.8 Removal of Slum and Blight on a Spot Basis

Properties may be acquired and/or cleared to ameliorate a blighting factor outside of a designated slum or blighted area when the property cannot be immediately transferred to a non-profit housing developer or CHDO. In such instances, the process described below shall be followed.

To comply with the national objective of elimination or prevention of slums or blight on a spot basis, i.e., outside a slum or blighted area, an activity must meet the following criteria:

- The activity must be designed to eliminate specific conditions of blight or physical decay not located in a designated slum or blighted area; and
- The activity must be limited to Clearance alone or Acquisition and Clearance

The City of Urbana is required to expend 70 percent of their CDBG funds to benefit low and moderate income persons. Actions taken through the slum and blight national objective do not count toward this amount.

11.8.1 Acquisition

- 1) Acquisition may qualify under the Slum or Blighted Area category if the acquired real property is in an area designated by the grantee as a slum or blighted area, and the property will be used in a manner which addresses one or more of the conditions which contributed to the deterioration of the area.
- 2) Acquisition may qualify under the Spot Blight category if the acquired property is located outside a designated slum or blighted area and the acquisition is required for clearance which will eliminate specific conditions of blight or physical decay on a spot basis.
- 3) The acquisition of property that is located outside a designated slum/blight area and the acquisition is a prerequisite for clearance, which will eliminate specific conditions of blight or physical decay on a spot basis.

11.8.2 Clearance

- 1) Clearance may qualify under the Slum or Blighted Area category if the clearance activities are in an area designated by the grantee as a slum or blighted area and address one or more of the conditions which contributed to the deterioration of the area.
- 2) Clearance may qualify under the Spot Blight category if the activity eliminates specific conditions of blight or physical decay on a spot basis not located in a designated slum/blight area.
- 3) Clearance activities not involving acquisition can only be undertaken once the legal authority to proceed has been obtained from the owner of the property. Clearance activities alone will be undertaken upon availability of funds.
- 4) The full amount of any demolition expenses undertaken on property not owned by the City of Urbana shall be secured with a lien placed on the property that will be payable upon transfer of the property. The lien may be forgiven or waived by the Grants Management Division if the property is transferred to or owned by a non-profit housing developer or CHDO.

Options

1. Forward the Resolution amending Housing Rehabilitation Program Operational Guidelines as Originally Authorized by Resolution No. 2015-05-023R (City of Urbana Housing Program Manual Program Years 2015-2019) to the Urbana City Council with a recommendation for approval
2. Forward the Resolution to the Urbana City Council with a recommendation for approval with suggested changes.
3. Do not recommend that the Urbana City Council approve the Resolution.

Fiscal Impacts

There will be no change to the City General Fund as a direct result of adopting the proposed amendment. The funding proposed for projects in each Annual Action Plan that qualify under the proposed activity type will be sourced from CDBG as well as State, local, and non-profit funds. The funding proposed for these projects is already incorporated into the FY 2015-2019 City of Urbana and Urbana HOME Consortium Consolidated Plan, applicable Annual Action Plans, and the City Budget under the Property Acquisition/Disposition line items.

Widening the scope of permitted activities for the Property Acquisition/Disposition program can enable the City of Urbana to expend CDBG funds in a timelier manner. Doing so will help to ensure that the City of Urbana meets the timeliness requirements associated with CDBG funding. For CDBG, sixty days before the end of each program year, HUD tests each grantee to ensure that they do not have more than 1.5 times their annual allocation amounts remaining in their line of credit at the U.S. Treasury. Exceeding this ratio will cause a grantee to be in violation of the Federal regulations.

Programmatic Impacts

This proposed expansion of the Property Acquisition/Disposition program will also enable the Grants Management Division to offer a wider array of services to the community. In particular, the proposed revision will allow the City the ability to clear properties that have not been acquired by the City upon receipt of the legal authority to undertake such actions, and allow for acquisition and clearance projects to be completed in accordance with HUD regulations. This would help to minimize the amount of real estate that the City holds and in turn the costs associated with maintenance. Removal of blighted and vacant structures on a spot basis provides more flexibility for effective use of CDBG funds while allowing the City to remain compliant with Federal CDBG regulations and would be in line with HUD's recommendation for the program.

Recommendations

Staff recommends that the Urbana Community Development Commission forward the Resolution to the Urbana City Council with a recommendation for approval.

Memorandum Prepared By:



**Matthew Rejc, AICP
Community Development Coordinator
Grants Management Division**

Attachments:

1. A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED BY RESOLUTION NO. 2015-05-023R (City of Urbana Housing Program Manual Program Years 2015-2019)
2. *An Amendment to the Housing Program Manual Program Years 2015-2019*

RESOLUTION NO. _____

**A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM
OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED BY RESOLUTION
NO. 2015-05-023R**

**(City of Urbana Housing Program Manual
Program Years 2015-2019)**

WHEREAS, on February 2, 1976, the City Council of the City of Urbana, Illinois, adopted operational guidelines for the implementation of housing rehabilitation programs funded through the Community Development Block Grant program; and

WHEREAS, said operational guidelines have been amended by the City Council from time to time thereafter; and

WHEREAS, the Community Development Commission and Grants Management Division of the City of Urbana have revised housing program guidelines entitled Housing Program Manual 2015 -2019 for the purpose of 1) administering the program years 2015-2019 housing programs funded in part with Community Development Block Grant funds, HOME Investment Partnership Program funds, and additional funding that may be available through Illinois Department of Public Health, Federal Home Loan Bank, Illinois Housing Development Authority, TIF, or other participating financial institutions to supplement the programs in the manual, 2) replacing previously adopted housing program guidelines which require revisions to clarify existing programs and conform to regulations and guidelines required by the funding source with the addition of programs to eliminating blight and dilapidated structures to help revive the neighborhood and promote owner-occupied properties; a copy of said housing program manual is incorporated herein by reference; and

WHEREAS, the Housing Program Manual was approved by the City Council of the City of Urbana through Resolution No. 2015-05-023R on May 4, 2015; and

WHEREAS, the City Council of the City of Urbana, Illinois, has found and determined that execution of the attached amendment to the City of Urbana Housing Program Manual 2015-2019 is desirable and necessary to carry out one of the corporate purposes of the City of Urbana, to wit: implementation of Strategies and Objectives to Address the Goal of preserving and supporting Urbana's neighborhoods as vibrant places to live as described in the *City of Urbana and Urbana HOME Consortium (Champaign/Urbana/Champaign County) FY 2015-2019 Consolidated Plan*.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the Urbana City Council hereby approves the attached amendment in substantially the same form as attached hereto.

Section 2. That the Grants Management Division of the City of Urbana is hereby authorized and directed to proceed with the implementation of the housing program guidelines in substantially the form as described in the attached amendment to the Housing Program Manual 2015-2019, which is hereby approved.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

AYES:

NAYS:

ABSTAINED:

Charles A. Smyth, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Diane Wolfe Marlin, Mayor

11.0 PROPERTY ACQUISITION/DISPOSITION PROGRAM

Property Acquisition in Support of New Construction Relocation/Clearance/Disposition is part of an ongoing effort to sustain and maintain neighborhoods.

11.1 Authorized Activities

When opportunities become available, the Grants Management Division Manger may negotiate and purchase substandard housing and vacant properties primarily in the CD Target Area. Properties outside of the Target Area may be considered on a case-by-case basis and funding availability. These properties shall then be cleared and maintained in the City's land portfolio until, if the desired national objective relates to low and moderate income housing, donation or sale to a local non-profit housing developer or CHDO for new construction of affordable housing. Households, which earn less than 80 percent of the area median family income as determined by guidelines, may purchase these homes. If the applicable national objective concerns the reduction of slums and blight, then projects may be completed as soon as the blighting factor has been eliminated.

11.2 Property Qualifications:

- 1) Be located in the CD Target Area. Properties outside the target may be considered on a case-by-case basis. Properties that are acquired and cleared as part of the slum and blight national objective can be located anywhere in the City of Urbana.
- 2) Be classified as a "substandard dwelling" by the Grants Management Division in coordination with the Building Safety Division.
- 3) Be structurally unsound. Units that cannot be cost-effectively purchased, renovated to meet code and resold are eligible under this program. These properties may be used for acquisition/demolition and added to the City's land portfolio to be used for new construction.
- 4) Be a single-family residential property or duplex unit. Multiple-unit structures may be considered on a case-by- case basis.
- 5) Not be located in an area which is in conflict with environmental or zoning regulations (e.g. not located within a floodplain or adjacent to a railroad or other noise source which has a day/night sound level in excess of Department of Housing and Urban Development Sound Level Standards) or with the 2005 Comprehensive Plan for Urbana, as amended. Residential properties which are in violation of the Urbana Zoning Ordinance, as determined by the Zoning Administrator and/or the Zoning Review Board, are ineligible under this program.

11.3 Acquisition Process

In order to successfully acquire properties, the Council authorizes the Manager of the Grants Management Division to enter into negotiations as may become available to purchase dilapidated and vacant properties to be used through the City's programs as Purchase/Rehab/Resell or Property Acquisition/Disposition to add properties to the City's portfolio for later use in the construction of affordable housing.

Procedures to ensure compliance with HUD and program guidelines including relocation benefits shall include but not be limited to the following.

- Letter of interest with accompanying return receipt of notice
- Information Notice for Voluntary Acquisition of Property
- Title Policy as proof of ownership and outstanding liens
- Appraisal and Appraisal review (if applicable)
- Offer to purchase with statement for just compensation, response to the offer and negotiation
- City Council Ordinance approval of the purchase
- Environmental Review and clearance achieved
- Property purchase (closing), Warranty Deed recorded, Title Insurance Policy
- Proper maintenance of the property until disposition

As listed above, these steps are followed in the property acquisition process. However throughout the process, additional concerns and/or complications may arise that could include additional requirements as imposed by HUD or other governing bodies, such as possible relocation assistance, numerous persons listed on the title, numerous liens against the property, etc. In these instances, the GMD shall ensure the proper documentation, assistance, lien releases, and negotiations per HUD requirements. The GMD shall incorporate the Uniform Relocation Act Acquisition & Relocation Section 104(d) Replacement Housing and Relocation as required by HUD.

11.4 Demolition Process

The property shall be secured, and an asbestos inspection and report shall be completed. The project shall be advertised for bid, and contractors who have previously bid on demolition projects shall be notified. The Invitation For Bid shall include Instruction to Bidders, Specifications, Bid Proposal Form, Purchase Certification Form, Equal Employment Opportunity Form, and Pre-Demolition Asbestos Survey. The contractor shall familiarize themselves with the documents prior to submitting their Proposal.

Demolition projects are undertaken only through a written contract between the contractor and the City. Contracts shall be awarded to the party submitting the Low Responsible Bid. The low responsible bid shall generally be the bid proposal from the bidder who has (1) complied with all bid specifications, bid instructions, and contract requirements and (2) offers to perform the contract for the lowest price. The City reserves the right to reject any and all bids. The contract shall contain the bid amount, all general

conditions, and a description of work to be performed. In the event that the low responsible bidder is unable to provide the required documentation in a timely manner, the City may reject the bid and negotiate with the bidder who submitted the next lowest responsible bid. The City may continue this process until a successful bidder is determined. The contract may be changed as federal, state, and local laws, regulations or policies deem necessary.

The contractor's proposal shall comply with general demolition specifications, as supplied by GMD including a Pre-Demolition Asbestos Survey. Drawings and/or detailed specifications shall be prepared by the contractor only when deemed essential by GMD or Building Safety to show the scope of work involved so misunderstandings can be avoided.

11.5 Contractor Requirements

The contractor shall be required to obtain and pay for all required utility and demolition permits.

The contractor shall be responsible for the cost of transportation and verification of disposal of all materials to a licensed landfill area, which will accept these materials. The City encourages recycling of demolition materials where possible.

Demolition permit is required and may be obtained from the City of Urbana.

Contractor must be bonded with the City of Urbana and is required to have evidence of such bond on file with the Urbana Engineering Division prior to contract signing.

11.6 Close Out Procedures

- 1) Interim and Final Inspections by Building Safety Division for approval of demolition work to ensure conformance with contract specifications and issues.
- 2) Obtain from the contractor the disposal verification, lien waiver and invoice prior to final payments.
- 3) Review file to be certain that all documentation is in order and that all necessary signatures have been obtained.

11.7 Property Maintenance and Disposition

Properties acquired in support of new construction of an ongoing effort to sustain and maintain neighborhoods shall be maintained until such time disposition occurs. Properties shall be donated, transferred, or sold to a non-profit housing developer or CHDO for the use of new construction of affordable housing if the low and moderate-income housing national objective is sought. The following shall be the process in which the properties shall be disbursed.

- The GMD shall notify non-profit housing developers and CHDOs of any and all properties the City owns that may be used for the construction of new affordable housing. The GMD shall maintain and update the list.
- A residence shall be constructed in accordance with all applicable land development, zoning, and building codes, and the visitability standards of the City of Urbana, Illinois, and with any and all covenants recorded for the subdivision in which Subject Property is located.
- A request for each property from the non-profit housing developer or CHDO shall be submitted in writing to the Manager of the Grants Management Division with the proposed time frame for construction, sale, and all other applicable information that may be pertinent to the project, i.e. funding appropriated for the construction, income qualifications for potential owner, building design, etc. At no time shall the housing developer request properties to land bank for future development.
- The City shall convey properties by good and sufficient Warranty Deed, subject to current general taxes, covenants, conditions, restrictions, easements apparent or of record, and to all applicable zoning laws and ordinances.
- The Developer shall accept the property in its “as-is” condition, and City disclaims all warranties express or implied as to the condition of Subject Property.
- After transfer of the property, the Developer shall be responsible for property maintenance and obtaining and paying for all permits required under said codes.
- The residence constructed on these properties shall be substantially compatible in design and quality of construction as required by the Building Safety Division and the Grants Management Division Manager, acting on behalf of the City. Additional alterations to the proposed design may be required prior to issuance of any building permit.

The residence constructed on Subject Property must subsequently be sold only to a family having income at or below 80 percent of Median Family Income for Champaign County based on household size. Developer shall keep record of compliance with this Section on file for inspection by representatives of the City and the U.S. Department of Housing and Urban Development.

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