



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Community Development Director

DATE: November 10, 2005

SUBJECT: CDBG Funding for Scottswood Area Stormwater Improvement Project

Description

The City Council is asked to consider the possibility of using Community Development Block Grant (CDBG) funds to help offset an expected resident assessment for the Scottswood Area Stormwater Improvement Project. CDBG funds could be used to assist City target area or income-qualifying residents who live within the Scottswood Drainage project boundaries. The CDBG funds could be provided to assist all or a portion of the assessments incurred by target area or other income-qualifying residents.

Issues

The issue is to determine the amount of CDBG funding, if any, that should be used to support this project. If funding is approved, staff should be directed to include the project in the next year's Annual Action Plan, and to develop a plan for future appropriation of funds over the coming years. Use of CDBG funds to offset the expected resident assessment would be consistent with the use of analogous grant funds to offset the assessment in unincorporated areas of the project and would recognize the pertinent facts that benefiting residents income qualify and have been paying corporate taxes for services such as adequate stormwater management. The proposed offset is recommended to be applied only to owner-occupied single-family homes in the area that were constructed prior to 2000 (when the Scottswood project began).

Background

The Scottswood Area Stormwater Improvement Project is an intergovernmental effort to improve drainage and reduce flooding in an area including parts of the City of Urbana, Urbana Township, Champaign County, and Urbana Parks and School Districts. The area includes approximately 440 parcels. Of these, 182 are in the City, and 126 are in our Community Development Target Area. The City Council was recently provided with a summary of the project at their meeting on September 19, 2005. Councilmembers are referred to the Staff Memorandum dated September 15, 2005 for further information. The project will cost \$2,055,000, to be paid with Community Development Assistance Program (CDAP) grant funds from the Department of Commerce and Economic Opportunity and through a benefit assessment by the St. Joseph Drainage District #3.

The CDAP construction grants (totaling \$745,430 across two phases) will off-set approximately one-half of the project costs for benefiting residential properties located outside of the City’s corporate limits, with the remainder of the cost to be funded over time by the drainage assessment. CDAP funds are not available for use within the City’s limits. This is because the source of CDAP funds are federal block grants available for infrastructure projects in income qualifying areas. Within the City limits, equivalent funds are available through our own CDBG allocation. City staff believes that CDBG funds should be used to assist benefiting residential properties within the City limits, in the same manner that the CDAP funds are being used to assist residential properties outside of the City limits. Those living within the corporate limits are already paying a higher overall property tax rate than those outside of the City limits. Under these circumstances, it could be seen as unfair for these properties to have to pay a higher drainage assessment simply because they are within the City limits.

The assessment was determined by the amount of benefit to each resident and was divided into two development phases (see attached exhibit by Berns, Clancy and Associates). For Phase 1, single family homes were assessed \$800. For Phase 2, residents with the “highest” benefit would be in areas that had suffered flood damage. Residents with a “high” benefit live in areas that had experienced a lack of accessibility due to flooding, and would be assessed 75% of the amount paid by the “highest” beneficiaries. Residents with a “moderate” benefit are in areas contributing to flooding, and are assessed 50% the amount paid by the “highest” beneficiaries. The assessment is to be paid by residents incrementally over the next ten years. Financial benefits of the assessment to the homeowners include reduced flood insurance rates and increased property values. Below is a table showing the benefit to Urbana residents and private property owners, most of which are in areas of “moderate” benefit:

| Area | Number of Parcels | Lots/Acres | Proposed Assessment | Total Proposed Assessment |
|---|----------------------|------------|------------------------|------------------------------|
| Scottswood Subdivision | | | | |
| | 10 | | \$2,200 per lot | \$22,000 |
| Sunny Estates Subdivision | | | | |
| | 28 | | \$2,900 per lot | \$81,200 |
| North of Main Street | | | | |
| Single Family | 16 | Lots | \$2,200 per lot | \$35,200 |
| Multi-Family | 1 | Lots | \$2,200 per lot | \$2,200 |
| South of Washington Street and East of Smith Road | | | | |
| Undeveloped | 1 | Lots | \$1,100 per lot | \$1,100 |
| Multi-Family | 1 | 4.8 acres | \$26,300 total | \$26,300 |
| Multi-Family | 3 | 10.7 acres | \$23,500 total | \$23,500 |
| South of Washington Street and West of Smith Road | | | | |
| Single Family | 128 | Lots | \$800 per lot | \$102,400 |
| Commercial | 2 | Lots | \$2,300 per lot | \$4,600 |
| Total Assessments to Parcels Within the City of Urbana | | | | \$298,500 |
| Total Assessments to Single Family Parcels w/in the City | | | | [\$240,800] |

The total assessment for single-family properties in the City is estimated to be **\$240,800**. A review of assessment records indicates that the owner-occupied assessment comprises approximately **\$107,400**. If all of these residents income qualify, a 50% contribution toward the assessment would total **\$53,700**.

This project falls under the goals and strategies of the City's 2005-2009 Consolidated Plan, including the following goals:

- Develop effective programs to address emerging neighborhood concerns that could lead to decline
- Support opportunities to enhance local public services and facilities

The Scottswood Drainage project is further supported by the Community Development Infrastructure Strategies outlined in the Plan:

Strategy 1K: The majority of CDBG funds will be targeted toward improvements in the City's Community Development Target Area. The City has recognized Census Tracts 53, 54, and 55 as the City's target area since the early 1980's. (*Block Group One of Census Tract 56 was added recently as one of the City's Target Areas*).

Strategy 2K: The City shall allocate to its designated Community Development Target Area its proportionate share of City capital improvement funds for upgrading infrastructure. CDBG funds may be set-aside during one fiscal year for infrastructure projects scheduled in another fiscal year in order to fulfill a commitment to a scheduled project.

The Target Areas proposed to be assisted are within the boundaries of Census Tracts 55 and 56. Furthermore, the project qualifies for CDBG funding under Section 105(a)(2) of the Housing and Community Development Act as a benefit to a low- and moderate-income neighborhood.

Options

Among the options to consider are:

- Plan to allocate CDBG funding for FY06/07 to the project in the full amount of the assessment to City residents of the Target Area that fall within the boundaries of Scottswood Area Stormwater Improvement Project.
- Plan to allocate CDBG funding for FY06/07 to offset a portion of the assessment to City residents of the Target Area that fall within the boundaries of Scottswood Area Stormwater Improvement Project.

- In addition to assisting Target Area Residents, consider assisting income-qualified residents who are within City limits but not in a City Target Area. (*These residents do not qualify for CDAP or any other project assistance*)
- Do not fund any portion of the assessment.

Fiscal Impacts

As discussed above, from an equity standpoint, City residents within the assessment area could expect to have their assessments offset at least to the same extent as those residents living outside of the City. Use of CDBG funds to help pay for infrastructure and improve property values and neighborhood quality within the target area is an appropriate application and is consistent with the policy guidance of the Consolidated Plan. At their discussion of the issue on October 25, 2005, some Community Development Commission members noted that while they would not ordinarily support infrastructure projects that could otherwise be funded by CIP funds, the proposed project would involve an out-of-pocket expense for low- and moderate-income residents. Offsetting the assessment would help these residents to make ends meet and would therefore have a social service benefit.

As shown in the table above, the total cost of the assessment for single family properties within the City is estimated to be **\$240,800**. Of this amount, approximately **\$107,400** is for owner-occupied properties. If all of these residents income qualify, a 50% contribution toward the assessment would total **\$53,700**.

Based on the pattern of recent past allocations, it is anticipated that the City will have approximately \$500,000 allocated in CDBG funds in 2006/2007. A portion of these funds could be set aside to help offset the assessment for the Scottswood project. If the construction project were spread out over two fiscal years, the annual set aside could be reduced. Taking into account the existing programs (see the Annual Action Plan for listing and description), it is anticipated that approximately **\$82,000** may be available annually in the CDBG budget for the next several years, assuming Federal funding stays at its current level. The City currently has \$35,000 unprogrammed in CDBG funds that need to be spent this fiscal year. An additional \$15,000 is remaining from the Sunset Drive project. If Transitional Housing program is discontinued beginning with the 06/07 fiscal year, additional funds of up to \$47,000 could be available for other projects.

Anticipated other future public improvements that could impact CDBG in FY 2006/2007 include the following:

- Continued Assistance to Frances Nelson Health Care Facility
- Webber Street area street lighting project
- Additional Housing Inspection
- Exterior Rehabilitation Program (“Paint” Program)

As a result of the drainage project, the increased property values in the area would also mean additional property tax revenues to the City. The anticipated increase in value for the properties receiving the highest benefit could be up to \$4,000. If the City were to eventually annex the Scottswood subdivision this would represent an additional taxable property value of approximately \$1,760,000.

Staff concludes that there is fiscal capacity to fund 50% of the Scottswood assessment (for owner-occupied units) spread over two years without impacting other regular programs. This action would limit other special projects that may arise but would still allow for potential funding of the Frances Nelson and Webber Street projects. Additional projections for CDBG funding will be provided at a later date in preparation for the 06/07 Annual Action Plan.

Recommendations

The Community Development Commission discussed the potential for CDBG funding to offset the resident assessment for the Scottswood drainage project at their meeting on October 25, 2005, and recommended by a vote of 7 to 0 that the City use CDBG funds to offset a portion of the assessment for City residents in the target area, as well as any income-qualifying residents outside of that target area. The CDC also forwarded their sense that CDBG funds not be easily accessible for infrastructure projects that could otherwise be funded by City funds.

Based upon this discussion and further analysis, City staff recommends that the Council move as follows:

That the City staff be directed to include a partial offset (e.g., 50%) of the assessment of the Scottswood Area Drainage Project upon target area and income-qualifying residents of the benefiting area in the draft Annual Action Plan for 06/07, with possible additional funds to be provided as an amendment to the 05/06 AAP and/or to the 07/08 AAP.

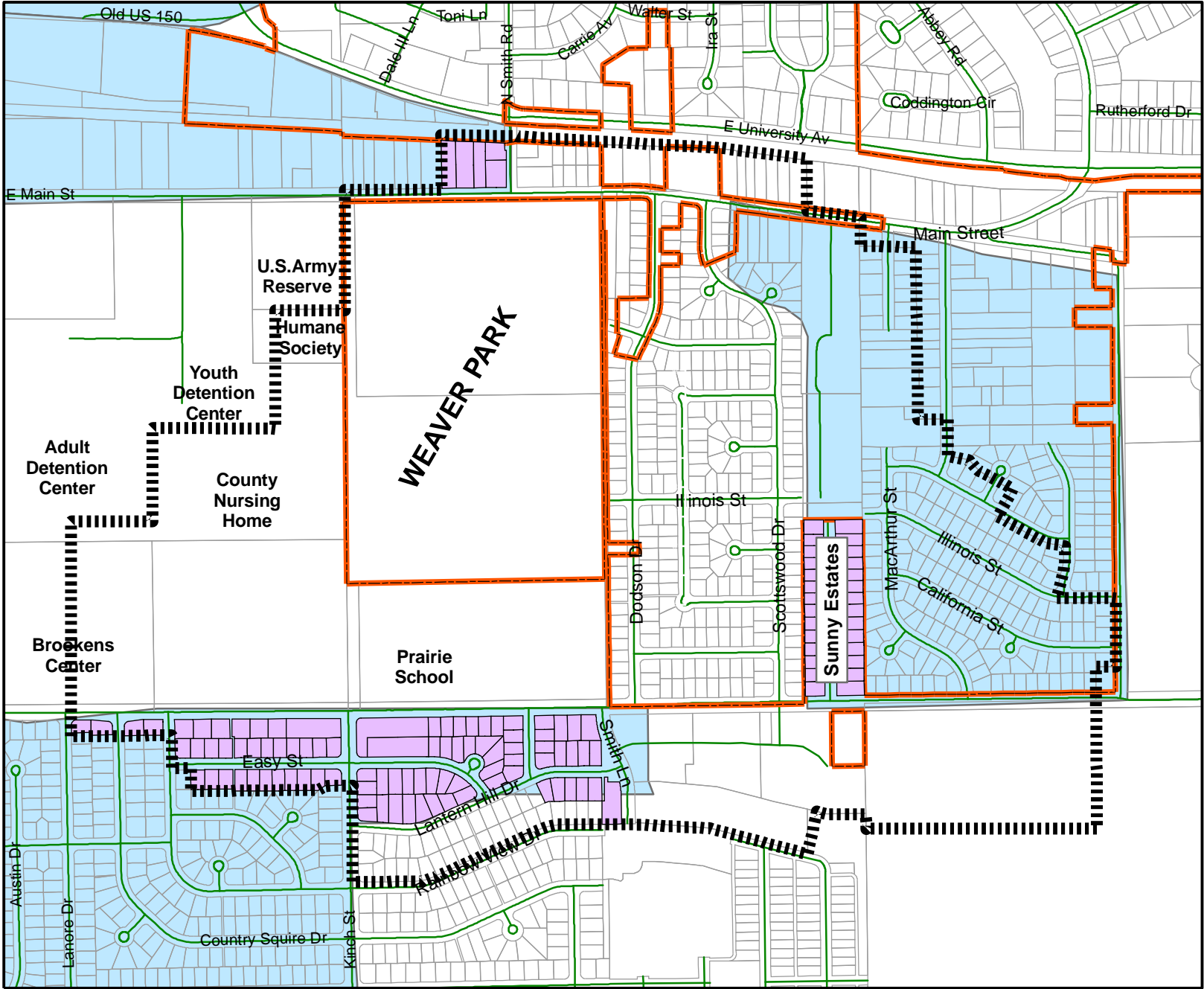
Memorandum Prepared By:

Jeffrey Engstrom
Grants Management Intern






Attachments:

- 1) Map of Scottswood Drainage Area and CD Target Area residents
- 2) Preliminary Special Project Assessment from Berns, Clancy and Associates

Scottswood Drainage Improvement Project



Legend

-  City Boundary
 -  Lot Lines
 -  Target Area Block Groups
 -  CD Target Parcels
 -  Project Watershed Boundary
- Note:
Watershed boundaries are approximate

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