



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Administrative Division

m e m o r a n d u m

TO: Bruce K. Walden, Chief Administrative Officer

FROM: Elizabeth H. Tyler, AICP, Director

DATE: May 30, 2002

SUBJECT: Illinois Center for Community Involvement Mutual Release and Termination Agreement

Description

City staff is working on the development of a mutual release and termination agreement with the Illinois Center for Citizen Involvement (ICfCI). While no Council action is necessary at this time, staff does wish to inform Council of these events, as future Council actions may be affected by it. Council will also be asked to approve of the agreement when it is complete.

Background

On April 15, 2002, the Board of ICfCI took action to discontinue its affordable housing program, including the Eads at Lincoln project that is currently underway in Urbana, and the Homebuild IV project which has been approved by the City Council, but not yet started construction. The effective date for this discontinuation is July 1, 2002 (see copy of attached memorandum from Mike Doyle to the Board of ICfCI). This action was undertaken without warning to the City of Urbana. It came on the heels of several weeks of a relatively alarming increase in homeowner complaints related to specific homes completed by ICfCI as part of the Homebuild III project. Several of the complaints were likely due to the bankruptcy of Harrco Construction who was the general contractor for the homes, while others were due to apparent miscommunications between ICfCI and the homeowners. City staff and ICfCI attorneys have been following up on the various individual homeowner complaints. These complaints are at varying stages of resolution. There is currently at least one lawsuit between ICfCI and a homeowner.

Shortly before the ICfCI Board action, the City received a request from ICfCI staff to increase funding for the Eads at Lincoln project (letter to Mayor Satterthwaite dated April 12, 2002). In their request, ICfCI indicated that due to inflation, contractor change orders, and the loss of their general contractor, an additional \$6,000 per unit would be needed to complete the five units at Eads at Lincoln. In response to this request and acting with the direction of the Urbana HOME Consortium, staff put forward suggestions in an April 19, 2002 memorandum to the Community Development Commission (copy attached), including the following: 1) that construction of the five homes at Eads

at Lincoln be rebid; 2) that wind mitigation provision be maintained in the home design; 3) that there be enhanced oversight and project management by the Consortium; and 4) that any and all client changes to home design, be identified prior to beginning construction. ICfCI staff appeared before the Community Development Commission to argue against the Consortium-recommended provisions and to promote the completion of the Eads at Lincoln project by a non-profit organization to be called the Eads Streets Development Corporation. The Commission recognized the need for additional oversight and supported staff in the four recommendations.

Issues

Problems and issues brought about by the discontinuation of ICfCI in the affordable housing business, the Harrco Construction bankruptcy and other quality control/management issues bring into question the City and HOME Consortium's past practice of keeping the various CHDO's at arm's length as they pursue affordable housing projects funded by Consortium HOME dollars. Specifically, the City of Urbana and other participating governments may bear some responsibility or liability to homeowners, the public, and to HUD should a CHDO fail to deliver on the quality or quantity of affordable housing product. In order to effectively implement our Consolidated Plan and Annual Action Plan policies to promote the construction of new affordable housing units in the City and still protect the overall interests the City, it is essential that the City institute additional oversight and quality control/quality assurance provisions into the CHDO and other affordable housing projects. This additional oversight may require additional staff or contractor time.

Fiscal Impacts

ICfCI has expended funds of approximately \$33,000 related to the Eads at Lincoln project (comprised of five homebuyer assistance units). At this time, through the agreement process, staff is investigating what, if any, product may be recoverable for this expenditure and whether HUD may require repayment for these monies since the project is no longer proposed to be undertaken by this particular CHDO. An additional potential liability may involve the need to release the five lots purchased by the City for the Eads at Lincoln project, with possible repayment to HUD, if the lots are not or can not be developed with affordable housing. This possible lot return is complicated by the fact that one of the five lots has already transferred title to the homebuyer. This transfer by ICfCI occurred despite an understanding by the City that the property was secured for this project and subsequent homebuyer mortgage and that title would not transfer until the real estate closing.

Other possible fiscal impacts may relate to City responses or liability from specific homeowner complaints and the need to implement new quality assurance/quality control procedures for CHDO and other affordable housing projects.

Options/Recommendation

The Urbana HOME Consortium met on May 13, 2002 to determine how to proceed regarding a “mutual release termination agreement” with ICfCI and how to proceed with the Eads at Lincoln project, if at all. The HOME Consortium made the following decisions:

1. The City of Urbana staff, as lead agency, was directed by the HOME Consortium to proceed with a proposed “mutual release and termination agreement” that protects the interest of the HOME Consortium and its member agencies. Urbana Legal staff will negotiate and prepare said agreement for Consortium review.

Urbana staff will present the agreement to the Community Development Commission and Council for approval. City of Champaign and Champaign County staff will present this termination agreement as an informational item to their respective Council/Board.

2. The City of Urbana as lead agency is directed by the HOME Consortium to identify a process and options for the completion of Eads at Lincoln with a qualified Community Housing Development Organization (CHDO) and is specifically directed to initiate a dialogue with the Homestead Corporation and the Urban League CHDO's to determine interest levels.

Attachments:

Memo from Mike Doyle to ICfCI Board of Directors, dated April 12, 2002

Letter from John Lee Johnson to Mayor Tod Satterthwaite, dated April 12, 2002

Memo from Bob Grewe, AICP, Grants Management Division Manager to Community Development Commission, dated April 19, 2002

c: Mary Ellen Wuellner, City of Champaign
Scott Rose, Champaign County RPC
Mike Doyle, ICfCI
John Lee Johnson, ICfCI
Joe Chamley, Evans, Froehlich, Beth & Chamley
Jim Rose, Homestead Corporation
Tracy Parsons, The Urban League
Urbana Community Development Commission