



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, City Planner/Director

DATE: August 5, 2002

**SUBJECT: Resolution amending the Housing Rehabilitation Program Guidelines for
Fiscal Year 2002-2003**

Description

Included on the August 12 agenda of the Committee of the Whole is a resolution amending the guidelines for the city's housing rehabilitation manual for the duration of the use of funding made available through the Federal Home Loan Bank (FHLB) for FY 2002-2003. The amendment would affect the city's owner-occupied Housing Rehabilitation Programs and the city's Access Grant program. The proposed changes are required for the city to incorporate funds that have been made available through the Federal Home Loan Bank of Chicago and the Federal Home Loan Bank of Indianapolis for the programs listed above. Once the FHLB funding has been expended, the rehabilitation guidelines shall revert back to the current 2000-2004 Housing Rehabilitation Program Manual so staff can proceed with remaining CDBG or HOME funding that has been appropriated for the programs.

Issues

The Grants Management Division of Urbana and the Neighborhood Services Department of Champaign filed a joint application with Busey Bank to the Federal Home Loan Bank of Chicago to participate in their Affordable Housing Program. The request for funds would be used in conjunction with our owner-occupied Housing Rehabilitation Programs for FY 2002-2003. We have been notified that the application has been approved and the city's portion of funding is \$29,000. It is required the funds be used for five Grant/Deferred loan applicants at \$5,000 each and one Grant Installment Loan applicant at \$4,000.

Also the Grants Management Division of Urbana and the Neighborhood Services Department of Champaign filed a joint application with National City Bank to the Federal Home Loan Bank of Indianapolis to participate in their Affordable Housing Program. This request for these funds would be used in conjunction with our Access Grant program for owner-occupied homes and for the paint/siding program that is coordinated through the Urban League of Champaign County for FY 0203. We have been notified that the application has been approved and the city's portion of funding is \$31,000. It is required the funds be used for five access grants for owner-occupants at \$5,000 each and six paint/siding grants for owner-occupied homes at \$1,000 each.

Background

The following describes the current programs and changes required to accommodate the additional funding.

Currently through the Grant/Deferred Loan Program the city makes available up to \$25,000 for housing rehabilitation to owner-occupied households earning at or below 50 percent of the median family income and residing in the Community Development Target Area. Half of the assistance is provided in the form of a non-repayable grant. The other half provided by the city in the form of a no-interest deferred payment loan due upon subsequent sale or title transfer of the property.

With the Federal Home Loan Bank funding, the first five Grant/Deferred Loan projects would be set up as follows.

- \$10,000 non-repayable grant from the city

- \$10,000 no interest deferred payment loan from the city

- \$ 5,000 grant from Federal Home Loan Bank of Chicago with a retention period of 5 years.

Currently through the Grant /Installment Loan Program the city in conjunction with the financial institution makes available up to \$25, 000 to owner-occupied households earning between 50 and 80 percent of the area median income and residing in the Community Development Target Area. Half of the assistance is provided by the city in the form of a non-repayable grant. The other half of the funds is provided by the financial institution at a below market rate.

With the Federal Home Loan Bank funding one project would be set up as follows.

- \$12,500 non-repayable grant from the city

- \$ 8,500 Busey Bank Loan at below market rate

- \$ 4,000 grant from Federal Home Loan Bank of Chicago with a retention period of 5 years.

Currently through the Access Grant Program the city provides up to \$5,000 as a non-repayable grant to income-eligible applicants, persons that are below 80 percent of the median family income and reside within the City of Urbana corporate limits. This grant is used to eliminate physical barriers that inhibit the use of the dwelling by a person with a disability. The difference between the city grant currently in place and the Federal Home Loan Bank grant, is the FHLB grant has a retention period of 5 years whereas if the property is sold a prorated portion of the funding is due and payable back to Federal Home Loan Bank.

The current Painting/Siding Program with Urban League provides non-repayable grants funded by the city through its CDBG funds to income-eligible homeowners to have the exterior wood trim on their homes either painted or wrapped with aluminum to prevent deterioration and future maintenance. The difference between the city grant currently in place and the Federal Home Loan Bank grant is the FHLB grant has a retention period of 5 years whereas if the property is sold a prorated portion of the funding is due and payable back to Federal Home Loan Bank.

Grants Management staff has reviewed the city's housing rehabilitation program policies set forth in the Housing Rehabilitation Program Manual 2000-2004, which was amended by City Council, by

resolution No. 2000-07-022R on July 17, 2000. Staff has identified the following changes that would be necessary to comply with the FHLB for FY 2002-2003. After the FHLB funding has been expended the programs shall revert back to the original version so that staff can proceed using CDBG and HOME funds that have been appropriated and remain for these projects.

Page 5 EXHIBIT A—Changes for FY 2002-2003 have been highlighted and underlined

CITY OF URBANA
DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES
GRANTS MANAGEMENT DIVISION (GMD)
HOUSING REHABILITATION PROGRAMS FOR PROGRAM YEAR 2000-2004

PROGRAM	PURPOSE	ELIGIBILITY AREA	INCOME ELIGIBILITY	INTEREST RATE	MAXIMUM \$ AMOUNT	UNDER-WRITING CRITERIA
GIL Grant/Installment Loan <u>FHLB for 1 client only</u>	Provide an owner-occupant a combination <u>City grant Busey/bank loan FHLB grant</u> for whole-house rehabilitation	Community Development Target Area	50% - 80% MFI	Market on bank loan	\$25,000 Maximum <u>\$8,500 50% bank loan</u> <u>\$4,000 FHLB grant with 5 yr retention</u> <u>\$12,500 50% City grant</u>	Bank/GMD
GDL Grant/Deferred Loan <u>FHLB for first 5 clients</u>	Provide an owner-occupant a combination <u>FHLB grant, City Grant/ Deferred Loan</u> for whole-house rehabilitation	Community Development Target Area	0 - 50% MFI	None	\$25,000 Maximum <u>\$5,000 FHLB grant with 5 yr retention</u> <u>\$10,000 50% City deferred loan</u> <u>\$10,000 50% City grant</u>	Bank/GMD
EG Emergency Grant	Provide grant assistance for an owner-occupant to alleviate a hazardous condition that poses a threat to the health and safety of the occupants	Citywide	0 - 50% MFI	None	Grant assistance up to a maximum amount of \$5,000 per program year	GMD
AG Access Grant <u>FHLB for first 5 owner-occupied clients</u>	Provide grant assistance to owner-occupant, renter, or trust deed, to eliminate physical barriers which inhibit the use of the dwelling by the person residing in the dwelling	Citywide	0 - 80% MFI	None	Grant assistance up to a maximum amount of \$5,000 per program year <u>\$5,000 FHLB funds with 5 yr retention</u>	Bank/GMD
SRG Senior Repair Grant	Provide grant assistance for general maintenance repairs which enable seniors and persons with disabilities to maintain their property	Citywide	0 - 50% MFI	None	Grant assistance up to a maximum amount of \$550 per program year (subject to annual review by CDC)	GMD

EXHIBIT A

Median Family Income (MFI) Limits **Champaign County, Illinois**

CURRENT VERSION

A Grant/Deferred Loan up to \$25,000 is made available to provide labor, materials, and supplies to repair deteriorating dwelling

units for qualified applicants. Through the renovation, code violations on the premises must be eliminated. A lien is placed on the property to secure repayment of the deferred loan portion of the assistance.

Half of the funds provided through the program are provided by the City in the form of a grant.

Half of the funds provided through the program are provided by the City in the form of a no-interest deferred payment loan. No monthly, quarterly, or annual payments are required. The loan is payable to the City in full upon the sale of the property or transfer of title.

PROPOSED VERSION for FY 2002-2003 for the first 5 projects

A Grant/Deferred Loan up to \$25,000 is made available to provide labor, materials, and supplies to repair deteriorating dwelling units for qualified applicants. Through the renovation, code violations on the premises must be eliminated. A lien is placed on the property to secure repayment of the city deferred loan portion of the assistance. FHLB requires a retention agreement signed and recorded against the property for the funds provided by FHLB.

Funding provided as follows:

- Up to \$10,000 provided by the city in the form of a grant.*
- Up to \$10,000 provided by the city in the form of a no-interest deferred payment loan. No monthly, quarterly, or annual payments are required. The loan is payable to the City in full upon the sale of the property or transfer of title.*
- \$5,000 provided by FHLB in the form of a grant. This grant requires a retention agreement in which the applicant maintains ownership and resides at the residence for a period of five years from the date of the recording. If the property is sold or otherwise transferred within the five-year retention period a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.*

Page 26 Section 5. 0 GRANT/INSTALLMENT LOAN

CURRENT VERSION

A combination grant and loan totaling up to \$25,000 is available to provide labor, materials, and supplies to repair owner-occupied housing. Through the renovation, code violations on the premises must be eliminated. Half of the total rehabilitation cost is provided by the participating financial institution in the form of a market rate loan requiring monthly payments. The

loan is fully amortized over a period up to 120 months (10 years). The borrower makes monthly payments to the participating financial institution after loan closing. Half of the funds provided through the program are provided by the City in the form of a grant. Grant/Installment Loan assistance is available to income-eligible residents in the CD Target Area.

PROPOSED VERSION for FY 2002-2003 for one project

A combination grant and loan totaling up to \$25,000 is available to provide labor, materials, and supplies to repair owner-occupied housing. Through the renovation, code violations on the premises must be eliminated.

Funding is provided as follows.

- Up to \$8,500 is provided by Busey Bank in the form of a market rate loan requiring monthly payments. The loan is fully amortized over a period up to 120 months (ten years). The borrower makes monthly payments to the participating financial institution after loan closing.
- \$4,000 is provided by FHLB in the form of a grant. This grant requires a retention agreement that requires the applicant maintain ownership and reside at the residence for a period of five years from the date of the recording. If the property is sold or otherwise transferred within the five-year retention period, a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.
- Up to \$12,500 is provided by the City in the form of a grant.

Grant/Installment Loan assistance is available to income-eligible residents in the CD Target Area.

Page 41 Section 7.0 ACCESS GRANTS

CURRENT VERSION

An Access Grant is a non-repayable grant made to an income-eligible homeowner, renter, or trust deed recipient to eliminate physical barriers which inhibit the use of the dwelling unit by a Person with Disability. Grants may be made for renovation of single-family detached dwelling units as well as duplex units and units in multiple-family dwellings.

PROPOSED VERSION for FY 2002-2003 for five owner-occupied projects

An Access Grant for owner-occupied applicants shall be processed

on a first come first served basis using the FHLB funds for the first five applicants. Up to \$5,000 may be used to eliminate physical barriers, which inhibit the use of the dwelling unit, by a Person with Disability.

- FHLB requires the funds be used for owner-occupied properties and that the applicant maintain ownership and reside in the property for a period of five years from the date of the recording of the retention agreement. If the property is sold or otherwise transferred within the five-year retention period, a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.

An Access Grant for income eligible tenants or trust deed recipients shall be processed using CDBG funds as a non-repayable grant to eliminate physical barriers which inhibit the use of the dwelling unit by a Person with Disability. Grants may be made for renovation of single-family detached dwelling units as well as duplex units and units in multiple-family dwellings.

Urban League of Champaign County House Painting/Siding Program

CURRENT VERSION

CDBG funds are made available through the Urban League to facilitate the painting/siding program, which is the exterior maintenance of owner-occupied very low-income families or individuals residing within the corporate limits of Urbana. The program allows exterior painting of the house, trim, and gutters or the repair and installation of aluminum or vinyl material to cover the trim, soffit and fascia to prevent future deterioration and minimal maintenance.

PROPOSED VERSION for FY 2002-2003 for six owner-occupied projects

FHLB funds shall be made available at \$1,000 per project through the Urban League to facilitate the Painting/Siding Program. CDBG funds shall be available as a grant for any additional funding that exceeds the FHLB \$1,000 maximum per household. The program is designed for the exterior maintenance of owner-occupied very low-income families or individuals residing within the corporate limits of Urbana. The program allows exterior painting of the house, trim, and gutters or the repair and installation of aluminum or vinyl material to cover the home, trim, soffit and fascia to prevent future deterioration and minimal maintenance. Remaining CDBG funds may be used for additional applicants after the FHLB funds have been expended.

- FHLB requires the funds be used for owner-occupied properties and that the applicant maintain ownership and reside in the property for a period of five years from the

date of the recording of the retention agreement. If the property is sold or otherwise transferred within the five-year retention period, a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.

Options

1. If City Council does not pass the resolution amending the Housing Rehabilitation Program Manual, the programs would still be administered using the current CDBG and HOME funds that have been appropriated for the projects. The funding from Federal Home Loan Bank would not be used. In turn not to expend the funds may jeopardize our ability to be funded if we were to apply for FHLB funding in the future for this or some other project.
2. City Council approve the resolution amending the Housing Rehabilitation Program Manual for FY 2002-2003. These changes to the current Rehabilitation Manual would allow staff to proceed in a timely manner and would allow more housing rehabilitation activities to take place, which means more clients being served than would be possible with just CDBG and HOME funds. After the FHLB funding has been expended, the programs shall revert back to the original version so that staff can proceed using CDBG and HOME funds that remain and have been appropriated for these projects.

Fiscal Impacts

If the proposed changes are not made, the city will not receive the \$29,000 grant funds from the FHLB of Chicago or the \$31,000 grant funds from the FHLB of Indianapolis. These funds are to be used in conjunction with our current housing rehabilitation programs already in place. The loss in funding would result in fewer households being served or the difference of the CDBG or HOME funds being disbursed to another project as may be required. In addition not to expend the funds may jeopardize our ability to be funded if we were to apply for FHLB funding in the future for this or some other project.

Recommendations

The Community Development Commission concur with the Grants Management Division staff, in that the proposed changes are consistent with the intent of the city's housing rehabilitation programs (i.e., long term benefit to low-income households served through the programs, stability of ownership, and recapture of funds to assist other households). The principal drawback associated with the proposal appears to be administrative in nature (i.e., additional staff time to amend documents, including the additional documents, and recording of the retention agreement as required by the FHLB). Also these additions would add to the complexity of the programs for this fiscal year.

Grants Management Division staff believes that the opportunity to serve additional households with the FHLB funds offsets the drawbacks associated with the changes. Accordingly, the Community Development Commission recommends that City Council approve the changes to the Housing Rehabilitation Program Manual for FY 0203 and adopt the proposed resolution so the programs can proceed.

Attachment; copy of the proposed resolution

Memorandum Prepared By:

RESOLUTION NO. 2002-08-026R

A RESOLUTION
AMENDING HOUSING REHABILITATION PROGRAM MANUAL 2000-2004
AS ORIGINALLY AUTHORIZED BY RESOLUTION NO. 2000-07-022R

WHEREAS, the Grants Management Division of Urbana and the Neighborhood Services Department of Champaign filed a joint application with Busey Bank to the Federal Home Loan Bank of Chicago and with National City Bank to the Federal Home Loan Bank of Indianapolis to participate in their Affordable Housing Programs with the program funds to be used in conjunction with the City's CDBG and HOME funding for the rehabilitation of housing owned and occupied by very low-income households as designated by the Housing Rehabilitation Program Manual; and

WHEREAS, in said application the Grants Management Division has proposed to administer the Federal Home Loan Bank funding for housing rehabilitation in

accordance with the city's housing rehabilitation program guidelines set forth in the Housing Rehabilitation Program Manual 2000-2004; and

WHEREAS, the Federal Home Loan Bank of Chicago and the Federal Home Loan Bank of Indianapolis have subsequently approved said funding application subject to certain amendments to the Housing Rehabilitation Program Manual; and

WHEREAS, the City now desires to amend its Housing Rehabilitation Program Manual 2000-2004 to comply with the Federal Home Loan Bank guidelines in order to qualify for and to expend the funding allocation made available through the Federal Home Loan Bank applications; and

WHEREAS, the City now desires to amend the Housing Rehabilitation Program Manual 2000-2004 only for the period of time required to expend the Federal Home Loan Funding per program, and at that time desires the program guidelines revert back to its original terms enabling the programs to continue with the use of CDBG and HOME funds as previously designated.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, that the Manual is amended as follows:

Section 4. 0 The definition of Grant/Deferred Loan on page 17 of the Manual is hereby replaced with the following for the duration of the Federal Home Loan Bank Funding for this program.

FY 2002-2003 for the first 5 projects

A Grant/Deferred Loan up to \$25,000 is made available to provide labor, materials, and supplies to repair deteriorating dwelling units for qualified applicants. Through the renovation, code violations on the premises must be eliminated. A lien is placed on the property to secure repayment of the deferred loan portion of the assistance. FHLB funding requires a retention agreement signed and recorded against the property for their portion of the funds.

Funding provided as follows:

Up to \$10,000 provided by the City in the form of a grant.

Up to \$10,000 provided by the City in the form of a no-interest deferred payment loan. No monthly, quarterly, or annual payments are required. The loan is payable to the City in full upon the sale of the property or transfer of title.

\$5,000 provided by FHLB in the form of a grant. This grant requires a retention agreement in which the applicant maintains ownership and resides at the residence for a period of five years from the date of the recording. If the property is sold or otherwise transferred within the five-year retention period a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.

Section 5. 0 The definition of Grant/Installment Loan on page 26 of the Manual is hereby replaced with the following for the duration of the Federal Home Loan Bank Funding for this program.

FY 2002-2003 for one project

A combination grant and loan totaling up to \$25,000 is available to provide labor, materials, and supplies to repair owner-occupied housing. Through the renovation, code violations on the premises must be eliminated.

Funding is provided as follows.

Up to \$8,500 is provided by Busey Bank in the form of a market rate loan requiring monthly payments. The loan is fully amortized over a period up to 120 months (ten years). The borrower makes monthly payments to the participating financial institution after loan closing.

\$4,000 is provided by FHLB in the form of a grant. This grant requires a retention agreement that requires the applicant maintain ownership and reside at the residence for a period of five years from the date of the recording. If the property is sold or otherwise transferred within the five-year retention period, a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.

Up to \$12,500 is provided by the City in the form of a grant.

Section 7. 0 The definition of Access Grant on page 41 of the Manual is hereby replaced with the following for the duration of the Federal Home Loan Bank Funding for this program.

FY 2002-2003 for five owner-occupied projects

An Access Grant for owner-occupied applicants shall be processed on a first-come first-served basis using the FHLB funds for the first five applicants. Up to \$5,000 may be used to eliminate physical barriers, which inhibit the use of the dwelling unit, by a Person with Disability.

FHLB requires the funds be used for owner-occupied properties and that the applicant maintain ownership and reside in the property for a period of five years from the date of the recording of the retention agreement. If the property is sold or otherwise transferred within the five-year retention period, a prorated portion of the grant is payable to FHLB at an amount equal to the number of full months remaining in the restriction period.

An Access Grant for income eligible tenants or trust deed recipients shall be processed using CDBG funds as a non-repayable grant to eliminate physical barriers which inhibit the use of the dwelling unit by a person with disability. Grants may be made for renovation of single-family detached dwelling units as well as duplex units and units in multiple-family dwellings.

The Grants Management Division of the City of Urbana is hereby authorized and directed to proceed with the implementation of the Housing Rehabilitation Program Guidelines in accordance with the Housing Rehabilitation Program Manual 2000-2004 as herein amended.

PASSED by the City Council this _____ day of _____,
_____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, _____.

Tod Satterthwaite, Mayor