



## DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

*Grants Management Division*

### **m e m o r a n d u m**

**TO:** Mayor Diane Wolfe Marlin

**FROM:** John A. Schneider, MPA, Manager, Community Development Department

**DATE:** October 5, 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)**

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### **Description**

Included on the agenda of the October 9, 2017 regular meeting of the Urbana City Council Committee of the Whole is a Resolution amending a section of the Housing Program Manual for Program Years 2015-2019. This version of the 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 a 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.

At its September 26, 2017 regular meeting (unapproved minutes attached), the Community Development Commission reviewed the proposed amendment and voted unanimously to forward the Resolution approving the amendment with a suggested change that is reflected in the proposed amendment included as an attachment to this packet. The suggested change, shown in strikethrough version, concerns Paragraph 3 of Section 11.8.2: “Clearance activities not involving acquisition can only be undertaken once the legal authority to proceed has been obtained ~~from the owner of the property.~~” This change will allow for more program flexibility and will be consistent with the advice from the Legal Division. Aside from an agreement with a property owner, the legal authority to demolish could also stem from either ownership of the property on which a blighted structure stands, or a court-ordered demolition of the property in question.

## **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 close the project out in the IDIS system following demolition of blighted properties, rather than having to wait until after the transfer of the property to a CHDO and the construction of an affordable housing unit.

The following changes are proposed to be added to Chapter 11 of the Housing Program Manual immediately after 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. 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.

All additions to the HPM 15-19 are highlighted and underlined in the attached amendment.

### **Options**

1. Approve 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).
2. Approve the Resolution with suggested changes.
3. Do not 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.

## **Programmatic Impacts**

This proposed expansion of the Property Acquisition/Disposition program will 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 a timely manner, 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.

## **Recommendations**

Staff and the Community Development Commission recommend that the Committee of the Whole forward the Resolution to the Urbana City Council with a recommendation for approval.

**Memorandum Prepared By:**



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**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*
3. Unapproved minutes from the September 26, 2017 regular meeting of the Urbana Community Development Commission

**RESOLUTION NO. 2017-10-067R**

**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:

ABSTENTIONS:

\_\_\_\_\_  
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.

### **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
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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.

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- 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.
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- 3) Clearance activities not involving acquisition can only be undertaken once the legal authority to proceed has been obtained. 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.



*UNAPPROVED*  
**MINUTES**  
**COMMUNITY DEVELOPMENT COMMISSION MEETING**  
**Tuesday, September 26, 2017, City Council Chambers**  
**400 South Vine Street, Urbana, IL 61801**

**Call to Order:** Chairperson Cobb called the regular meeting to order at 7:02pm.

**Roll Call:** Kelly Mierkowski called the roll. A quorum was present.

**Commission Members Present:** Fred Cobb, Robert Freeman, Abdulhakeem Salaam, Chris Diana, Karin Hodgins-Jones, Michael Braun and James Winston.

**Commission Members Excused/Absent:** Anne Heinze-Silvis

**Others Present:** Kelly Mierkowski, Matt Rejc and Don Ho, Community Development Services. Julie Kartel, Rosecrance Champaign-Urbana.

**Approval of Minutes:** Chairperson Cobb asked for approval or corrections to the August 22, 2017 Public Hearing and regular meeting minutes. Commissioner Freeman moved to approve the minutes as written and Commissioner Salaam seconded the motion. The motion carried unanimously.

**Petitions and Communications:** Chairperson Cobb asked if there was any written communication to the Commission, there were none.

**Audience Participation:** Chairperson Cobb stated that audience members could speak if they so wished, no one from the audience stepped forward to speak.

**Staff Report:** Kelly Mierkowski, Grants Management Manager, provided a brief overview of the staff report provided to the Commissioners that evening, which included HUD activities, staff activities, meetings attended, and various projects and programs.

**Old Business:** None.

**New Business:**

**A RESOLUTION APPROVING AND AUTHORIZING AN URBANA HOME CONSORTIUM SUBRECIPIENT AGREEMENT (ROSECRANCE TBRA FY 2017-2018)**

Mr. Rejc explained that the purpose of the Resolution is to allow for a new subrecipient agreement with Rosecrance Champaign-Urbana. They have been a long-time tenant-based rental assistance (TBRA) partner of the City of Urbana, as the City has had three separate agreements with them since 2010 and has provided roughly \$277,000 in TBRA assistance to their clients. Recently, Rosecrance realized that the current agreement is starting to run out of funding and

Rosecrance made a request for funding from the Urbana Home Consortium for an additional \$30,000. The Grants Management Division (GMD) anticipates that the current agreement, which was signed in 2014, will run out of funding next month, so GMD wants to try to give Rosecrance at least enough funding for roughly another year. The reason for providing approximately one-year of funding is that the City could potentially pass the HOME expenditure deadline if the agreement goes longer than one year. GMD wants to make sure the U.S. Department of Housing and Urban Development (HUD) knows that the City is completing activities quickly. The proposed agreement would allow Rosecrance to maintain their TBRA program and allow the agreement to provide a bridge to their clients who are currently in transitional housing or coming out of shelters. This program would allow them to move back into the private rental market, but still have some subsidies there to ensure that the transition is effective.

Mr. Rejc stated that in terms of fiscal impacts, this agreement would commit \$30,000 in FY 16-17 HOME funds. Currently, the city of Urbana has about \$60,000 in uncommitted FY 16-17 HOME funds available, and that number will increase because of program income coming in from paid back mortgages and other sources. GMD also anticipates receiving the FY 17-18 allocation from HUD as well. Committing these funds will help to meet the City's commitment deadline which is currently set as July 31, 2018. The commitment deadline is currently suspended by HUD, but GMD wants to make sure that it is meeting these commitment deadlines should HUD decide to enforce the commitment deadline again. With regards to programmatic impacts, Mr. Rejc stated that Rosecrance's TBRA program is a fantastic program that would help to provide rental assistance and help to alleviate the housing costs burden that many low-income renters experience in the community. It is also in line with the 2015-2019 Consolidated Plan. Staff recommends that the Community Development Commission forward the Resolution to the Urbana City Council with a recommendation for approval.

Commissioner Freeman asked if this request is also being made for the City of Champaign and the Champaign County. Mr. Rejc explained that this request is coming to the Urbana Home Consortium. The City of Champaign and Champaign County are both members of the Urbana Home Consortium but the City of Urbana is the lead entity for the organization and can decide whether subrecipient agreements are approved and for what amount.

Commissioner Hodgins-Jones asked if GMD anticipates a large need for additional whole house rehabilitation projects that the GMD might not be able to meet. Mr. Rejc stated that GMD has not received many requests for whole house rehabilitation lately. The GMD would be able to redirect funds if need be and wouldn't be neglecting any needs in the community with regard to rehabilitation activities. Ms. Mierkowski added that the number of applications for whole house rehabilitation projects has gone down recently.

Chairperson Cobb asked whether gradual usage or a specific incident brought about the need for a new agreement. Mr. Rejc explained that the previous agreement was signed in 2014-2015, but it operated until now and funds have been drawn out of that agreement as the expenditures kept coming in. The City and Rosecrance are just reaching the end of that agreement, so that's why a new agreement is needed. Mr. Rejc explained that it was just gradual usage that brought about this request. Initially, GMD thought that Rosecrance had more money left in the agreement. However, after some accounting reconciliation, both sides realized that there is enough money

left just for one month in the agreement. Chairperson Cobb asked if Ms. Kartel has the number of residents that have been served under the program. Ms. Kartel said that she did not have the number with her, but it's something that she could get for the CDC.

Commissioner Diana stated that based on the information he has, the City has provided Rosecrance around \$280,000 since 2010, which is roughly around \$40,000 a year. Commissioner Diana asked if the program is an expanded need or a steady need. If it is a steady need, does Rosecrance foresee an expanded need between now and when the contract expires in two and a half years? Ms. Kartel explained that the program has been a steady need. They are currently serving eight clients. Six of them are in the first year of their tentative two years and two of them are in their two-year lease. Rosecrance tries to keep the leases and the agreement to two years, so they can continue to bring new people in as the funds allow. Future expanded need is always an estimate because TBRA payments depend on the income of the individuals served. Those who have more income require less rental assistance and vice versa. Ms. Kartel stated that Rosecrance is currently averaging probably about \$2,500 a month for eight individuals.

Commissioner Diana asked about the extended plan for the City. Mr. Rejc explained that the City is certainly open to fielding requests from Rosecrance as the contracts run out. After the agreement expires, the City and Rosecrance can meet and reevaluate. If Rosecrance would like to make a case for a larger amount and more funding to serve more clients, then the GMD would be open to listening. The proposed document is a separate agreement from the previous one that is running out of funding, and GMD anticipates creating new subrecipient agreements as requested by Rosecrance. GMD has estimated that \$30,000 would be approximately one year of funding based on Rosecrance's expenditure patterns, but the City has three years to expend the funds per HUD. For example, if Rosecrance needs to suspend the TBRA program for a year and pick it up again, the City has that flexibility built in to the agreement. HOME funds have a four-year project completion deadline, so GMD wants to give the City the flexibility to make sure that HUD doesn't pull the funds back.

Commissioner Winston asked what happens when someone comes to Rosecrance for assistance. Ms. Kartel explained that Rosecrance will provide the case management services and to help people so that they can move into independent financial living. Any applicant can receive referrals from teachers or medical professionals. People can also just walk in and request some assistance. People can start using Rosecrance's services as young as five for mental health services and then all the way through the lifespan.

Commissioner Freeman asked how much administrative overhead is generated by the program. Ms. Kartel said that she could not answer that question, but she could ask the executive director and get that information for the Commission.

Chairperson Cobb entertained a motion to either forward the Resolution to Council with a recommendation for approval, forward the Resolution to Council with a recommendation for approval with suggested changes, or not forward the Resolution for approval. Commissioner Salaam motioned for the approval to forward the Resolution to Council. Commissioner Braun seconded the motion; the motion carried unanimously.

**A RESOLUTION AMENDING HOUSING REHABILITATION PROGRAM OPERATIONAL GUIDELINES AS ORIGINALLY AUTHORIZED BY RESOLUTION NO. 2015-05-023R (CITY OF URBANA HOUSING PROGRAM MANUAL PY 2015-2019)**

Mr. Rejc explained that the purpose of the Housing Program Manual is to govern the City's use of the Community Development Block Grant (CDBG) funds, and that HUD gives very wide flexibility in how the City could use those funds. The City can use the funds for many kinds of public services or rehabilitation programs, but HUD encouraged us to create a manual that helps the City to specify the income groups that live in targeted communities. The activities covered in the Manual include the Emergency Grant, Access Grant, Senior Repair Grant, as well as Property Acquisition/Demolition/Disposition. The proposed amendment would be create another program based on information from HUD passed along to the City during a monitoring visit. They noted that when the City uses CDBG funds to tear down abandoned and blighted structures, the City considers those funds as benefiting affordable housing because in almost every case the City donates any acquired land to Habitat for Humanity, which eventually develops the property with affordable housing. In this manner, the City is able to mark the project as completed as soon as the property is sold to an income-eligible buyer. This process can take as long as two years and the length of time between demolition and transfer of the lot to an income-eligible buyer is troubling to HUD.

Mr. Rejc continued, saying that because of the length of time, HUD wanted the City to consider demolition projects as slum and blight reduction after the City takes down a property. At some points later on, the City can transfer properties to Habitat, and if they construct affordable housing on it, then the City can go back and change the applicable national objective to affordable housing. However, for the moment, HUD wanted the City to specify demolition activities as meeting the slum and blight reduction national objective. Mr. Rejc stated that the City does not have any designated slum or blight areas, so it would be a City-wide program. Any activity must be limited to either clearance alone, such as through a court-ordered demolition, or acquisition by the City and clearance thereafter. In the Manual, Paragraph 11.8.1 talks about the acquisition process, and Paragraph 11.8.2 talks about clearance. Mr. Rejc pointed to 11.8.2 under Sections 3 and 4, and stated that the GMD received guidance from the City's Legal Division that GMD could encounter problems if agreements are made with property owners for demolition, based on case law and other criteria. GMD staff is recommends under Section 3 of Paragraph 11.8.2 striking "from the owner of the property" and ending the sentence at "once the legal authority to proceed has been obtained."

Staff recommends that the Community Development Commission forward the Resolution to the Urbana City Council with a recommendation for approval with suggested changes. In terms of fiscal impacts, this is a program modification, so there is no fiscal impact to this decision. By broadening the programs, it could help the City to expend CDBG money more quickly, which HUD tests the City of Urbana on annually because they want to make sure that we are meeting our timeliness tests. Programmatically, the proposal would remove a barrier allowing the City to eliminate vacant employment structures in the community, but still stay within the HUD's guidance at the same time.

Commissioner Braun asked about selling to a community or a neighborhood. He wondered if the GMD has given any thought to that small change in messaging and how that might affect the City's work in the future. Mr. Rejc responded that the City is focused on redeveloping for affordable housing and that's we included in the amendment that a lien placed on the property would be we would consider forgiving it if it's if the property is donated to a housing developer or another nonprofit. The City wants to avoid association with the terms slum or blight whenever possible. However, sometimes properties do become dilapidated on a spot basis and the GMD must have the tools to address those situations. Ms. Mierkowski reiterated that the text stems directly from the regulations as well.

Commissioner Diana agreed with staff's suggested change to Paragraph 11.8.2, and asked about the financial impact in that with regard to budgeting for the removal of blighted properties Ms. Mierkowski noted that with the GMD's Blight Reduction Program the GMD worked with the Building Safety Division to identify blighted properties. Mr. Rejc noted that the paragraph right above 11.8.1 specifies that were the City is required to expend 70% of our funding on low/mod benefit activities and slum and blight reduction is not a low/mod benefit activity. Commissioner Diana mentioned that the City should avoid becoming too heavily invested in vacant properties.

Commissioner Hodgins-Jones asked about how funds might be reabsorbed following forgiveness of a lien, since that could create an unaccounted for outlay of funds. Mr. Rejc stated that if a property is developed with affordable housing, then it meets a national objective of CDBG and does not require repayment because it is accomplishing the tasks for which it is meant to accomplish. Ms. Mierkowski noted that Habitat homes appraise fairly and in turn increase property taxes coming back into the City. Commissioner Hodgins-Jones asked if a benefit exists to conducting clearance activities without acquisition. Mr. Rejc stated that CDBG funds are generally not required to be repaid to the City, even though HUD allows the City to put those restrictions in place.

Commissioner Freeman noted that offering CDBG activities as a grant instead of expecting repayment is looked upon positively by HUD. He then mentioned that stimulating the development of additional CHDOs operating in the community could allow this process to function even more smoothly. Mr. Rejc specified that the whole house rehabilitation program is provided as half grant/half loan, allowing the City to receive \$12,500 back following transfer of the property, but that is the only program that requires repayment. Ms. Mierkowski stated that program income resulting from repayments can be used for other CDBG-eligible activities.

Commissioner Diana stated that he understood this change as effectively changing the performance outcomes to stay in greater compliance with HUD.

Chairperson Cobb asked how much prior notice would be given to a property owner whose property could be demolished through this program. Mr. Rejc specified that the City gives a 30-day notice and then action is taken at the end of that notice to bring the case to court. The court would also alert the property owner through summons and other methods. Mr. Rejc stated that with regard to code violations, the GMD works very closely with Building Safety Division on identifying properties, and that code violations can contribute to a property being considered not approved for occupancy or condemned. Such properties are essentially what the GMD defines as



“blight” due to the threat it poses to its neighborhood. Mr. Rejc stated that it's possible that code compliance issues could build into a condemnation or disapproved for occupancy. Mr. Cobb cautioned that code violations could trigger demolition in other communities because code violations cover a broad range. Ms. Mierkowski mentioned that the Building Safety Division could offer more information upon request. Mr. Rejc stated that the term “blight” is kept deliberately vague by HUD to provide grantees with flexibility. Mr. Rejc also stated that displacement for the purposes of demolition would trigger the Uniform Relocation Act (URA), which is not advisable in any situation. Ms. Mierkowski reiterated that HUD suggests avoiding the URA if at all possible. Commissioner Diana stated that in theory a certain combination of code problems that are uncorrected over a period of time results in blight, but that period of time is undefined.

Chairperson Cobb entertained a motion to either forward the Resolution to Council with a recommendation for approval, forward the resolutions to Council with a recommendation for approval with changes, or to not forward for approval. Commissioner Hodgin-Jones motioned for the approval to forward the Resolution to Council with suggested changes. Commissioner Salaam seconded the motion; the motion carried unanimously.

**Study Session:** None.

**Adjournment:** Seeing no further business, Chairperson Cobb adjourned the meeting at 7:56p.m.

Recorded by

Don Ho  
Grants Compliance Specialist, Grants Management Division

*Don Ho*

*UNAPPROVED*