



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Community Development Commission

FROM: John A. Schneider, Manager

DATE: January 30, 2007

SUBJECT: HOME Funding Allocations – FY2007-2008

Description

Included on the agenda for the January 30, 2007 meeting of the Community Development Commission is a review of the applications from agencies requesting HOME program funding for FY2007-2008 and a summary of funding requests. In response to the invitation for funding requests that was open to area not-for-profit organizations (NFPs) from December 4, 2006 to January 12, 2007, the City of Urbana/Urbana HOME Consortium received a total of seven (7) applications. Four (4) applications request funding for specific projects and three (3) applications request CHDO operating funds.

Issues

The issue before the Community Development Commission (CDC) is to review and evaluate the HOME applications for FY2007-2008 and provide recommendations for funding which would then be placed in the Draft Annual Action Plan (AAP) for FY2007-2008. After the thirty-day public review period for the draft AAP, CDC will review the Draft with changes and will be asked to forward a final recommendation to Urbana City Council.

Background

Applications for sub-recipients to request HOME funding were available between December 4, 2006 and January 12, 2007. On December 11, 2006, staff conducted two training workshops to answer any questions about the application, activity eligibility or the process. Staff was also available throughout the application period to answer questions.

Due to the recent change in the Congressional majority, formula allocations of HOME funding that would typically be announced by this time of year have been delayed. A continuing budget resolution appears to provide approximately the same amount of HOME funding for Fiscal Year 2007-2008. The Urbana HOME Consortium was awarded \$1,049,488 in HOME funds and a separate allocation of \$23,528 for the American Dream Downpayment Initiative (ADDI) Program last year. A summary of the preliminary FY2007-2008 HOME budget is included in this memo.

Applications for specific projects were submitted by three agencies: Ecological Construction Laboratory (e-co lab), Homestead Corporation (Homestead) and the Urban League of Champaign County Development Corporation (ULCCDC). All three applicants are certified Community Housing Development Corporations (CHDOs) in the Urbana Consortium. HOME Funding requests fell into two categories: CHDO project funds and CHDO operating funds.

Summaries of the applications are provided below. Information for each application includes a brief description of the project, the amount of funding requested, and the score for each request. Copies of the applications and the scoring summaries produced by staff are attached for reference. Due to conflicting schedules, the Urbana HOME Consortium members were unable to meet in time to make recommendations for funding to the CDC. Staff will present the Consortium recommended funding amounts at the CDC meeting on January 30, 2007.

Overview of FY2007-2008 HOME Budget

HUD regulations outline the parameters that Participating Jurisdictions (PJs) must use to make sub-allocations for particular categories of expenses from the overall HOME grant. PJs are limited to using no more than ten percent (10%) of the annual allocation for administrative expenses. At least 15% of the PJ's total HOME grant must be set aside project funds for CHDO-administered projects. PJs also have the option to designate up to 5% of the annual allocation as Operating Funds awarded to CHDOs. The funds remaining after the set-aside of the sub-allocations describe above are known as Entitlement funds (EN), and represent the funds available for HOME eligible projects. As a Consortium, these funds are divided among the members based on a ratio provided by HUD: City of Champaign – 54.9%, Champaign County – 12.6%, City of Urbana – 32.5%. Following is a breakdown of the HOME program budget with standard allocations indicated above:

URBANA HOME CONSORTIUM

FY 2007-2008 HOME BUDGET (W/ STANDARD ALLOCATIONS)

(does not include any carry-over funding)

\$1,049,488.00	Anticipated Formula Allocation	Match Required
\$104,948.80	Administration 10% <i>(No Match Required)</i>	
\$157,423.20	CHDO Reserve 15% <i>(CHDOs provide 20% Match)</i>	\$31,484.64
<u>\$52,474.40</u>	CHDO Operating 5% <i>(No Match Required)</i>	
\$734,641.60	<i>Remaining Balance to be distributed among Consortium Members</i>	

Distribution among Consortium Members

\$238,758.52	Urbana Allocation 32.5%	20 % Local Match Required	\$47,751.70
\$403,318.24	City of Champaign Allocation 54.9%	20 % Local Match Required	\$80,663.65
\$92,564.84	Champaign County Allocation 12.6%	20 % Local Match Required	\$18,512.97

Note: This budget does not contemplate carry over amounts from previous years. These will be included in the draft FY 2007-2008.

1.0 CHDO Project Funds

CHDO Project Funds or CHDO Reserve (CR) may be used for projects that produce actual housing units in which the CHDO acts as an owner, a developer or a sponsor. Four (4) CHDO Project (CR) applications were received requesting FY2007-2008 HOME Program funds.

1.1 Ecological Construction Laboratory

Project: *Super Energy Efficient Single Family Home*

Amount Requested: \$25,000

145 points (200 possible)

Ecological Construction Laboratory has requested funding for construction of one (1) energy efficient single-family home in the Champaign-Urbana area that would be sold to an income-qualified household that is a first-time homebuyer. The home is designed to reduce overall energy costs by up to 90 percent of a standard home. The family must qualify for a mortgage of up to \$125,000 from a local lender. At time of application, a lot has not yet been identified for this proposed home.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

1.2 Homestead Corporation of Champaign-Urbana

Project: AHP Douglass Park Infill Project

Amount Requested: \$70,000

170 points (200 possible)

For its Affordable Homeownership Program (AHP), Homestead Corporation is requesting funds to subsidize the construction of three (3) single-family detached homes in Champaign. The homes would be pre-sold to income-qualified households. In February, 2007, Homestead Corporation will submit its AHP proposal to the City of Champaign in response to the Douglass Park Neighborhood Infill request for proposals. The project is contingent on proposal acceptance by City of Champaign who owns the three lots upon which the homes are proposed to be built.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

1.3 Urban League of Champaign County Development Corporation

Amount Requested: \$40,000.00

175 points (200 possible)

ULCCDC has requested funds to allow two (2) households to take part in their Lease-

Purchase Program. Through this program, income-qualified households that participate in financial counseling and budget training are given the opportunity to become homeowners. Participants identify the home they would like to purchase, which is then purchased by ULCCDC. The participant then resides in the home as a tenant for a period of up to 36 months, during which he/she works with ULCCDC to resolve credit issues and secure a conventional mortgage.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

1.4 Urban League of Champaign County Development Corporation

Amount Requested: \$120,000.00

155 points (200 possible)

ULCCDC has requested funds to be used in the construction of six (6) new single-family detached homes in Urbana. The homes would be marketed and pre-sold to income-qualified households who will have the opportunity to receive financial counseling and budget training, if necessary. Participants will be required to attend ULCCDC homebuyer seminar and home maintenance training. The ULCCDC will also support the program by offering post purchase counseling to the homeowners. ULCCDC owns the proposed site which is currently zoned for business. The property would have to be rezoned and subdivided before the development could be allowed.

2005-2009 Consolidated Plan Goal addressed:

Goal 2: Provide decent affordable housing opportunities for low- and moderate-income households.

2.0 CHDO Operating Funds

HUD regulations allow PJs, at their discretion, to set aside 5% of the annual allocation for operating expenses of current CHDOs. The policies adopted by the Urbana HOME Consortium with respect to CHDO Operating (CO) awards state that CHDOs may be awarded operating funds annually for up to four years, with the possibility of two additional years upon review of the CHDO's operational budget. Consortium policies further cap annual CO awards at \$35,000 for new CHDOs and \$25,000 for established CHDOs.

Three applications for CHDO Operating Funds were received as part of the FY2007-2008 funding cycle invitation for funding requests. All three agencies requesting operating funds are currently certified CHDOs for the Consortium. Following is a summary of the CHDO Operating funds requested:

2.1 Ecological Construction Laboratory

Amount Requested: \$25,000.00

E-co lab received CHDO Operating funds for the first time in FY 2006-2007

2.2 Homestead Corporation

Amount Requested: \$26,000.00

Homestead has received CHDO Operating funds since FY1998-1999.

2.3 Urban League of Champaign County Development Corporation

Amount Requested: \$20,000.00

ULCCDC has received CHDO Operating funds since FY2002-2003.

2005-2009 Consolidated Plan Goal addressed:

Goal 2, Strategy 1, Activity: Encourage the development of non-profit housing development organizations eligible for CHDO status.

The member jurisdictions of the Urbana HOME Consortium are in the process of finalizing the revisions to the policies and procedures at this time, and anticipate implementing changes to the provisions in the next fiscal year. These changes would allow Homestead to be eligible for CO funding for FY2007-2008.

The three Consortium member jurisdictions will meet on Monday January 29, 2007 to formulate a recommendation for distribution of CHDO funding for both 5% Operating and 15% Project Reserve. Staff will provide the Consortium recommendations to CDC at its January 30, 2007 meeting.

Fiscal Impacts

Over the past four years, the HOME grant for the Urbana HOME Consortium has been reduced a total amount of \$194,851. The total HOME grant award for FY2007-2008 is anticipated to be \$1,049,488 for the Consortium not including ADDI funding anticipated to be only \$23,528. The decisions made by the Consortium members, CDC and Urbana City Council will determine the specific projects for which those funds will be committed.

Recommendations

Staff will provide Urbana Consortium recommendations for HOME funding allocations to the Community Development Commission at its January 30, 2007 meeting.

Memorandum Prepared By:

**John A. Schneider
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Grants Management Division**

Attachments:

Applications for Funding:

CHDO Reserve (for Projects):

Ecological Construction Laboratory - *Super Energy Efficient Home*
Homestead Corporation - *AHP Douglass Park Neighborhood Infill*
ULCCDC - *Affordable Six*
ULCCDC - *Lease-Purchase Program*

CHDO Operating (for operating funds only):

Ecological Construction Laboratory - *CHDO Operating*
Homestead Corporation - *CHDO Operating*
ULCCDC - *CHDO Operating*